THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Electric Group Company Limited, you should at once hand this circular and the form of proxy and the reply slip to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

上海电气*
SHANGHAI ELECTRIC

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)

(1) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
(2) GENERAL MANDATE TO ISSUE SHARES;
(3) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER THE GENERAL MANDATE;
(4) PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING; AND
(6) SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

All capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular. A letter from the Board is set out on pages 1 to 32 of this circular.

A notice convening the EGM of the Company to be held at Fulin Hall, 9th Floor, Shanghai Bund Yujinxiang Xinya Hotel, 422 Tiantong Road, Shanghai, the PRC, at 9:00 a.m. on Tuesday, 20 April 2021 is set out on pages 192 to 193 of this circular. The supplemental notice of the EGM dated 26 March 2021 is enclosed with this circular, for the purpose of notifying the Shareholders of the addition of new resolutions in respect of (i) the General Mandate to issue Shares; (ii) proposed Non-public Issuance of A Shares under the General Mandate; and (iii) proposed consequential amendments to the Articles of Association. The resolution originally proposed to be considered at the EGM and contained in the original notice of the EGM remains unchanged.

A reply slip and a form of proxy for use at the EGM (the "**Original Form of Proxy**") have been published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) on Friday, 5 March 2021, and a supplemental form of proxy (the "**Supplemental Form of Proxy**") has been published on such website on 26 March 2021, incorporating new resolutions as proposed in the supplemental notice of the EGM enclosed in this circular. If you intend to appoint a proxy to attend the EGM, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the forms of proxy will not preclude you from attending the EGM and voting in person if you so wish. Shareholders who intend to attend the EGM in person or by proxy should complete and return the reply slip in accordance with the instructions printed thereon on or before Wednesday, 31 March 2021.

* *For identification purpose only*

31 March 2021

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

"A Share(s)"	the A Share(s), being ordinary share(s) issued in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the Shanghai Stock Exchange;
"Articles of Association"	the articles of association of the Company;
"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 (上海電氣集團股份有限公司), 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;
"CSDC"	China Securities Depository and Clearing Corporation Limited, Shanghai branch;
"CSRC"	the China Securities Regulatory Commission;
"Directors"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Tuesday, 20 April 2021 at Fulin Hall, 9th Floor, Shanghai Bund Yujinxiang Xinya Hotel, 422 Tiantong Road, Shanghai, the PRC;
"General Mandate"	the unconditional general mandate to issue additional A Shares and/or H Shares to be granted to the Board at the EGM, details of which are set out in the section headed "II. General Mandate to issue Shares" in the letter from the Board contained in this circular;
"Group"	the Company and its subsidiaries from time to time;

"H Share(s)"	the H Share(s), being the overseas listed foreign share(s) issued, in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the main board of the Hong Kong Stock Exchange;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Issue Period"	the appropriate period where the Company will issue A Shares to specific subscribers within 12 months after the relevant approval from the CSRC having been obtained;
"Latest Practicable Date"	30 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
"Non-public Issuance of A Shares"	the proposed non-public issuance of A Shares by the Company of not more than 1,570,597,109 A Shares to not more than 35 specific target subscribers, details of which are set out in the section headed "IV. Proposed Non-public Issuance of A Shares" in the letter from the Board contained in this circular;
"Pricing Benchmark Date"	has the meaning ascribed thereto under the section headed "IV. Proposed Non-public Issuance of A Shares - A. Issuance proposal for the proposed Non-public Issuance of A Shares - 4. Pricing Benchmark Date, issue price and pricing principles" in the letter from the Board contained in this circular;
"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;
"PRC Company Law"	the Company Law of the People's Republic of China, as amended, supplemented or otherwise modified from time to time;
"PRC Laws"	any and all laws, regulations, statutes, rules, decrees, notices and supreme court's judicial interpretations as may be in force and publicly available in the PRC from time to time;

"Related Party Transaction"	has the meaning ascribed thereto under the SSE Listing Rules;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Shanghai SASAC"	Shanghai State-owned Assets Supervision and Administration Commission;
"Share(s)"	the ordinary share(s) of nominal value RMB1.00 each in the share capital of the Company, including both A Share(s) and H Share(s);
"Shareholder(s)"	the shareholder(s) of the Company, including both holder(s) of A Share(s) and holders of H Share(s) of the Company;
"SSE Listing Rules"	the Rules Governing the Listing of Stock on Shanghai Stock Exchange;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Code on Takeovers and Mergers published by the SFC (as revised, supplemented or otherwise modified from time to time); and
"%"	per cent.

* *For identification purpose only*

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)

Executive Directors:
Mr. ZHENG Jianhua
Mr. HUANG Ou
Mr. ZHU Zhaokai
Mr. ZHU Bin

Non-executive Directors:
Ms. YAO Minfang
Ms. LI An

Independent non-executive Directors:
Dr. XI Juntong
Dr. XU Jianxin
Dr. LIU Yunhong

Registered office:
30th Floor, Maxdo Center
No. 8 Xingyi Road
Shanghai
PRC

Principal place of business in Hong Kong:
Rooms 901–903
Tower Two Lippo Centre
89 Queensway, Hong Kong

31 March 2021

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; (2) GENERAL MANDATE TO ISSUE SHARES; (3) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER THE GENERAL MANDATE; (4) PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION; (5) NOTICE OF EXTRAORDINARY GENERAL MEETING; AND (6) SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

References are made to the announcement of the Company dated 5 March 2021 in relation to the proposed amendments to the Articles of Association, the announcement of the Company dated 26 March 2021 in relation to the approval of the proposed Non-public Issuance of A Shares by the Board of the Company, pursuant to which, the Company will issue a maximum of 1,570,597,109 new A Shares to no more than 35 specific target subscribers by way of non-public issuance, and the proceeds expected to be raised will be no more than RMB5,000 million. The A Shares to be issued pursuant to the proposed Non-public Issuance of A Shares will be issued under the General Mandate, which is subject to the Shareholders' approval at the EGM. In addition, the Board will seek the Shareholders' authorization at the EGM to make necessary consequential amendments to the Articles of Association in relation to the changes to the registered capital and capital structure of the Company arising from the completion of the proposed Non-public Issuance of A Shares under the General Mandate.

The purpose of this circular, to which this letter forms a part of, is to give you a notice and supplemental notice of EGM, and to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

At the EGM, the following resolutions will be proposed for the Shareholders to approve: (i) proposed amendments to the Articles of Association; (ii) the General Mandate to issue Shares; (iii) proposed Non-public Issuance of A Shares under the General Mandate; and (iv) proposed consequential amendments to the Articles of Association.

II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to improve the corporate governance structure and to further improve the quality and efficiency of corporate governance, according to the PRC Company Law, the Guidelines on Governance of Listed Companies, the Guidelines for the Articles of Association of Listed Companies, the Securities Law of the People's Republic of China and other laws, regulations and normative documents, and taking into account the requirements of the Approval of the Adjustments to the Provisions on Notice Period for Convening General Meetings and Other Matters Applicable to Overseas Listed Companies (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) issued by the State Council on 17 October 2019, as well as the actual results of the repurchase and cancellation of certain restricted A shares, the repurchase and cancellation of certain H shares and the completion of the conversion of part of the convertible corporate bonds by the Company in 2020, the Company proposes to make amendments to certain articles in the Articles of Association and the Procedural Rules of the General Meeting annexed to the Articles of Association as follows:

Before amendment	After amendment
Article 20 Upon completion of the initial capital increase and issuance of A Shares in 2008, the private placement of A Shares in 2010, the conversion of part of the convertible corporate bonds issued domestically in 2015 into shares, the issuance of shares to Shanghai Electric (Group) Corporation in 2016 for assets acquisition and the issuance of shares to Shanghai Electric (Group) Corporation for assets acquisition and raising of supporting funds in 2017, and the completion of grant of the restricted shares under the Restricted A Share Incentive Scheme of the Company in 2019, the registered capital of the Company is RMB15,152,461,836 (as of 30 September 2019). The change of the registered capital of the Company shall be conducted in accordance with the procedures prescribed by relevant laws and regulations of the PRC.	**Article 20** Upon completion of the initial capital increase and issuance of A Shares in 2008, the private placement of A Shares in 2010, the conversion of part of the convertible corporate bonds issued domestically in 2015 into shares, the issuance of shares to Shanghai Electric (Group) Corporation in 2016 for assets acquisition, the issuance of shares to Shanghai Electric (Group) Corporation for assets acquisition and raising of supporting funds in 2017, the completion of grant of the restricted shares under the Restricted A Share Incentive Scheme of the Company in 2019, *the repurchase and cancellation of certain restricted A shares of the Company in 2020 and the repurchase and cancellation of certain H shares of the Company in 2020, the registered capital of the Company is RMB15,705,971,092 (as of 1 February 2021)*. The change of the registered capital of the Company shall be conducted in accordance with the procedures prescribed by relevant laws and regulations of the PRC.

Before amendment	After amendment
Article 44 …… If any of the Company's directors, supervisors, senior management officers and shareholders who holds more than 5% of the total shares of the Company sell such person's shares of the Company within six (6) months after having bought such shares, or buy such shares within six (6) months after having sold them, all earnings thus obtained shall belong to the Company and be revoked by the board of directors of the Company. However, if the securities company holds more than 5% of the company's shares due to its undertaking of shares remaining after sales, the sales of such shares shall be not limited by such time period of six (6) months. ……	**Article 44** …… If any of the Company's directors, supervisors, senior management officers and shareholders who holds more than 5% of the total shares of the Company sell such person's shares of the Company *or other securities with an equity nature* within six (6) months after having bought such shares *or securities, or buy such shares or securities* within six (6) months after having sold them, all earnings thus obtained shall belong to the Company and be revoked by the board of directors of the Company. However, a securities company which holds more than 5% of the Company's shares due to its undertaking of shares remaining after sales *upon underwriting and other circumstances stipulated by the China Securities Regulatory Commission are excluded. Shares or other securities with an equity nature held by directors, supervisors, senior management officers and natural person shareholders referred to in the preceding Paragraph include shares or other securities with an equity nature held by their spouses, parents and children and held under others' accounts.* ……

Before amendment	After amendment
Article 46 Within thirty (30) days prior to a general meeting of shareholders or within five (5) days prior to the record date for dividend distribution set by the Company, no entry may be made in the register of shareholders to record any change resulting from any transfer of H shares.	**Article 46** *Closure of registers of members* prior to a general meeting of shareholders or prior to the record date for dividend distribution set by the Company *shall be conducted in accordance with the laws, regulations and the relevant requirements of the securities regulatory authorities at the place where the shares of the Company are listed.*
Article 63 When the Company decides to convene a general meeting, it shall issue a written notice forty-five (45) days prior to the meeting, informing all registered shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the general meeting shall deliver a written reply confirming its attendance to the Company twenty (20) days prior to the meeting.	**Article 63** When the Company decides to convene an *annual* general meeting, it shall issue a written notice *twenty (20) clear business days* prior to the meeting. *When the Company decides to convene an extraordinary general meeting, it shall issue a written notice ten (10) clear business days or fifteen (15) days (whichever is longer) prior to the meeting. Such notice shall* serve to inform all registered shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting.

Before amendment	After amendment
<u>Article 66</u> Based on the written replies received twenty (20) days prior to a general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may convene the general meeting; otherwise, the Company shall, within five (5) days, make another announcement informing the shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting. The Company may convene the general meeting thereafter. An extraordinary general meeting may not decide on matters not specified in the notice.	**<u>Article 66</u>** An extraordinary general meeting may not decide on matters not specified in the notice.
<u>Article 68</u> …… The announcement referred to in the preceding Paragraph shall be published in the designated media between forty-five (45) to fifty (50) days prior to the meeting. The designated media shall mean media designated by PRC laws, regulations or the competent securities regulatory authority of the State Council. Once the announcement is made, all holders of domestic shares are deemed to have received the notice of the general meeting. ……	**<u>Article 68</u>** …… The announcement referred to in the preceding Paragraph shall be <u>*published on the website of the stock exchange and in the media that meet the conditions specified by securities regulatory authorities and other regulatory authorities*</u> prior to the meeting. Once the announcement is made, all holders of domestic shares are deemed to have received the notice of the general meeting. ……

Before amendment	After amendment
Article 99 When the Company decides to convene a meeting of class shareholders; it shall issue a written notice forty-five (45) days prior to the meeting, informing all registered shareholders of such class of the matters to be deliberated at the meeting as well as the date and place of the meeting. Shareholders intending to attend the meeting shall deliver a written reply confirming their attendance to the Company twenty (20) days prior to the meeting. If the number of shares carrying the right to vote at the meeting represented by shareholders intending to attend the meeting is more than half (1/2) of the total number of shares of such class that carry the right to vote at the meeting, the Company may convene the meeting of class shareholders; otherwise, the Company shall, within five (5) days, make another announcement informing the shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting. After giving the announcement, the Company may convene the meeting of class shareholders.	**Article 99** When the Company decides to convene a meeting of class shareholders, it shall issue a written notice *with reference to the notice period of the general meeting set out in Article 63,* informing all registered shareholders of such class of the matters to be deliberated at the meeting as well as the date and place of the meeting.

Before amendment	After amendment
Article 104 The Board, independent director(s), and the shareholder(s) who meet(s) the relevant requirements of the Company may solicit voting rights from shareholders publicly. During the solicitation of voting rights from shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom voting rights are being solicited. No consideration or other form of de facto consideration shall be involved in the solicitation of voting rights from shareholders. The Company shall not impose any limitation related to the minimum shareholding ratio on the solicitation of voting rights.	**Article 104** The Board, independent director(s), *the shareholder(s) holding 1% or more of voting shares, or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the securities regulatory authorities may act as the solicitors, or entrust securities companies and securities service agencies, to publicly request the Company's shareholders to entrust them to attend the general meeting and exercise shareholder's rights such as right of making motions and voting rights on behalf of such shareholders.* *In the case of soliciting shareholders' rights in accordance with the preceding Paragraph, the solicitor shall disclose the solicitation documents and the Company shall provide assistance.* No consideration or other form of de facto consideration shall be involved in the public solicitation of rights from shareholders. *If a public solicitation of rights from shareholders is in violation of any laws, administrative regulations, or the relevant provisions of the securities regulatory authorities, resulting in losses to the Company or its shareholders, the solicitor shall be liable for damages.*

Before amendment	After amendment
Article 118 The board of directors shall record decisions on matters deliberated at a meeting to form the minutes of the meeting. Directors and secretary of the board of directors present at the meeting and the recorder shall affix their signatures on the meeting minutes. The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors is in violation of any laws, administrative regulations, or these Articles of Association, and therefore, results in any material losses to the Company, directors involved in the resolution shall be liable to indemnify the Company. However, any director who is proven to have expressed his objection to such resolution in voting and whose objection has been recorded in the minutes may be exempted from liabilities.	**Article 118** The board of directors shall record decisions on matters deliberated at a meeting to form the minutes of the meeting. Directors and secretary of the board of directors present at the meeting and the recorder shall affix their signatures on the meeting minutes. The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors is in violation of any laws, administrative regulations, or the Articles of Association *and the resolutions of the general meeting,* and therefore, results in any material losses to the Company, directors involved in the resolution shall be liable to indemnify the Company. However, any director who is proven to have expressed his objection to such resolution in voting and whose objection has been recorded in the minutes may be exempted from liabilities.
Article 16 of the Procedural Rules of the General Meeting When the Company decides to convene a general meeting, it shall issue a written notice forty-five (45) days prior to the meeting, informing all registered shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting. Shareholders who intend to attend the general meeting shall deliver a written reply confirming its attendance to the Company twenty (20) days prior to the meeting.	**Article 16 of the Procedural Rules of the General Meeting** When the Company decides to convene an *annual* general meeting, it shall issue a written notice *twenty (20) clear business days prior to the meeting. When the Company decides to convene an extraordinary general meeting, it shall issue a written notice ten (10) clear business days or fifteen (15) days (whichever is longer) prior to the meeting. Such written notice shall serve to inform* all registered shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting.

Before amendment	After amendment
<u>**Article 18 of the Procedural Rules of the General Meeting**</u> Based on the written replies received twenty (20) days prior to a general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may convene the general meeting; otherwise, the Company shall, within five (5) days, make another announcement informing the shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting. The Company may convene the general meeting thereafter.	Delete this article, and the number sequence of the subsequent articles shall be renumbered accordingly.
<u>**Article 21 of the Procedural Rules of the General Meeting**</u> … The above-mentioned announcement shall be published in the designated media between forty-five (45) to fifty (50) days prior to the meeting. The designated media shall mean media designated by PRC laws, regulations or the competent securities regulatory authority of the State Council. Once the announcement is made, all holders of domestic shares are deemed to have received the notice of the general meeting.	<u>**Article 20 of the Procedural Rules of the General Meeting**</u> … The above-mentioned announcement shall be published <u>*on the website of the stock exchange and in the media that meet the conditions specified by securities regulatory authorities and other regulatory authorities*</u>. Once the announcement is made, all holders of domestic shares are deemed to have received the notice of the general meeting.

Before amendment	After amendment
<u>Article 63 of the Procedural Rules of the General Meeting</u> When the Company decides to convene a meeting of class shareholders, it shall issue a written notice forty-five (45) days prior to the meeting, informing all registered shareholders of such class of the matters to be deliberated at the meeting as well as the date and place of the meeting. Shareholders intending to attend the meeting shall deliver a written reply confirming their attendance to the Company twenty (20) days prior to the meeting.	**<u>Article 62 of the Procedural Rules of the General Meeting</u>** When the Company decides to convene a meeting of class shareholders, it shall issue a written notice <u>*with reference to the notice period of the general meeting set out in Article 16,*</u> informing all registered shareholders of such class of the matters to be deliberated at the meeting as well as the date and place of the meeting.
<u>Article 64 of the Procedural Rules of the General Meeting</u> If the number of shares carrying the right to vote at the meeting represented by shareholders intending to attend the meeting is more than half (1/2) of the total number of shares of such class that carry the right to vote at the meeting, the Company may convene the meeting of class shareholders; otherwise, the Company shall, within five (5) days, make another announcement informing the shareholders of the matters to be deliberated at the meeting as well as the date and place of the meeting. After giving the announcement, the Company may convene the meeting of class shareholders.	Delete this article, and the number sequence of the subsequent articles shall be renumbered accordingly.

Save for the above amendments, the other articles of the Articles of Association remain unchanged.

The proposed amendments to the Articles of Association are still subject to consideration and approval at the general meeting of the Company. The Board has resolved to propose a resolution at the general meeting of the Company to authorise the Board in turn to authorise the management of the Company to handle the approval and filing procedures with relevant regulatory authorities involved in such amendments, and to make wording adjustments to such amendments according to opinions of the regulatory authorities.

III. GENERAL MANDATE TO ISSUE SHARES

To ensure flexibility and discretion to the Board to issue new Shares when it becomes desirable, the Board has resolved to submit a special resolution to the EGM for consideration and approval on a proposed General Mandate to issue certain Shares. Pursuant to the General Mandate (if granted), according to market conditions and the needs of the Company, the Board will separately or concurrently issue additional A Shares and/or H Shares in the share capital of the Company, the total number of such additional A Shares and/or H Shares to be issued shall not exceed each of 20% of the issued A Shares and H Shares of the Company, respectively, as at the time of approval of the relevant resolution at the EGM.

As at the Latest Practicable Date, the issued share capital of the Company comprised of 12,781,489,092 A Shares and 2,924,482,000 H Shares. Subject to the approval of the grant of the General Mandate by the Shareholders and on the basis that no further Shares are issued before the EGM, the Board will have the power to issue up to 2,556,297,818 A Shares and 584,896,400 H Shares.

The specific contents of the General Mandate include but are not limited to the following:

1. The granting of a general mandate to the Board of the Company (within the scope as set out in paragraph 2 below) to, subject to market conditions and the requirements of the Company, separately or concurrently issue additional shares of the issued A Shares and/or H Shares of the Company during the Relevant Period (as defined below), and to make decisions or grant power to make decisions which might require the exercise of such powers (including authorising the Board during the Relevant Period to make decisions or grant power to make decisions which might require the exercise of such powers after the end of the Relevant Period).

2. The aggregate number of the A Shares and/or H Shares conditionally or unconditionally agreed to be issued (whether pursuant to the exercise of options or otherwise) by the Board shall not exceed 20% of the respective class of Shares in issue of the Company when this resolution is approved at the EGM.

3. The Board is authorised to formulate and implement the detailed issuance plan, including but not limited to (i) the class and number of the new shares to be issued, (ii) the pricing mechanism and/or issue price (including price range), (iii) starting and closing date of the issuance, (iv) use of proceeds, (v) the making or granting of authorisations in respect of decisions which may require the exercise of such powers; and (vi) other contents that the detailed issuance plan should contain as required by the relevant laws and regulations and other regulatory documents, the relevant regulatory institutions, and the exchange where the relevant Shares are listed.

4. The Board is authorised to engage intermediary institutions in respect of the issuance of Shares, to approve and sign all acts, documents and other matters necessary or relevant to the issuance of Shares, and to consider, approve, and sign, on behalf of the Company, agreements related to the issuance of Shares, including but not limited to subscription agreements, underwriting agreements and engagement agreements of intermediaries.

5. The Board is authorised to consider and execute, on behalf of the Company, statutory documents related to the issuance of Shares for submission to the relevant regulatory authorities, to carry out relevant approval procedures as required by regulatory authorities and the places in which the Company is listed, and to complete all necessary filings, registrations and record with the relevant governmental authorities of Hong Kong and/or any other regions or jurisdictions (if applicable).

6. The Board is authorised to amend, as required by regulatory authorities within or outside China, relevant agreements and statutory documents referred to in paragraphs (4) and (5) above.

7. The Board is authorised to approve the increase in registered capital of the Company after issuance of the new Shares, make appropriate and necessary amendments to the relevant contents of total share capital and shareholding structure in the Articles of Association, carry out the relevant approval, registration and filing procedures pursuant to domestic and overseas statutory requirements, and take any other action and complete any procedures required to implement the relevant share issuance and realize the increase in the registered capital of the Company.

8. Upon obtaining of the aforesaid mandate by the Board, to delegate the authority to the authorised person(s) of the Company to jointly or individually sign, execute, amend, complete and submit all agreements, contracts and documents relating to the issuance of shares under the General Mandate unless otherwise required under the relevant laws and regulations.

9. Exercise of the General Mandate by the Board is subject to the approvals of the CSRC and/or the other relevant governmental authorities of the PRC and in accordance with the PRC Company Law, the Securities Law of the PRC, the Hong Kong Listing Rules or all applicable laws, regulations and rules of any other governmental or regulatory authorities.

Except that the Board may make decisions or grant power to make decisions under the authorisation granted thereto during the Relevant Period in relation to the issuance of A Shares and/or H Shares, which might require further promotion or implementation after the end of the Relevant Period, the General Mandate shall be effective during the Relevant Period. "Relevant Period" means the period from the date of passing of this resolution as a special resolution at the EGM until whichever is the earliest of:

(i) the conclusion of the next first annual general meeting, unless the General Mandate is renewed by an ordinary resolution passed in such annual general meeting; or

(ii) the revocation or variation of the authority given under this resolution by passing of a special resolution of the Company in a general meeting.

Should the Board or its authorised person(s), during the Relevant Period, sign the necessary documents, complete the necessary formalities or take relevant steps which might require to be performed or carried out upon or after the end of the Relevant Period or continued after the end of the Relevant Period, the Relevant Period will be extended accordingly.

The General Mandate has been considered and approved by the Board, and will be proposed at the EGM for the Shareholders' consideration and approval by way of special resolution.

IV. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

A. Issuance proposal for the proposed Non-public Issuance of A Shares

The Board is pleased to announce that, on 26 March 2021, the Board has approved the proposed Non-public Issuance of A Shares under the General Mandate, pursuant to which the Company will issue a maximum of 1,570,597,109 new A Shares to no more than 35 specific subscribers by way of non-public issuance, at a final issue price to be determined in the manner described under "4. Pricing Benchmark Date, issue price and pricing principles" below. The Company intends to raise gross proceeds of not more than RMB5,000 million.

Details of the proposed Non-public Issuance of A Shares are set out below:

1. Class and par value of Shares to be issued — The Shares to be issued are A Shares with a par value of RMB1.00 per share.

2. Method and time of issuance

The proposed Non-public Issuance of A Shares will be undertaken by way of non-public issuance to specific subscribers. The Company will issue A Shares to specific subscribers at an appropriate time within the validity period as approved by the CSRC. According to the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the validity period of the CSRC approval will be 12 months. The Company will complete the proposed Non-public Issuance of A Shares as soon as practicable within 12 months after the relevant approval from the CSRC having been obtained.

3. Target subscribers and subscription method

The target subscribers of the Non-public Issuance of A Shares will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the relevant legal and regulatory requirements.

Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that subscribe for the relevant A Shares with two or more of the products managed by them, shall be taken as one single target subscriber. A trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

Upon obtaining the written approval of the CSRC for the proposed Non-public Issuance of A Shares, the final target subscribers shall be determined by the Board or its authorised person(s) under the authorisation granted at the EGM, with the sponsoring institution (lead underwriter) according to the price inquiry results based on the price priority and other principles according to the prices offered by the target subscribers. The Company will make further announcement(s) on the list of the final target subscribers upon such final decision having been made.

All A Shares to be issued under the proposed Non-public Issuance of A Shares will be subscribed for in cash.

4. Pricing Benchmark Date, issue price and pricing principles

The pricing benchmark date of the proposed Non-public Issuance of A Shares (the "**Pricing Benchmark Date**") shall be the first day of the Issue Period of the proposed Non-public Issuance of A Shares.

Pursuant to Article 38 of the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) and Article 7 of the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), the issue price of the Issuance shall be no less than 80% of the average trading price (rounded up to the nearest two decimal places) of the A Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date (excluding the Pricing Benchmark Date; same for below). The average trading price of the A Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date shall be the total trading amount of the A Shares for the 20 trading days preceding the Pricing Benchmark Date divided by the total trading volume of the A Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date. In addition, the issue price of the Issuance shall not be less than the price of the Company's latest audited net assets per share attributable to ordinary equity holders of the Company prior to the Non-public Issuance of A Shares. In the event that the Company distributes any dividends, grants bonus shares, or carries out capitalisation of capital reserve or other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial report as at the Pricing Benchmark Date up to the date of the Issuance, the above net assets value per share attributable to ordinary equity holders of the Company shall be adjusted accordingly.

Based on the aforementioned base price, the final issue price shall be determined in accordance with relevant laws and regulations and the request of the regulatory authorities, upon the Company obtaining the approval of the CSRC for the Non-public Issuance of A Shares, by the Board or its authorised person(s) under the authorisation granted at the EGM, with the sponsoring institution (lead underwriter) with reference to the price inquiry results based on the price priority and other principles according to the prices offered by the target subscribers.

In the event that the Company distributes cash dividends, grants bonus shares, capitalisation of capital reserve or carries out any other ex-right or ex-dividend activities in respect of A Shares during the period commencing from the Pricing Benchmark Date of the Non-public Issuance of A Shares to the issuance date, adjustments shall be made to the base price for the Non-public Issuance of A Shares accordingly.

The average closing price of the H Shares in the five trading days immediately prior to 26 March 2021 (being the date of the Company's announcement issued in respect of the proposed Non-public Issuance of A Shares) was HK$2.908 per H Share (the "**H Share Average Closing Price**"). Pursuant to Rule 13.36(5) of the Hong Kong Listing Rules, the Company may not issue any securities pursuant to a general mandate given under Rule 13.36 (2)(b) if the relevant price represents a discount of 20% or more to the benchmarked price of the H Shares, such benchmarked price being the higher of: (i) the closing price of H Shares on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and (ii) the H Share Average Closing Price. The Company will make further announcement(s) when the Issue Price has been determined, and will comply with the relevant requirements under Rule 13.36(5) of the Hong Kong Listing Rules.

5. Number of Shares to be issued

The number of Shares to be issued under the Non-public Issuance of A Shares shall be determined by dividing the funds to be raised with the issue price (if the number of Shares obtained is not a whole number, it shall be rounded down to the nearest whole number), and will not exceed 1,570,597,109 Shares, representing not more than 10% of the total issued share capital of the Company prior to the completion of the Non-public Issuance of A Shares. The proportion of the maximum number of A Shares to be issued under the Non-public Issuance of A Share against the Company's total existing A shares issued is approximately 12.29%.

The maximum number of A Shares to be issued under the Non-public Issuance of A Shares will be based on the approval granted by the CSRC. After obtaining the approval for the proposed Non-public Issuance of A Shares from the CSRC, the Board or its authorised persons(s) shall, pursuant to the authorisation of the Shareholders in the EGM and within the scope approved by the CSRC, negotiate with the sponsoring institution (lead underwriter) to determine the final number of A Shares to be issued according to the relevant regulations of the CSRC and the actual circumstances at the time of issuance.

If ex-rights or ex-dividend events (such as distribution of dividends, bonus issues or capitalisation of capital reserve) occur during the period between the date hereof to the issuance date, or there occurs any change in the share capital of the Company due to events such as the implementation of share award schemes or repurchase of Shares during such period, then the number caps of the of Shares under the Non-public Issuance of A Shares will be adjusted correspondingly according to relevant requirements.

6. Lock-up period arrangement	Upon the completion of the Non-public Issuance of A Shares, target subscribers shall not transfer or deal with the A Shares subscribed under the Non-public Issuance of A Shares during a period of six months commencing from the closing date of the Non-public Issuance of A Shares. After the end of the aforementioned lock-up period, the transactions under the Non-public Issuance of A Shares shall be conducted in accordance with the relevant regulations of the CSRC and the Shanghai Stock Exchange. In the event that the number of A Shares held by the target subscribers increases due to reasons such as bonus issue and/or capitalisation of capital reserve after completion of the Non-public Issuance of A Shares, such Shares shall also be subject to the aforementioned lock-up arrangement.
7. Place of listing of the new A Shares to be issued	The A Shares to be issued under the Non-public Issuance of A Shares will be listed and traded on the Shanghai Stock Exchange.
8. Arrangement of accumulated undistributed profits	Both new Shareholders and existing Shareholders after the issuance of A Shares under the Non-public Issuance of A Shares shall be entitled to the accumulated undistributed profits of the Company.
9. Validity of the resolutions in respect of the Non-Public Issuance of A Shares	The resolutions regarding the Non-public Issuance of A Shares shall remain valid for a period of 12 months from the date of consideration and approval of such resolutions at the EGM.
10. Amount and use of proceeds	The gross proceeds to be raised from the Non-public Issuance of A Shares is expected to be no more than RMB5,000 million. After the deduction of expenses related to the issuance, the proceeds raised will be applied in the following aspects:

Item		Total investment amount of the relevant project *(RMB0'000)*	The amount of proceeds to be applied *(RMB0'000)*	Expected time of utilisation*
Non-carbon Energy Power Technology Research and Development Project	Supercritical CO_2 technology research and development project	98,711.00	55,000.00	2024
	Large-capacity energy storage technology research and development project	32,997.00	19,000.00	2024
	Technology research and development project of hydrogen production from electrolyzed water	40,280.00	26,000.00	2024
Smart City Key Platform and System Development Project	Smart city "unified management through one network" system research and development project	44,052.88	34,000.00	2024
	Smart city rail transit system development project	51,573.21	38,000.00	2024
SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project		70,210.53	56,000.00	2024
Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical		191,701.93	125,000.00	2023
Replenishment of working capital		147,000.00	147,000.00	2021
Total		**676,526.55**	**500,000.00**	

* *The proceeds are expected to be utilised during the respective construction period of the relevant projects, the actual time of which will be based on the overall progress and actual circumstances of the relevant projects.*

Prior to the receipt of the relevant proceeds raised from the Non-public Issuance of A Shares, based on the actual circumstances of the aforementioned projects, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same.

Following receipt of the relevant proceeds, if the actual amount of net proceeds from the proposed Non-public Issuance of A Shares (after deduction of expenses related to the issuance) is less than the proposed amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of net proceeds and the priority of the relevant projects, and any shortfall in the investment amounts will be made up by utilising the internal funds of the Company or through other financing methods. The aforementioned adjustments will be made in accordance with actual circumstances, in particular the priority and capital demand of the relevant specific investment projects (including the expected time of utilisation disclosed above) which may not be on a pro rata basis. The Company will disclose the actual use of proceeds from the Non-public Issuance of A Shares (including the changes and adjustments made to the proposed use of proceeds disclosed herein, if any) in its annual and interim reports in accordance with the Hong Kong Listing Rules and other applicable rules and regulations in the PRC.

Save for the proposed Non-public Issuance of A Shares, as at the Latest Practicable Date, the Company has no concrete plans to carry out other fund-raising activities in the forthcoming twelve months.

As at the Latest Practicable Date, the Company has not entered into any agreement with any potential subscribers in respect of the proposed Non-public Issuance of A Shares, nor did the Company have any intention to issue any new A Share under the Non-public Issuance of A Shares to any connected person of the Company. If any of the new A Shares under the Non-public Issuance of A Shares is issued to any connected person of the Company, the Company will separately seek independent Shareholders' approval for granting specific mandate and comply with relevant requirements under Chapter 14A of the Hong Kong Listing Rules, including but not limited to announcement and the obtaining of independent Shareholders' approval.

B. Conditions precedent of the proposed Non-public Issuance of A Shares

The proposed Non-public Issuance of A Shares is subject to (i) the approval of the Shareholders at the EGM for the proposed Non-public Issuance of A Shares; (ii) the approval of the Shareholders at the EGM for the proposed granting of the General Mandate; and (iii) the approval of the CSRC. Upon obtaining the approval of the CSRC, the Company will apply to the Shanghai Stock Exchange and the CSDC to complete the approval and registration procedures for the proposed Non-public Issuance of A Shares.

C. Impact on the shareholding structure of the Company

As at the Latest Practicable Date, the total issued share capital of the Company is 15,705,971,092 Shares, which comprises 12,781,489,092 A Shares and 2,924,482,000 H Shares. Assuming that there is no change in the total issued share capital of the Company since the Latest Practicable Date save for the issuance of the A Shares pursuant to the proposed Non-public Issuance of A Shares, insofar as the Directors are aware, the shareholding structure of the Company (i) as at the Latest Practicable Date, and (ii) immediately after completion of the proposed Non-public Issuance of A Shares (assuming that the number of A Shares issued under the Non-public Issuance of A Shares is 1,570,597,109 Shares, that there will be no change in the existing Shareholders' shareholdings in the Company and that none of specific subscribers is or will become a connected person of the Company upon completion of the Non-public Issuance of A Shares) is set out as follows:

	As of the Latest Practicable Date		Immediately after completion of the proposed Non-public Issuance of A Shares	
	Number of Shares	Approximate percentage of the issued shares of the Company	Number of Shares	Approximate percentage of the issued shares of the Company
A Shares	12,781,489,092	81.38	14,352,086,201	83.07
Non-public Shareholders *(Note 1)*	8,257,405,141	52.58	8,257,405,141	47.80
Public	4,524,083,951	28.80	6,094,681,060	35.27
H Shares	2,924,482,000	18.62	2,924,482,000	16.93
Non-public Shareholders *(Note 1)*	313,642,000	2.00	313,642,000	1.82
Public	2,610,840,000	16.62	2,610,840,000	15.11
Total	15,705,971,092	100.00	17,276,568,201	100.00

Notes:

1. Non-public shareholders comprise core connected persons of the Company, which include directors, supervisors and substantial shareholders of the Company and/or its subsidiaries, and their close associates.

Following completion of the Non-public Issuance of A Shares (assuming that the number of A Shares issued under the Non-public Issuance of A Shares is 1,570,597,109 Shares and that there is no other change to the total issued share capital of the Company), Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) will become a holder of approximately 49.61% of the total issued Shares of the Company, and continue to be the holding company of the Company. The Company will continue to implement appropriate measures and mechanisms to ensure continual maintenance of the prescribed minimum public float of the Company under the Hong Kong Listing Rules.

D. Fund raising activities during the past 12 months

The Company has not conducted any fund raising activity involving issue of equity securities during the 12 months immediate preceding the Latest Practicable Date.

E. Authorisation to the Board and its authorised person(s)

In connection with the proposed Non-public Issuance of A Shares, a resolution will be submitted to the Shareholders for approval by way of a special resolution at the EGM to authorise the Board or its authorised person(s) to deal with the matters in relation to the proposed Non-public Issuance of A Shares within the scope of authorisation. The contents of authorisation include but are not limited to the following:

(i) To make appropriate amendments, adjustments and supplements to the terms of the proposed Non-public Issuance of A Shares within the scope permitted by the relevant laws, regulations and rules and the Articles of Association in accordance with the feedback of the regulatory authorities as well as the actual situations of the Company, to finalise the specific terms and plan for the proposed Non-public Issuance of A Shares prior to the issuance, and to formulate and implement the final plan for the proposed Non-public Issuance of A Shares, including but not limited to, the timing of the issuance, the subscription targets, method of the issuance, price of the issuance, number of Shares of the issuance, the use of proceeds, and to determine the timing to proceed with the Non-public Issuance of A Shares, the establishment of designated accounts for the proceeds, the signing of relevant account supervisory agreement(s) in respect of the designated accounts for the proceeds, as well as other matters related to the Non-public Issuance of A Shares.

(ii) To engage the intermediary institutions for the proposed Non-public Issuance of A Shares, to handle reporting matters related to issue of new Shares and their listing in connection with the Non-Public Issuance of A Shares, to approve, prepare, sign, modify and submit the application materials (or other necessary documents) related to the proposed Non-public Issuance of A Shares according to the relevant requirements of the regulatory authorities, to have full authority to respond to the queries raised by the regulatory authorities, to handle the relevant reporting, registration, filing, approval and consent procedures with the relevant governmental authorities, regulatory authorities, stock exchanges and securities registration and clearing institutions, and to handle information disclosure matters related to the Non-public Issuance of A Shares in accordance with regulatory requirements.

(iii) To prepare, sign, amend, supplement, submit, report and implement all the agreements, contracts and documents in relation to the proposed Non-public Issuance of A Shares (including but not limited to the share subscription agreement(s), agreement(s) related to the use of proceeds, engagement agreement(s) of intermediaries, announcement(s), policy(ies) and other disclosure documents).

(iv) To make adjustments to the specific arrangements on the use of proceeds within the scope as approved by the Shareholders at the EGM, pursuant to the relevant laws and regulations of the State and the requirements of the regulatory authorities and having considered the actual progress of the implementation of the investment projects to which the fund raising relates and the actual amount of proceeds raised.

(v) To handle the relevant matters such as registration, escrow arrangement, lock-up and listing of the A Shares under the Non-public Issuance of A Shares with the Shanghai Stock Exchange and the CSDC upon completion of the Non-public Issuance of A Shares.

(vi) To amend the relevant articles of the Articles of Association in order to reflect the registered capital and the capital structure of the Company following completion of the Non-public Issuance of A Shares, to handle the formalities for change of registration with the relevant industrial and commercial authority(ies) and to deal with other filing procedures.

(vii) To make corresponding adjustment(s) to the matters related to the proposed Non-public Issuance of A Shares if there is any change in the policies of the regulatory authorities in respect of non-public issuance of shares or any change in the market conditions (except for the matters that should be re-voted on at the general meeting of the Company according to the relevant laws and regulations, guidance materials, the Articles of Association and the requirements of the regulatory authorities).

(viii) To have a discretion to delay or cancel the implementation of the proposed Non-public Issuance of A Shares or continue to handle the proposed Non-public Issuance of A Shares based on new policies in the case of force majeure or any other circumstance which is sufficient to render the proposed Non-public Issuance of A Shares unimplementable, or although implementable, will cause material adverse effect to the Company if implemented, or if there is any change in the policies of the regulatory authorities in respect of non-public issuance of shares.

(ix) To analyse, study and demonstrate the dilution of immediate returns arising from the issuance of the A Shares under the Non-public Issuance of A Shares in the event of changes in policies and requirements of the relevant laws, regulations and the requirements of regulatory authorities on using re-financing to remedy the diluting effect on immediate returns, to formulate, amend and implement relevant remedial measures for dilution of immediate returns, and to handle any other matters in relation thereto.

(x) To deal with other matters relating to the Non-public Issuance of A Shares within the scope permitted under the relevant laws, regulations, guidance materials and the Articles of Association.

(xi) Subject to the grant the above authorisation to the Board by the Shareholders, to delegate the authorised person(s) of the Board to exercise all such matters authorised to be handled by the Board commencing on the date of approval at the EGM, unless otherwise required pursuant to the relevant laws and regulations.

(xii) In respect of the above authorisation to the Board that concerns the obtaining of approval from the CSRC on specific matters to be carried out after the Non-public Issuance of A Shares, such authorisation shall be valid until the date of completion of such specific matters. In respect of other matters, the above authorisation to the Board will be valid for 12 months commencing on the date of approval at the EGM.

F. Reasons for the proposed Non-public Issuance of A Shares

Upon completion of the Non-public Issuance of A Shares, gross proceeds in the amount of RMB5,000 million will be raised, which will strengthen the capital capability of the Group and lay a sound foundation for the Group's further expansion of its operations, and, in turn, enable it to realise breakthrough in its development and enhance its competitive strength.

As mentioned in the section headed "III. Proposed Non-public Issuance of A Shares – A. Issuance proposal for the proposed Non-public Issuance of A Shares – 10. Amount and use of proceeds" above, certain of the proceeds raised through the Non-public Issuance of A Shares is expected to be applied in Non-carbon Energy Power Technology Research and Development Project, Smart City Key Platform and System Development Project, SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project, Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical, and replenishment of working capital of the Group. The construction of the above investment projects is conducive for the Company to accelerating the improvement of the technological strength in the fields of non-carbon energy, industrial Internet and smart city and other businesses, expanding the diversified businesses, furthering the digital transformation of the Company and strengthening the comprehensive competitiveness of the Company.

The Non-public Issuance of A Shares was proposed after comprehensively considering the relevant laws and regulations regarding non-public issuance of A Shares in the PRC, the securities market conditions and the actual circumstances of the Company. As non-public issuance of A Shares is a direct means of fundraising, the time required by and financing costs of which are expected to be lower than other indirect means of fundraising and can effectively optimise the asset-liability structure of the Company while providing sufficient capital support for the Company's implementation of its strategic goals, the Company did not consider alternative fundraising methods appropriate. Moreover, the proposed size of the Non-public Issuance of A Shares (subject to the approval by the CSRC) is within the limit permitted under Rule 13.36(2) (b) (as modified by Rule 19A.38) of the Hong Kong Listing Rules. Therefore, the Directors are of the view that the proposed Non-public Issuance of A Shares under the General Mandate is compliant with the applicable laws, rules and regulations, time and cost efficient and in line with the Company's actual circumstances, strategic vision and sustainable development, and as such, it is in the best interest of the Company and its Shareholders as a whole.

In light of the above, the Directors are of the opinion that the proposed Non-public Issuance of A Shares is in the interests of the Company and the Shareholders as a whole.

G. Resolution on the Company's compliance with the conditions of Non-public Issuance of A Shares

After making an item-by-item check of the Company's actual operational and other circumstances in accordance with the requirements under the laws, regulations and other regulatory documents, including the PRC Company Law, the Securities Law of the People's Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), and the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), the Board confirmed that the Company has complied with the applicable conditions of non-public issuance of domestic listed RMB-dominated ordinary shares (A Shares) and will be eligible to conduct the proposed Non-public Issuance of A Shares.

The resolution has been considered and approved at the meeting of the Board, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

H. Resolution on the plan for the Non-public Issuance of A Shares

In accordance with the requirements under the relevant laws, regulations and other regulatory documents, including the PRC Company Law, the Securities Law of the People's Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), and the No. 25 of Standard of Content and Format on Information Disclosure for Publicly Listed Companies – Plan for and Issuance Report on Listed Companies' Non-public Issuance of Shares (《公開發行證券的公司信息披露內容與格式準則第25號– 上市公司非公開發行股票預案和發行情況報告書》), the Company has formulated the Plan for the Non-public Issuance of A Shares in 2021 of Shanghai Electric Group Company Limited (《上海電氣集團股份有限公司2021年度非公開發行A股股票預案》) in Chinese, full text of which is set out in Appendix I to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the meeting of the Board, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

I. Resolution on the feasibility analysis report on the use of proceeds from the Non-public Issuance of A Shares

In accordance with the relevant requirements under the relevant laws, regulations and other regulatory documents, including the PRC Company Law, the Securities Law of the People's Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), and the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), the Company has prepared the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of Shanghai Electric Group Company Limited (《上海電氣集團股份有限公司非公開發行A股股票募集資金使用可行性分析報告》) in Chinese, full text of which is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the meeting of the Board, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

J. Resolution on preparation of the report on the use of previously raised proceeds

In accordance with the relevant requirements of the Regulations on the Report on the Use of the Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No.500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) of the CSRC, the Company has prepared the Report on the Use of the Company's Previously Raised Funds as of December 31, 2020 (《公司截至2020年12月31日止前次募集資金使用情況的報告》) in Chinese, full text of which is set out in Appendix III to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the meeting of the Board, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

K. Resolution on the remedial measures for the dilution of immediate returns upon the Non-public Issuance of A Shares and undertakings by the relevant persons

In accordance with the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Small and Medium Investors in Capital Market (Guo Ban Fa [2013] No.110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and the Guidance on Matters Relating to the Dilution of Immediate Returns as a Result of Initial Public Offering, Refinancing and Major Asset Reorganisation (CSRC Notice [2015] No.31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), the Company analysed the impact of the proposed Non-public Issuance of A Shares on immediate returns and proposed the relevant remedial measures based on the actual circumstances and obtained undertakings regarding the implementation of such remedial measures by the relevant persons. Details of the dilution of immediate returns upon the Non-public Issuance of A Shares and remedial measures, and undertakings by the relevant persons are set out in Appendix IV to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the meeting of the Board, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

L. Resolution on the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023)

In order to further strengthen the awareness of rewarding Shareholders, improve the profit-distribution system and offer reasonable investment returns to Shareholders, the Company has formulated the Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) of Shanghai Electric Group Company Limited (《上海電氣集團股份有限公司未來三年(2021 – 2023年)股東回報規劃》) in accordance with the requirements of the PRC Company Law, the Securities Law of the People's Republic of China, the Notice of the China Securities Regulatory Commission on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies (《中國證券監督管理委員會關於進一步落實上市公司現金分紅有關事項的通知》), the Regulatory Guidance No. 3 on Listed Companies – Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號－上市公司現金分紅》) as well as the Articles of Association and taking into full account its actual circumstances. Full text of the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) is set out in Appendix V to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the meeting of the Board, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

IV. PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The existing registered capital of the Company is set out in the Articles of Association. Upon issue of Shares pursuant to the General Mandate, including the completion of the proposed Non-public Issuance of A Shares, the number of Shares in issue, the registered capital and the capital structure of the Company will change. Under the PRC Company Law and the Articles of Association, any increase in the registered capital and any material changes to the Articles of Association are subject to the approval of the Shareholders.

The Board will seek the Shareholders' authorisation at the EGM to authorise the Board or its authorised representative(s) to make necessary consequential amendments to the Articles of Association in relation to the changes to the registered capital and capital structure of the Company arising from the completion of the proposed Non-public Issuance of A Shares under the General Mandate and deal with the relevant registration and filing procedures with the relevant authorities and other matters in relation to the implementation of the Shareholders' and the Board's resolutions during their validity period relating to each of the proposals.

V. EGM

A notice convening the EGM to be held at 9:00 a.m. on Tuesday, 20 April 2021 at Fulin Hall, 9th Floor, Shanghai Bund Yujinxiang Xinya Hotel, 422 Tiantong Road, Shanghai, the PRC, is set out on pages 192 to 193 of this circular.

Notice of the EGM, the Original Form of Proxy to be used at the EGM and the relevant reply slip for attendance have been despatched to the Shareholders by the Company on 5 March 2021 and were also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.shanghai-electric.com). The Supplemental Form of Proxy has been published by the Company on aforementioned websites on 26 March 2021. The supplemental notice of the EGM dated 26 March 2021 is enclosed with this circular, for the purpose of notifying the Shareholders of the addition of new resolutions in relation to (i) the General Mandate to issue shares; (ii) proposed Non-public Issuance of A Shares under the General Mandate; and (iii) proposed consequential amendments to the Articles of Association. The resolution originally proposed to be considered at the EGM and contained in the original notice of the EGM remains unchanged. Please refer to the original notice of the EGM dated 5 March 2021 for details of the resolution originally proposed to the EGM, eligibility for attending the EGM, procedures for closure of register of members, appointment of proxy and other relevant matters.

The Supplemental Form of Proxy is the supplemental form of proxy for the addition of the new resolutions as set out in the supplemental notice of the EGM dated 26 March 2021 and only serves as a supplement to the Original Form of Proxy for the EGM. The Supplemental Form of Proxy will not affect the validity of any proxy form duly completed and delivered by you in respect of the resolution set out in the notice of the EGM dated 5 March 2021. If you have validly appointed a proxy to attend and act for you at the EGM but do not duly complete and deliver the Supplemental Form of Proxy, your proxy will be entitled to vote at his/her discretion on the new resolutions as set out in the supplemental notice of the EGM dated 26 March 2021. If you do not duly complete and deliver the original proxy form but have duly completed and delivered this Supplemental Proxy Form and validly appointed a proxy to attend and act for you at the EGM, your proxy will be entitled to vote at his/her discretion on the resolutions set out in the Notice of the EGM dated 5 March 2021. If the proxy being appointed to attend the EGM under the Supplemental Form of Proxy is different from the proxy appointed under the Original Form of Proxy and both proxies attended the EGM, the proxy validly appointed under the original proxy form shall be designated to vote at the EGM.

In order to determine the list of Shareholders who are entitled to attend the EGM, the register of members of the H Shares will be closed from Saturday, 20 March 2021 to Tuesday, 20 April 2021 (both days inclusive) during which period no transfer of H Shares will be effected. Holders of the Company's H Shares whose names appear on the register of members of the H Shares on Tuesday, 20 April 2021 are entitled to attend the EGM.

In order to attend and vote at the EGM, holders of H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on Wednesday, 31 March 2021. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

None of the Shareholders has a material interest in the abovementioned resolutions proposed at the EGM and thus none is required to abstain from voting at the EGM on the resolutions. None of the Directors has material interests in any resolution proposed at the EGM.

VI. RECOMMENDATION

The Directors are of the view that the resolutions described in this circular are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend all the relevant Shareholders to vote in favour of the resolutions to be proposed at the EGM.

VII. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, the resolutions at the general meeting of the Company will be taken by way of poll.

By order of the Board
Shanghai Electric Group Company Limited
ZHENG Jianhua
Chairman of the Board

Shanghai, the PRC

Stock Abbreviation (A Shares): Shanghai Electric Stock Code: 601727
Stock Abbreviation (H Shares): SH Electric Stock Code: 02727

上海电气*
SHANGHAI ELECTRIC

Shanghai Electric Group Company Limited

(30th Floor, Maxdo Center, No.8 Xingyi Road, Shanghai)

The Plan for the Non-public Issuance of A Shares in 2021

March 2021

STATEMENTS OF THE ISSUER

1. All Directors of Shanghai Electric Group Company Limited (the "**Company**") warrant that there is no false representation or misleading statement contained in the Plan or material omission from the Plan, and jointly and severally accept legal responsibility for the truthfulness, accuracy and completeness of the Plan.

2. The Plan is a statement of Board of the Company on the non-public issuance of A Shares (the "**Issuance**" or "**Non-public Issuance**") in 2021 by the Company. Matters mentioned in the Plan do not represent any substantive judgment, confirmation or approval from the approving authorities regarding matters relating to the Issuance. Effectiveness and completion of the matters relating to the Issuance mentioned in the Plan shall be subject to approval or authorisation by relevant approving authorities. Any decision or opinion expressed by the CSRC and other government authorities on the Issuance does not represent their substantial judgment or guarantee on the price of the Company's shares or returns to investors. Any statement contradicting the Plan is deemed false and a misrepresentation.

3. According to the Securities Law, upon the completion of the Issuance, the Company shall be responsible for any change in its operation and revenue, while the investment risks arising from the Issuance shall be borne by the investors.

4. If the investors are in any doubt as to the Plan, they should consult their stock brokers, legal advisers, professional accountants or other professional advisers.

5. The implementation of the Issuance will not result in any failure of the shareholding structure of the Company in meeting the listing requirements.

Special Notice

1. The Plan of the Issuance has been considered and approved at the Company's 48th meeting of the fifth session of the Board, but is still subject to the approval at the general meeting following the obtaining of the consent from the competent authority for state-owned assets supervision and administration, and the implementation of which is subject to the approval of the CSRC.

2. The target subscribers of the Non-public Issuance will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors, and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the relevant legal and regulatory requirements. Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that participate in the subscription with two or more products managed by them shall be taken as one single target subscriber. If the target subscriber is a trust company, it may only use its internal funds for subscription.

   Upon obtaining the approval of the CSRC for the application for the Issuance, the final target subscribers shall be determined by the Board of the Company or its authorised person(s) under the authorisation granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) of the Issuance according to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers.

   All target subscribers of the Issuance shall subscribe for the shares under the Non-public Issuance in cash.

3. The pricing benchmark date of the Issuance shall be the first day of the Issue Period of the Non-public Issuance of A Shares. The issue price shall be no less than 80% of the average trading price of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date (the average trading price of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date = the total trading amount of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date/the total trading volume of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date), and not less than the price of the Company's latest audited net assets per share attributable to ordinary equity holders of the Company prior to the Issuance. In the event that the Company distributes any dividends, grants bonus shares, or carries out capitalisation of capital reserve or other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial report as at the Pricing Benchmark Date up to the date of the Issuance, the above net assets value per share attributable to ordinary equity holders of the Company shall be adjusted accordingly.

The final issue price shall be determined in accordance with relevant requirements of laws and regulations and regulatory authorities and upon obtaining the approval of the CSRC for the application for the Issuance, by the Board of the Company or its authorised person(s) under the authorization granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) based on the principle of price priority according to the prices offered by the target subscribers.

In the event that the Company distributes cash dividends, grants bonus shares, carries out capitalisation of capital reserve or other ex-right or ex-dividend activities in respect of the shares of the Company during the period from the Pricing Benchmark Date of the Issuance to the issuance date, adjustments shall be made to the base price for the Issuance accordingly.

4. The number of shares to be issued under the Non-public Issuance shall be determined by dividing the funds raised with the issue price (if the number of shares obtained is not a whole number, it shall be rounded down to the nearest whole number), and will not exceed 1,570,597,109 Shares (inclusive 1,570,597,109 Shares), representing not more than 10% of the total share capital of the Company prior to the Non-public Issuance. The maximum number of the shares to be issued will be based on the approval granted by the CSRC. Within the scope approved by the CSRC, the Board or its authorised persons(s) shall, pursuant to the authorisation granted at the general meeting, negotiate with the sponsoring institution (lead underwriter) to determine the final number of the shares to be issued according to the relevant regulations of the CSRC and the actual circumstances at the time of issuance.

   If ex-rights or ex-dividend events in respect of the shares of the Company (such as distribution of dividends, bonus issues or capitalisation of capital reserve) occur during the period between the date of announcement of the Board resolutions in relation to the Issuance to the issuance date, or there occurs any change in the total share capital of the Company due to events such as the implementation of equity incentive plans or repurchase of shares during such period, the maximum number of shares to be issued will be adjusted correspondingly.

5. Upon the completion of the Non-public Issuance, target subscribers shall not transfer or deal with the shares subscribed for during a period of six months commencing from the closing date of the Issuance. After the end of the lock-up period, the transactions under the Issuance shall be conducted in accordance with the relevant regulations of the CSRC and the Shanghai Stock Exchange.

   In the event that the number of the shares held by the target subscribers increases due to reasons such as bonus issue and capitalisation of capital reserve after completion of the Non-public Issuance, such shares shall also be subject to the aforementioned lock-up arrangement.

6. The gross proceeds from the Non-public Issuance is expected to be not more than RMB5,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Name of the investment project		Total investment amount of the relevant project	The amount of proceeds to be applied
Project name	Subproject name	*(RMB ten thousand)*	*(RMB ten thousand)*
Non-carbon Energy Power Technology Research and Development Project	Supercritical CO_2 technology research and development project	98,711.00	55,000.00
	Large-capacity energy storage technology research and development project	32,997.00	19,000.00
	Technology research and development project of hydrogen production from electrolyzed water	40,280.00	26,000.00
Smart City Key Platform and System Development Project	Smart city "unified management through one network" system research and development project	44,052.88	34,000.00
	Smart city rail transit system development project	51,573.21	38,000.00
SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project		70,210.53	56,000.00
Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical		191,701.93	125,000.00
Replenishment of working capital		147,000.00	147,000.00
Total		**676,526.55**	**500,000.00**

Except for replenishment of working capital, the proceeds shall be all utilised in the capital expenditures of all investment projects. Prior to the receipt of the proceeds raised from the Issuance, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of the proceeds, if the actual amount of the net proceeds (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of the net proceeds and the priority and capital requirements of the projects, and any shortfall in the proceeds will be made up by utilising the internal funds of the Company or through other financing methods.

7. The Non-public Issuance will not result in any change to the de facto controller of the Company or any failure of the shareholding structure of the Company in meeting the listing requirements.

8. For the profit distribution in the latest three years, cash dividend policies and execution and the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021-2023) (未來三年(2021-2023年)的股東分紅回報規劃), please see "Section IV Profit distribution policy and relevant information of the Company" in this Plan for details.

9. For the impact of dilution of immediate returns resulting from the Issuance on the key financial indicators of the Company and the measures intended to be taken by the Company, please see "Section V Dilution of Immediate Returns Upon the Non-Public Issuance of A Shares and Remedial Measures" in this Plan for details. The investors are advised to pay attention to the risks associated with the dilution of shareholders' immediate returns by the Non-public Issuance. Although the Company has formulated remedial measures against the risks associated with the dilution of immediate returns, such remedial measures cannot be construed as a guarantee of the future profits of the Company. Investors shall not make investment decisions accordingly and the Company is not liable for any losses caused due to any investment decisions so made by investors. Investors are advised to be aware of relevant risks.

10. Upon the completion of the Non-public Issuance, the accumulated undistributed profits prior to the Issuance will be shared among new and existing shareholders upon the completion of the Issuance in accordance with the proportion of shareholding after the Issuance.

Definitions

In this Plan, unless otherwise stated, the following abbreviations shall have the following specific meanings:

"Shanghai Electric", "Company", "listed company", "Issuer"	Shanghai Electric Group Company Limited
"Issuance", "Non-public Issuance", "Non-public Issuance of A Shares"	the proposed non-public issuance of not more than 1,570,597,109 A Shares (inclusive) by Shanghai Electric
"Plan"	the plan for the Non-public Issuance of A Shares in 2021 by Shanghai Electric Group Company Limited
"Pricing Benchmark Date"	the first day of the Issue Period of the Non-public Issuance of A Shares
"SEC"	Shanghai Electric (Group) Corporation
"Automation Institute"	Shanghai Electric Automation Design Institute Co., Ltd.
"Digital Technology Company"	Shanghai Electric Digital Technology Co., Ltd.
"Shanghai Boiler Works"	Shanghai Boiler Works Co., Ltd.
"Global Engineering"	Shanghai Electric Guokong Global Engineering Co., Ltd.
"Shanghai SASAC"	Shanghai Municipal State-owned Assets Supervision and Administration Commission
"Listing Rules"	the listing rules of the Shanghai Stock Exchange
"Articles of Association"	the articles of association of Shanghai Electric Group Company Limited
"CSRC"	the China Securities Regulatory Commission
"NDRC"	the National Development and Reform Commission of the People's Republic of China

"MIIT"	Ministry of Industry and Information Technology of the People's Republic of China
"Shanghai Municipal Government"	Shanghai Municipal People's Government
"Company Law"	the Company Law of the People's Republic of China
"Securities Law"	the Securities Law of the People's Republic of China
"Implementation Rules"	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (2020 Revision) (《上市公司非公開發行股票實施細則》(2020 年修訂)
"Board"	the board of directors of Shanghai Electric Group Company Limited
"Supervisory Committee"	the supervisory committee of Shanghai Electric Group Company Limited
"general meeting"	the general meeting of Shanghai Electric Group Company Limited
"latest three years"	2018, 2019 and 2020
"latest year"	2020
"RMB", "ten thousand", "100 million"	Renminbi yuan, RMB ten thousand, RMB100 million

Note: unless otherwise specified, all the figures in the Plan are rounded off to 2 decimal places. Where there are discrepancies between the totals and the last digits of the sums of amounts listed, such discrepancies are due to rounding.

CONTENTS

SECTION I OVERVIEW OF THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

I. BASIC INFORMATION ON THE ISSUER

Company name: 上海電氣集團股份有限公司
English name: Shanghai Electric Group Company Limited
Residence of the Company: 30th Floor, Maxdo Center, No.8 Xingyi Road, Shanghai
Legal representative: Zheng Jianhua
Registered capital: RMB15,705,971,092
Date of incorporation: 1 March 2004
Listing date of the shares: 5 December 2008 (A Shares), 28 April 2005 (H Shares)
Places of listing of the shares: the Shanghai Stock Exchange; the Hong Kong Stock Exchange
Short name of the stock: SH Electric
Stock code: 601727.SH, 2727.HK
Secretary to the Board: Fu Rong
Telephone: +86(21)33261888
Email: ir@shanghai-electric.com
Website: http://www.shanghai-electric.com

Scope of business: permitted items: operation of Category III medical devices; production of Category III medical devices; production of Category II medical devices; various engineering construction activities; installation, repair and testing of power facilities; installation, renovation and repair of special equipment. (the business activities, which are subject to approval according to the laws, can be carried out only after being approved by the relevant departments, and specific operation projects are subject to approvals or permission from the relevant departments) General items: the design, manufacture and distribution of products of the equipment manufacturing industry including electric power station, transmission and distribution of electric power, integration of electric power and equipment, transportation, environment protection equipment, lithium-ion batteries and power supply system and provision of relevant post-sale services, the wholesale, import and export of goods and technology of the similar commodity of aforementioned products and to be their commission agent (auction excluded); provision of relevant supporting service, acting as the general contractor of electric power engineering projects, assembling and splitting supply of equipment, industrial design services, manufacturing of special equipment for petroleum drilling and extraction, sales of special equipment for petroleum drilling and extraction, manufacturing of special equipment for refining and chemical production, sales of special equipment for refining and chemical production, sales of Category I medical devices, production of Category I medical devices, sales of Category II medical devices, leasing of medical equipment, contracting of overseas projects, installation of general machinery and equipment, repair of special equipment, and provision of relevant technical service. (except for items that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licence(s) in accordance with the laws)

II. BACKGROUND AND PURPOSES OF THE ISSUANCE

(I) Background of the Issuance

1. The industrialization of new energy is the trend of world energy development, and the low-carbon transformation is also the inevitable course for China

Industrialization of new energy has become a trend in the world's energy development. Low-carbon transformation and development is a must for China to cope with new internal and external situations and challenges. At present, carbon dioxide emissions caused by fossil fuel combustion are the most important source of greenhouse gas emissions. Internationally, China's carbon emissions surpassed those of the European Union in 2003 and the United States in 2006, making it the biggest source of carbon emissions for many years in a row, which has put China under increasing pressure to reduce carbon emissions internationally. Domestically, under the multiple constraints of energy resources and ecological environmental capacity, effectively strengthening carbon emission control has become an increasingly powerful way to promote high-quality development and push forward the supply-side structural reform.

In the context of the national government's efforts to promote the construction of clean energy and improve the domestic energy structure, Shanghai Electric, as a large state-owned comprehensive equipment manufacturing group committed to providing global customers with integrated technology and system solutions that are green, environmentally friendly, intelligent and interconnected, actively responds to the requirements of the national low-carbon and sustainable development, and carries out the layout of the new energy business.

2. Increasing demand for smart city construction has raised the requirements for enterprises' technological reserves and industrial transformation capabilities

A smart city refers to the use of various information technologies or innovative concepts to connect and integrate various urban systems and services, so as to enhance the efficiency of resource utilisation, optimise urban management and services, and improve the quality of life of citizens. Smart government administration and smart transportation are important components of smart city. With the promotion of technologies such as the Internet of Things, cloud computing and big data, the above technologies have been widely applied in the business areas of government administration and transportation. In the field of government administration, "digital government" was redefined. Under the leadership of new generation of information technology, the precision and intelligence of social management will be effectively driven by the government data governance. In the field of urban rail transit, automation technology and information systems are integrated to effectively improve station information management and operation and decision-making. As the scale of cities continues to expand, the demand for smart city construction from the public and the government also increases correspondingly, which in turn raises the requirements for technology reserves and industrial transformation capabilities of relevant enterprises.

3. The market demand of China's industrial internet continues to unleash

At present, the industrial internet technology has been widely applied in industries and fields such as petrochemical, steel, electronic information, home appliances, apparel, energy, machinery, automobile and aerospace, giving rise to new models and new business forms such as networked collaboration, service-oriented manufacturing and scale customisation, helping enterprises to achieve quality and efficiency improvements and speeding up the process of digital transformation. In the future, the depth of integration, implementation effect and inclusive level of the industrial internet technology in various application fields will continue to improve, and its role in driving and supporting the national economy will become increasingly prominent.

At present, the overall scale of China's manufacturing industry ranks first in the world, but compared with advanced countries, the problem of being large but not strong is still prominent, the extensive development model that mainly relied on the input of resource elements and scale expansion in the past is difficult to sustain, and it is urgent to promote the digital transformation of traditional manufacturing industry. Driven by the dual factors of industrial upgrading demand and international competitive pressure, the market demand for industrial internet in China continues to unleash and the scale of the industry will continue to expand.

(II) Purpose of the Issuance

1. Promoting the transformation and development of the Company's new energy business and enhancing its technical strength

Shanghai Electric is a state-owned large-scale comprehensive high-end equipment manufacturer, focusing on three major fields: energy equipment, industrial equipment and integrated services, and is committed to providing global customers with integrated technology and system solutions that are green, environmentally friendly, intelligent and interconnected. The Company's principal business has a wide range of products, involving a number of industrial sectors. In order to actively respond to the requirements of the national low-carbon and sustainable development, the comprehensive development of the new energy business has been the focus of the Company's development and an important direction for its transformation and development. Through the implementation of the Non-carbon Energy Power Technology Research and Development Project, one of the proceeds-funded projects, the Company will accelerate the development of new energy technologies such as supercritical CO_2, large-capacity energy storage and hydrogen production from electrolyzed water, so as to seize the opportunities for industrial development, promptly adapt to market changes, occupy the high ground of new markets and technologies, and improve the Company's technical strength.

2. Strengthening the development of the Company's principal business and enhancing its overall competitiveness

In recent years, the Company has built a multi-industry and cross-region SEunicloud industrial internet platform for high-end equipment such as thermal power, wind power, gas turbines, machine tools, rail transits and lifts, relied on its accumulated experience in the high-end equipment industry and rich software and hardware system resources and by comprehensive application of advanced technologies such as Internet of Things, edge computing, big data, cloud platforms and micro services, which has comprehensively improved the production control level, supply chain coordination level and product remote service capability of the Group's subordinate enterprises.

SEunicloud Industrial Internet Platform Upgrading and Innovative Application Project, one of the proceeds-funded projects, aims to comprehensively upgrade the original SEunicloud Platform, and is highly related to the Company's principal business, and will help the Company to develop its advantageous business areas to a deeper level, fortify the foundation of development, continue to strengthen its competitive edge in the market, thereby further improving its comprehensive competitiveness.

3. *Actively developing diversified businesses and planning our future strategic layout*

The Smart City Key Platform and System Development Project is one of the investment projects, which will be geared towards the business scenarios in the vertical areas related to the "unified management through one network" ("一網統管") system and rail transportation system of smart city, applying digital technologies such as big data, cloud computing and artificial intelligence to establish a three-dimensional business service system based on intelligent data analysis and cloud service products, which will facilitate the diversified development of the Company's businesses, developing new profit growth points. It is a forward-looking strategic choice for the Company to occupy the market.

The demonstration EPC project of comprehensive utilisation of multi-generation and recycling of coal middlings of one million tonnes per annum of Yan'an Energy and Chemical, one of the proceeds-funded projects, is one of the ten projects for transformation and upgrading of Yan'an City and the first demonstration project of comprehensive utilisation of multi-generation and recycling of low-rank coal in Yan'an. The implementation of the project is conducive to the Company's further accumulation of experience in the implementation of chemical engineering EPC general contracting projects, enhancing its ability to undertake large-scale projects and further improving the overall competitiveness of the Company's chemical business segment.

4. *Enhancing the Company's capital strength and supporting the sustainable development of the Company's principal business*

The Company has broad room for future development and expects a continuous increase in its business scale, which will in turn increase its demand for liquidity. Currently, the Company mainly uses debt financing methods such as bank loans to meet its liquidity requirements. With the continuous expansion of the Company's business scale, it is necessary to raise funds through equity financing to enhance its capital strength, so as to support the continuous development of the Company's principal business and meet the needs in relation to the continuous expansion of the Company's business scale.

III. TARGET SUBSCRIBERS AND THEIR RELATIONSHIP WITH THE COMPANY

The target subscribers of the Non-public Issuance of Shares will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors, and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the legal and regulatory requirements. Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that participate in the subscription with two or more of the products managed by them shall be taken as one single target subscriber. A trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

Upon obtaining the approval of the CSRC for the application for the Issuance, the final target subscribers shall be determined by the Board or its authorised person(s) under the authorisation granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) of the Issuance according to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers.

As of the date of announcement of the Plan, there is no identified target subscriber for the Non-public Issuance of A Shares of the Company, and therefore the relationship between target subscribers and the Company is yet to be confirmed. Disclosure of the relationship between target subscribers and the Company will be made in the issuance report to be published following the completion of the Issuance.

IV. OVERVIEW OF THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

(I) Class and Par Value of the Shares to be Issued

The shares to be issued pursuant to the Non-public Issuance are ordinary shares in RMB (A Shares) with a par value of RMB1.00 per share.

(II) Method and Time of Issuance

The Issuance will be undertaken by way of non-public issuance to specific subscribers. The Company will issue shares to specific subscribers at an appropriate time within the required validity period as approved by the CSRC.

(III) Target Subscribers and Subscription Method

The target subscribers of the Non-public Issuance of Shares will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors, and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the legal and regulatory requirements. Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that subscribe with two or more of the products managed by them shall be taken as one single target subscriber. A trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

Upon obtaining the approval of the CSRC for the application for the Issuance, the final target subscribers shall be determined by the Board or its authorized person(s) under the authorisation granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) of the Issuance according to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers.

All target subscribers of the Issuance shall subscribe for the shares under the Non-public Issuance in cash.

(IV) Pricing Benchmark Date, Issue Price and Pricing Principles

The Pricing Benchmark Date of the Issuance is the first day of the Issue Period of the Non-public Issuance of A Shares of the Company.

The issue price shall be no less than 80% of the average trading price of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date (the average trading price of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date = the total trading amount of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date/the total trading volume of the shares of the Company for the 20 trading days preceding the Pricing Benchmark Date), and not less than the price of the Company's latest audited net assets per share attributable to ordinary equity holders of the Company prior to the Issuance. In the event that the Company distributes any dividends, grants bonus shares, or carries out capitalisation of capital reserve or other ex-right or ex-dividend activities during the period commencing from the balance sheet date of the latest audited financial report as at the Pricing Benchmark Date up to the date of the Issuance, the above net assets value per share attributable to ordinary equity holders of the Company shall be adjusted accordingly.

The final issue price shall be determined in accordance with relevant requirements of laws and regulations and regulatory authorities and upon obtaining the approval of the CSRC for the application for the Issuance, by the Board of the Company or its authorised person(s) under the authorization granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) based on the principle of price priority according to the prices offered by the target subscribers.

In the event that the Company distributes cash dividends, grants bonus shares, carries out capitalisation of capital reserve or other ex-right or ex-dividend activities in respect of the shares of the Company during the period from the Pricing Benchmark Date of the Issuance to the issuance date, adjustments shall be made to the base price for the Issuance accordingly. The methods of adjustments are as follow:

Distribution of cash dividends: P1=P0-D

Grant of bonus shares or capitalisation of capital reserve: P1=P0/(1+N)

Distributing cash dividends together with granting bonus shares or capitalisation of capital reserve: P1=(P0-D)/(1+N)

Among which, P0 is the base price for the Issuance before adjustments, D is the distribution of cash dividend per share, N is the number of grant of bonus shares per share or capitalisation of capital reserve, and P1 is the base price for the Issuance after adjustments.

(V) Number of A Shares to be Issued

The number of shares to be issued under the Non-public Issuance of A Shares shall be determined by dividing the total amount of funds raised with the issue price (if the number of shares obtained is not a whole number, it shall be rounded down to the nearest whole number); meanwhile the number of shares to be issued under the Non-public Issuance of A Shares will not exceed 1,570,597,109 Shares (inclusive 1,570,597,109 Shares) and will not exceed 10% of the total share capital of the Company preceding the Non-public Issuance. The maximum number of shares to be issued shall be based on the approval granted by the CSRC in relation to the Issuance. Within the scope approved by the CSRC, the Board or its authorised person(s) under the authorisation granted at the general meeting of the Company shall determine the final number of shares to be issued according to relevant regulations of the CSRC and the actual circumstances at the time of issuance after negotiation with the sponsoring institution (lead underwriter) of the Issuance.

If ex-rights or ex-dividend events in respect of the shares of the Company (such as distribution of dividends, bonus issues or capitalisation of capital reserve) occur during the period between the date of announcement of the Board resolutions in relation to the Issuance to the issuance date, or there occurs any change in the total share capital of the Company due to events such as the implementation of equity incentive plans or repurchase of shares, the maximum number of shares to be issued under the Issuance will be adjusted correspondingly.

(VI) Lock-up Period

Upon the completion of the Non-public Issuance, target subscribers shall not transfer or deal on listing with the shares subscribed for during a period of six months commencing from the closing date of the Issuance. After the end of the lock-up period, the transactions of shares issued under the Issuance shall be conducted in accordance with the relevant regulations of the CSRC and the Shanghai Stock Exchange.

In the event that the number of the shares of the Company held by the target subscribers increases due to reasons such as bonus issue or capitalisation of capital reserve after completion of the Non-public Issuance, such shares shall also be subject to the aforementioned lock-up period arrangement.

(VII) Place of Listing

The shares to be issued under the Non-public Issuance will be listed and traded on the Shanghai Stock Exchange.

(VIII) Arrangement for Accumulated Undistributed Profits Prior to the Non-public Issuance

Upon the completion of the Issuance, the accumulated undistributed profits prior to the Issuance shall be shared among new and existing shareholders after completion of the Issuance in proportion to the shareholding percentages upon the Issuance.

(IX) Validity of the Resolutions in respect of the Non-Public Issuance

The validity of the Plan of Non-public Issuance of A Shares shall be a period of 12 months from the date of consideration and approval of such resolutions at the general meeting of the Company.

V. INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

The gross proceeds from the Non-public Issuance of Shares are expected to be not more than RMB5,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Name of the investment project		Total investment amount of the relevant project *(RMB ten thousand)*	The amount of proceeds to be applied *(RMB ten thousand)*
Project name	**Subproject name**		
Non-carbon Energy Power Technology Research and Development Project	Supercritical CO_2 technology research and development project	98,711.00	55,000.00
	Large-capacity energy storage technology research and development project	32,997.00	19,000.00
	Technology research and development project of hydrogen production from electrolyzed water	40,280.00	26,000.00
Smart City Key Platform and System Development Project	Smart city "unified management through one network" system research and development project	44,052.88	34,000.00
	Smart city rail transit system development project	51,573.21	38,000.00
SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project		70,210.53	56,000.00
Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical		191,701.93	125,000.00
Replenishment of working capital		147,000.00	147,000.00
Total		**676,526.55**	**500,000.00**

Prior to the receipt of the proceeds raised from the Issuance, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of the proceeds, if the actual amount of the net proceeds (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of the net proceeds and the priority and capital requirements of the projects, and any shortfall in the investment amounts will be made up by utilising the internal funds of the Company or through other financing methods.

VI. WHETHER THE ISSUANCE CONSTITUTES A RELATED PARTY TRANSACTION

As of the date of announcement of the Plan, the target subscribers are yet to be confirmed. Disclosure of whether the Issuance constitutes a related party transaction will be made in the issuance report to be published following the completion of the Issuance.

VII. WHETHER THE ISSUANCE WILL RESULT IN ANY CHANGE IN CONTROL OF THE COMPANY

Both prior to and subsequent to the Issuance, SEC is the controlling shareholder of the Company and Shanghai SASAC is the de facto controller of the Company. The Issuance will not result in any change of control of the Company.

VIII. APPROVAL PROCEDURES OF THE ISSUANCE

(I) Approval Obtained for the Issuance

Matters in relation to the Non-public Issuance have been considered and approved at the 48th meeting of the fifth session of the Board of the Company.

(II) Outstanding Approval Procedures to be Fulfilled for the Issuance

1. The Non-public Issuance is subject to consideration and approval at the general meeting of the Company after obtaining consent from the competent authority for state-owned assets supervision and administration;

2. The Non-public Issuance is subject to approval at the general meeting of the Company;

3. The Non-public Issuance is subject to approval of the CSRC.

IX. WHETHER THE ISSUANCE WILL RESULT IN ANY FAILURE OF THE SHAREHOLDING STRUCTURE OF THE COMPANY IN MEETING THE LISTING REQUIREMENTS

The Non-public Issuance will not result in any failure of the shareholding structure of the Company in meeting the listing requirements.

SECTION II FEASIBILITY ANALYSIS OF THE BOARD ON THE USE OF PROCEEDS

I. PROPOSED USE OF PROCEEDS

The gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB5,000 million, which, after deduction of issuance expenses, are intended to be invested in the following projects:

Name of the investment project		Total investment amount of the relevant project *(RMB ten thousand)*	The amount of proceeds to be applied *(RMB ten thousand)*
Project name	**Subproject name**		
Non-carbon Energy Power Technology Research and Development Project	Supercritical CO_2 technology research and development project	98,711.00	55,000.00
	Large-capacity energy storage technology research and development project	32,997.00	19,000.00
	Technology research and development project of hydrogen production from electrolyzed water	40,280.00	26,000.00
Smart City Key Platform and System Development Project	Smart city "unified management through one network" system research and development project	44,052.88	34,000.00
	Smart city rail transit system development project	51,573.21	38,000.00
SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project		70,210.53	56,000.00
Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical		191,701.93	125,000.00
Replenishment of working capital		147,000.00	147,000.00
Total		**676,526.55**	**500,000.00**

Except for replenishment of working capital, the proceeds shall be all utilised in the capital expenditures of all investment projects. Prior to the receipt of the proceeds raised from the Issuance, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of the proceeds, if the actual amount of the net proceeds from the Issuance (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of the net proceeds and the priority and capital requirements of the projects, and any shortfall in the proceeds will be made up by utilising the internal funds of the Company or through other financing methods.

II. INFORMATION ON THE INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

(I) Non-carbon Energy Power Technology Research and Development Project

The project includes three sub-projects of "supercritical CO_2 technology research and development project", "large-capacity energy storage technology research and development project" and "technology research and development project of hydrogen production from electrolyzed water", the implementation subject of which is Shanghai Electric.

1. Supercritical CO_2 technology research and development project

(1) Basic information of the project

Supercritical carbon dioxide (CO_2) refers to a special state fluid formed when CO_2 is above its critical temperature (Tc=304.1K) and critical pressure (Pc=7.38MPa). CO_2 is a non-toxic, non-flammable, colorless and odorless natural working medium. In the supercritical cycle using CO_2 as the working medium, CO_2 absorbs heat from the heat source, generates steam to drive the turbine, and then completes the whole process of heat conversion through regenerative heat, cooling and compression. At present, nuclear power generation, coal-fired power generation and solar photovoltaic power generation are all based on the water vapor Rankine cycle principle. The supercritical CO_2 Brayton cycle is a new type of power cycle that has gradually emerged in recent years. According to research, this cycle has obvious advantages in terms of power density and compression volume, and the cycle efficiency can be increased by more than 3% compared to the traditional water vapor Rankine cycle.

The supercritical CO_2 technology research and development project intends to acquire advanced research and development equipment for the research and development of power circulation systems, core equipment and key technologies as well as experimental iterations, with a view to breaking the bottleneck in the development of existing power circulation technologies and improving the deficiencies of the original water vapor Rankine cycle system. Upon completion of the research and development of supercritical CO_2 technology, the Company will be able to produce supercritical CO_2 circulation systems and core equipment at 2–50MW power levels, which can be widely applied to nuclear power generation, solar thermal power generation, biomass power generation and ship power plants, etc. It is expected to play an important role in the future power system structure.

(2) Estimated project investment

The total investment of this project is RMB987,110,000 and the amount of proceeds to be utilized is RMB550 million, the breakdown of which is as follows:

No.	**Item**	**Investment Amount** *(RMB ten thousand)*	**Proceeds to be Applied** *(RMB ten thousand)*
1	Equipment purchase and installment cost	44,288.00	44,000.00
2	R&D cost	43,160.00	11,000.00
3	Reserves	2,215.00	–
4	Initial working capital	9,048.00	–
	Total investment	**98,711.00**	**55,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of this project is 6.51 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the existing industrial park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

The Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310112-04-05-993072) (《上海市企業投資項目備案證明》(項目代碼：2103-310112-04-05-993072)) issued by the Economic Commission of Minhang District, Shanghai (上海市閔行區經濟委員會).

It is a technology research and development project without emission of waste gas, waste water or hazardous waste. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》)(生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

2. Large-capacity energy storage technology research and development project

(1) Basic information of the project

The large-capacity energy storage technology provides a package of solutions for achieving the sustainable development goal of power grids, solving the imbalance between power supply and demand and improving power supply reliability. The large-capacity energy storage system can ensure the continuity and stability of large-scale wind power generation, photovoltaic power generation and other new energy power generation, and will be widely applied in grid-connection of new energy power generation.

Based on the innovative development and market demand of energy storage lithium battery technology, this project will research and develop two core technology segments, namely energy storage cells and energy storage system integration, and eventually master the core technologies of long-life energy storage cells, intelligent energy management, high-efficiency energy storage system products and comprehensive system solutions, so as to form the production capacities of large-capacity, long-life, low-cost and high-safety energy storage cells and container storage systems. The relevant technologies, when mature, will be used in the fields of power generation, power transmission and distribution and electricity consumption. It covers energy storage facilities for large-scale solar or wind power generation, energy storage for industrial enterprises, energy storage for commercial buildings and data centers, energy storage charging stations and backup batteries for communication base stations, enhancing the core competitiveness of the Company's energy storage business segment.

(2) Estimated project investment

The total investment of this project is RMB329.97 million, and the amount of proceeds to be utilized is RMB190.00 million, the breakdown of which is as follows:

No.	Item	Investment Amount *(RMB ten thousand)*	Proceeds to be Applied *(RMB ten thousand)*
1	Equipment purchase and installment cost	10,090.00	10,000.00
2	R&D cost	20,050.50	9,000.00
3	Reserves	504.50	–
4	Initial working capital	2,352.00	–
	Total investment	**32,997.00**	**19,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of this project is 6.33 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the existing industrial park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

The Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310112-04-05-783656) (《上海市企業投資項目備案證明》(項目代碼：2103-310112-04-05-783656)) issued by the Economic Commission of Minhang District, Shanghai (上海市閔行區經濟委員會).

It is a technology research and development project without emission of waste gas, waste water or hazardous waste. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

3. Technology research and development project of hydrogen production from electrolyzed water

(1) Basic information of the project

Hydrogen production from electrolyzed water means that photovoltaic, wind power and other new energy electric power are utilized to produce hydrogen, which is close to non-carbon emission and can make full use of the "three curtailments" (wind, solar and water curtailments) energy to produce hydrogen from electrolyzed water. It is an efficient and clean hydrogen production technology. The technology is quite simple and convenient and has high product purity, which can greatly reduce the cost of hydrogen production and is an important technical link for the production of "green hydrogen".

The project will take hydrogen production as the starting point, grasp the key technologies of alkaline electrolyzed water hydrogen production and proton exchange membrane (PEM) electrolyzed water hydrogen production through technology research and development, and develop alkaline and PEM hydrogen production equipment with high-cost performance. The Company will further increase hydrogen production capacity while improving equipment performance and achieve the strategic development goal of leading the development of hydrogen energy industry by technology.

This project is designated for the research and development of the core technology of hydrogen production from electrolyzed water, and its main target applications include hydrogen refueling stations, renewable energy coupled with hydrogen production (i.e., electricity generated from renewable energy is converted into hydrogen energy for storage through renewable energy power generation – technology of hydrogen production from electrolyzed water) and industrial hydrogen, etc. After the completion of the project construction, it will help the Company to build up its strength for the long-term development of the overall layout of the entire industrial chain in the hydrogen energy field and promote the transformation and upgrading of Shanghai Electric to the field of hydrogen energy and comprehensive energy.

(2) *Estimated project investment*

The total investment of this project is RMB402.80 million, and the amount of proceeds to be utilized is RMB260.00 million, the breakdown of which is as follows:

No.	Item	Investment Amount *(RMB ten thousand)*	Proceeds to be Applied *(RMB ten thousand)*
1	Equipment purchase and installment cost	22,860.00	22,000.00
2	R&D cost	14,477.00	4,000.00
3	Reserves	1,143.00	–
4	Initial working capital	1,800.00	–
	Total investment	**40,280.00**	**26,000.00**

(3) *Economic efficiency of the project*

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of this project is 6.51 years, which has a sound economic benefit.

(4) *Approvals required for the project*

This project is planned to be implemented in the existing industrial park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

The Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310112-04-05-801578) (《上海市企業投資項目備案證明》(項目代碼：2103-310112-04-05-801578)) issued by the Development and Reform Commission of Minhang District, Shanghai (上海市閔行區發展和改革委員會).

It is a technology research and development project without emission of waste gas, waste water or hazardous waste. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

(II) Smart City Key Platform and System Development Project

The project includes two sub-projects of "smart city "unified management through one network" system research and development project" and "smart city rail transit system development project", the implementation subject of which for the project is Automation Institute, a wholly-owned subsidiary of Shanghai Electric.

1. Smart city "unified management through one network" system research and development project

(1) Basic information of the project

Based on advanced information technologies such as mobile internet, Internet of Things, big data and AI, smart city "unified management through one network" system provides a system platform of comprehensive management service for urban management fields such as municipal and public utilities. Upon completion, the platform will provide functional services such as basic support, convenient services and intelligent operation.

This project intends to research and develop key technology for smart city "unified management through one network" management platform and develop big central platform and cloud platform, so as to achieve the objectives of making public services accessible and social governance precise as well as empowering the modernization of governance system and governance ability by improving government governance and service capabilities through digital means.

(2) Estimated project investment

The total investment of this project is RMB440,528,800, and the amount of proceeds to be applied is RMB340.00 million, the breakdown of which is as follows:

No.	Item	Investment Amount *(RMB ten thousand)*	Proceeds to be Applied *(RMB ten thousand)*
1	Hardware and software purchase cost	14,732.00	14,000.00
2	Server lease expense	2,250.00	–
3	System development cost	20,197.68	20,000.00
4	Reserves	1,473.20	–
5	Initial working capital	5,400.00	–
	Total investment	**44,052.88**	**34,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of this project is 7.79 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the automatic science park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

Automation Institute has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310101-04-04-613316) (《上海市企業投資項目備案證明》(項目代碼：2103-310101-04-04-613316)) issued by the Development and Reform Commission of Huangpu District, Shanghai.

It is an information construction project without pollutant emission. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

2. *Smart city rail transit system development project*

(1) Basic information of the project

This project is proposed to develop the smart city rail transit integrated monitoring cloud platform and smart operation and maintenance platform. The smart city rail transit integrated monitoring cloud platform intends to realize the intelligent operation of urban rail transit through the development of AI, intelligent control, big data, cloud computing and other cutting-edge technologies, with the support of central real-time data base and historical data base of rail transit institution. The smart operation and maintenance platform is a big data center featuring intelligent cooperation among vehicle health monitoring, intelligent diagnosis, equipment operation and maintenance, vehicle inspection and repairing, decision support and emergency response, to ultimately realize three big functional services, i.e., rail transit data integration, rail transit intelligent maintenance and rail transit information service.

(2) Estimated project investment

The total investment of this project is RMB515,732,100, and the amount of proceeds to be applied is RMB380.00 million, the breakdown of which is as follows:

No.	**Item**	**Investment Amount** *(RMB ten thousand)*	**Proceeds to be Applied** *(RMB ten thousand)*
1	Hardware and software purchase cost	9,235.42	9,000.00
2	Server lease expense	5,347.20	–
3	System development cost	29,477.06	29,000.00
4	Reserves	923.53	–
5	Initial working capital	6,590.00	–
	Total investment	**51,573.21**	**38,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of this project is 7.75 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the automatic science park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

Automation Institute has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310101-04-04-167606) (《上海市企業投資項目備案證明》(項目代碼：2103-310101-04-04-167606)) issued by the Development and Reform Commission of Huangpu District, Shanghai.

It is an information construction project without pollutant emission. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

(III) SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project

1. Basic information of the project

In 2014, relevant companies under Shanghai Electric developed the industrial internet platforms applied in wind power and power station equipment, respectively. Under such basis, Shanghai Electric determined to conduct unified plan and constructed an industrial internet platform at group level. In September 2019, Shanghai Electric officially released the SEunicloud industrial internet platform in 2019 China International Industry Fair. At present, the platform, integrating the applications of equipment networking, fault diagnosis, remote operation and maintenance and energy planning, etc., has preliminarily equipped with the capability for undertaking the businesses of the Group.

By using advanced technologies such as Internet of Things, edge computing, big data, cloud platforms and micro services, the project is proposed to achieve the development, upgrading and functional iteration of PaaS platform, equipment access and edge service technology, "SEunicloud-IoT (星雲物聯)" access platform and industrial APP under the SEunicloud industrial internet platform, and to establish an extensible open cloud platform; meanwhile, the application functions and comprehensive solutions for industries such as thermal power, wind power, gas turbine, distributed energy, rail traffic, rehabilitation therapy, machine tools, environmental protection and motor are formed by way of expanding the platform based on the application demand of all industries.

The implementation subject of the project is Digital Technology Company, a wholly-owned subsidiary of Shanghai Electric.

2. Estimated project investment

The total investment of this project is RMB702,105,300, and the amount of proceeds to be applied is RMB560.00 million, the breakdown of which is as follows:

No.	Item	Investment Amount *(RMB ten thousand)*	Proceeds to be Applied *(RMB ten thousand)*
1	Hardware and software purchase cost	19,638.60	19,638.60
2	System development cost	48,440.00	36,361.40
3	Hardware resource and service lease expense	1,150.00	–
4	Reserves	981.92	–
	Total investment	**70,210.53**	**56,000.00**

3. Economic efficiency of the project

The construction period of this project is 36 months.

The implementation of this project will not produce the economic efficiency directly, but it will facilitate the Group members of Shanghai Electric to improve work efficiency, reduce the production and operation costs, and enhance the digital and intelligent level of the enterprises, which will in turn increase the overall economic efficiency. Upon the maturity of platform development, under the premise of giving priority to meet the usage needs of the enterprises with the Group, the customized services may also be provided based on the needs of the customers outside the Group, thus achieving the according economic efficiency.

4. Approvals required for the project

This project is planned to be implemented in the existing industrial park of Digital Technology Company (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

Digital Technology Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103–310104–04–04–995016) (《上海市企業投資項目備案證明》(項目代碼：2103–310104–04–04–995016)) issued by the Shanghai Municipal Development & Reform Commission.

It is an information construction project without pollutant emission. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》(生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

(IV) Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical

1. Basic information of the project

This project is one of the ten projects for transformation and upgrading of Yan'an City and the Property Owner is Yan'an Energy and Chemical Group Co., Ltd. Zichang Company (延安能源化工(集團)有限責任公司子長公司). The main content of this project is the design, construction and installment of 400,000 tonnes per annum coal middlings medium and low temperature pyrolysis multi-generation equipment, 700,000 tonnes per annum coal middlings and coal gasification multi-generation equipment, 150,000 tonnes per annum cobalt-based Fischer-Tropsch fine chemicals equipment, and supporting utilities and auxiliary facilities. Upon reaching the production volume, the project will produce the high-end fine chemicals including aromatic solvent oil, Fischer-Tropsch synthetic wax (with high melting point), full synthetic lubricant base oil, high-end white oil, etc. and quality-improved clean coal and other product coals.

This project is undertaken by the consortium composed by Shanghai Boiler Works, a wholly-owned subsidiary of Shanghai Electric, and Global Engineering, a controlling subsidiary of Shanghai Boiler Works for the EPC general contracting construction. In particular, Shanghai Boiler Works, as the implementation subject and the consortium leader of the project to be funded with the proceeds, is responsible for the overall management and coordination, the purchase of equipment materials and debugging and other works of the project; Global Engineering, as a member of the consortium, is responsible for the design and other works of the project.

2. Estimated project investment

The total investment of this project is RMB1,917,019,300, and the amount of proceeds to be applied is RMB1,250.00 million, the breakdown of which is as follows:

No.	**Item**	**Investment Amount** *(RMB ten thousand)*	**Proceeds to be Applied** *(RMB ten thousand)*
1	Design charge	960.00	–
2	Construction cost	54,376.48	–
3	Equipment purchase cost	125,362.32	125,000.00
4	Other construction charges	4,853.13	–
5	Technology license and process package cost	6,150.00	–
	Total investment	**191,701.93**	**125,000.00**

Part of the proceeds utilised in this project shall all be utilised in equipment purchase cost by Shanghai Boiler Works.

3. Economic efficiency of the project

The construction period of this project is 24 months. The profit for the project is achieved by the difference between the project income and the investment cost of the project. As estimated, the project has sound economic benefit.

4. Approvals required for the project

As of the date of announcement of the Plan, the Property Owner is handling the procedures for bid, auction and listing for transfer of the project land.

The Property Owner has obtained the Confirmation Letter on Enterprise Investment Project Filing of Shaanxi Province (Project code: 2020–610623–26–03–048019) (《陝西省企業投資項目備案確認書》(項目代碼：2020–610623–26–03–048019)) issued by Yan'an Municipal Bureau of Administrative Services.

As at the date of announcement of this plan, the Property Owner is in the process of preparation of the environmental assessment report and will handle the procedures for approval for the environmental assessment report for the project.

(V) Replenishment of Working Capital

In order to satisfy the requirements of the Company for working capital for its business development and optimize capital structure, the proceeds to be raised from the Non-public Issuance used for replenishment of working capital is proposed no more than RMB1,470.00 million.

III. NECESSITY OF AND FEASIBILITY ANALYSIS ON THE INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

(I) Non-carbon Energy Power Technology Research and Development Project

1. Necessity of implementation of the project

(1) It will speed up the industrialization of new energy, and achieve the sustainable development of energy

Low-carbon transformation and development is an inevitable choice for China to cope with new internal and external situations and challenges. In recent years, as a kind of secondhand energy with broad sources which is clean, non-carbon, flexible and high-efficient, and can be applied in multiple scenarios, hydrogen is gradually becoming an important trend towards which global energy technology revolution moves. The implementation of this project will help accelerate the development of supercritical CO_2, large-capacity energy storage and hydrogen production and other new energy technologies, is a strategic choice for the Company to cope with global climate change, guarantee the security of energy supply of the state and achieve sustainable development, is an important move to implement the spirit of the 19th Party Congress, establish a "clean and low-carbon, safe and efficient" energy system, and push forward energy supply-sided structural reform. It is important practice to drive regional high-quality economic development with energy revolution.

(2) It will help achieve the development strategy of the Company, and enhance the operation capability of the Company

In the context of the national government's efforts to promote the construction of clean energy and improve the domestic energy structure, Shanghai Electric, as a large state-owned comprehensive equipment manufacturing group, committing to providing global customers with integrated technology and system solutions that are green, environmentally friendly, intelligent and interconnected, actively responds to the requirements of the national low-carbon and sustainable development, and carries out the layout of the new energy business. The implementation of this project will help to grasp the development opportunities, quickly adapt to market changes, and occupy the top of new markets and new technologies, in order to enhance the business strength of the Company.

(3) It conforms to the requirements of technological development of new energy

Efficient, clean and low-carbon development has currently become a major trend in the world's energy development. Countries are constantly seeking low-cost clean energy alternatives to promote green and low-carbon economic transformation. At present, the world's energy technology innovation has entered an active period, with countries competing to seize the first opportunity to advance energy technology and seeking the competitive high ground for a new round of scientific and technological revolution and industrial transformation. With the implementation of this project, in the energy transformation revolution nowadays, by virtue of its strong technological and market advantages accumulated in traditional energy area, Shanghai Electric adapts to the requirement of technological development, transforms its advantages accumulated in the past into opportunities in new fields, and has completed the development and industrialization of advanced technology in a rapid manner.

2. Feasibility of implementation of the project

(1) The construction of this project is in line with national policies

China takes a positive attitude towards the development of new energy and has clearly proposed to support the development of new energy industry in a number of industrial policies, and more and more supporting policies have been introduced and support has increased in recent years. In October 2017, five ministries and commissions including the National Development and Reform Commission jointly issued the Guidance on Promoting the Development of Energy Storage Technology and Industry in China, which is the first guiding policy on the development of large-scale energy storage technology and application in China, giving energy storage a richer application approach. In December 2019, the National Bureau of Statistics issued the Energy Statistical Reporting System and required hydrogen to be included in energy statistics in 2020 together with coal, natural gas, crude oil, electricity and biofuels. In June 2020, the National Energy Administration issued the Guidance on Energy Work in 2020, which promotes the development of hydrogen energy industry in terms of reform and innovation and promoting the industrialization of new technologies. This project is a state-encouraged one, which is in line with the national industrial policies and development direction.

(2) The Company has sound technological base

In the field of supercritical CO_2, through years of technical research and development as well as accumulation, Shanghai Electric has owned certain technological reserves in terms of ultra-high parameter recycling system and the development technology and materials of core technology and other factors. In the field of large-capacity energy storage, after the preliminary research and development work, Shanghai Electric has made initial achievements in long life battery cells and energy storage system products, and has applied for relevant invention patents, and possesses the independent intellectual property rights. In the field of hydrogen energy, Shanghai Electric has preliminarily mastered the key technologies such as the research and development of proton exchange membrane fuel cell system and electric reactor and the research and development of biomass gasification, which will provide technical support for the future development of industries of the equipment required for planning the hydrogen production, storage and transportation and application.

(3) Broad future market prospect

With the change of new energy industry, the future development prospect of supercritical CO_2, energy storage and hydrogen energy industries will be broader. Supercritical CO_2 technology applies to the technology development of complicated and complete system under the multi-scenario power level of 2–50MW. It's expected that at the late "14th Five Year Plan", such technology will preliminarily pace into industrial stage with the mature development of supercritical CO_2 technology and improvement of component matching capacity in China.

In the field of energy storage, according to the Zhongguancun Energy Storage Industry Technology Alliance (CNESA) forecast, by the end of 2025, the cumulative installed scale of operational electrochemical energy storage projects in China will reach 15GW. The compound growth rate in the next 5 years will be close to 55%, and the market development prospect for energy storage is broad.

Governments and enterprises in China are actively exploring the road for hydrogen energy industry development, and developed major hydrogen energy industry clusters such as Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, gradually radiating to the surrounding areas. After years of scientific and technological research, China has mastered partial core technologies for hydrogen energy infrastructures and fuel cell-related core technologies, formulated and introduced 86 national standards. It's expected that the future hydrogen energy industry in China will speed up its growth.

The broad new energy market in the future provides a solid market base for the implementation of this project.

(II) Smart City Key Platform and System Development Project

1. Necessity of implementation of the project

(1) To follow the trend of developing smart cities, and promote the development of digital economy

Smart city represents that the urban system and services are interconnected and integrated by all information technologies or innovative ideas for the purpose of strengthening the efficiency of urban resource application, optimizing urban management and services so as to improve life quality of citizens. Smart political affairs, smart transportation, etc. are the significant components of smart city. The implementation of the project is conductive for the Company to follow the trend of developing smart city, improving the Company's ability to research and develop and provide system platform related to smart city, which, through export of high-quality and convenient system solutions, help the relevant governmental institutions and rail transit operational institution to better utilize digital technology to optimize their business process, optimize theirs organization and management, and further promote the development of digital economy.

(2) To achieve breakthroughs in key and core technologies, and strengthen technology reserve and industry transformation capabilities

With the promotion of technologies such as the Internet of Things, cloud computing and big data, the above technologies have been widely applied in business areas such as administration and transportation. In the field of administration, "digital government" was redefined. Under the leadership of new generation of information technology, the precision and intelligence of social management will be effectively driven by the governmental data governance. In the field of urban rail transportation, automation technology and information systems are integrated to effectively improve station information management and operation and decision-making. With the implementation of this project, the Company will increase input in the research and development of its central platforms and cloud platforms, further increase the Company's technology reserve, improve its research and development and innovation capacity, and build core supporting capabilities for its digital business, so as to ensure its products as well as services in the field of smart city to maintain their industrial leading position in the future.

(3) To achieve diversified business development, and create new profit growth points

The project will apply big data, cloud computing, AI and other digital technologies to the business scenarios of relevant vertical areas in smart administration and smart transportation, to establish three-dimensional business service system based on integration of intelligent data analysis and cloud service products, which will facilitate the diversified development of the Company's businesses, thus developing new profit growth points.

2. Feasibility of implementation of the project

(1) The support of national industrial policy provides a sound policy environment for project implementation

Chinese government attaches great importance to the development of the field relevant to smart city, and has successively introduced a series of industrial policies related to cloud computing, enterprise cloudification, electronic administration, rail traffic and other factors to promote the digital transformation and upgrading of industrial construction. In 2016, the NDRC and Ministry of Transport jointly issued the Implementation Measure on Promotion of "Internet +" Convenient Transportation for Further Development of Intelligent Transportation (《推進"互聯網+"便捷交通促進智慧交通發展的實施方案》), requesting the realisation of intelligent transportation by application of internet technologies. In 2020, The Certain Opinions on Further Acceleration of Smart City Construction (《關於進一步加快智慧城市建設的若干意見》) introduced by Shanghai municipal government, specifies that the promotion of the "unified management through one network" ("一網統管") of city operation has sped up, and by 2022, Shanghai will be built as a vanguard of new smart cities in the world. The introduction and implementation of relevant policies are conducive to the sustainable and rapid development of the relevant smart city industry on an ongoing basis, providing a sound policy environment for the implementation of the project.

(2) Technical reserve provides technical guarantee for project implementation

After years of independent research and development, Automation Institute, the implementation subject of this project, has accumulated various core technologies regarding the development of front-end operation platform software and back-end user software. The Company keeps its focus on the development of cutting-edge technologies in the field of smart city, keeps abreast of the development trend of industrial technology, invests huge research and development resources in cloud computing, big data and other aspects and occupies a certain technical reserve. Automation Institute has over 40% employees with senior and intermediate technological titles and a number of technology leaders. The sound technical reserves provide a technical guarantee for project implementation.

(3) The industry has a broad market prospect, providing a good market base for project implementation

In recent years, the Chinese government has successively launched and promoted smart city pilot work, constantly released bonus policies related to smart city and the relevant market scale is expanding. According to the relevant data released by Markets and Markets, the market research institution, the market scale of smart city in China is expected to increase to UD$59.9 billion in 2023 from US$30.4 billion in 2018.

In the field of rail transit service, with the continuous increase in the mileage of operating lines and vehicle population, there is a large rigid demand on guaranteeing the operation security, improving service quality and reducing operation costs in the domestic rail traffic industry. The smart traffic system integrated with cloud computing, big data and other advanced technologies allows the realisation of the intelligent operation and maintenance of urban rail, so as to lower the operational risks and effectively improve the effectiveness of operation and maintenance. According to the relevant information of Leadleo Academy (頭豹研究院), the market scale of the national intelligent urban rail traffic was RMB22.65 billion and is expected to reach RMB44.25 billion in 2023.

The main application areas of smart city have broad market development potential, which provides a sound market base for project implementation.

(III) SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project

1. Necessity of implementation of the project

(1) To respond to national industrial policy, and promote the technological innovation in the industrial internet industry

With the implementation of this project, the Company will respond to the national industrial policies, continue to input resources into research and development, establish industrial internet platform ecology, fully improve the production management and control level, supply chain collaboration level and products' distant service capabilities of its subordinate enterprises, promote the Group's transformation from traditional manufacturing to manufacturing service, and drive the technological innovation and the iteration of products in industrial internet industry.

(2) *To deepen the integration and application of industrial internet technology and products, and help to enhance the integration and collaboration level of the corporate*

At present, the industrial internet technology has been widely applied in various industries and fields, giving rise to new models and new business forms such as networked collaboration, service-oriented manufacturing and scale customisation, helping enterprises to achieve quality and efficiency improvements and speeding up the process of digital transformation of relevant industries. In the future, the depth of integration and inclusive level of the industrial internet in various application fields will continue to improve, and its role in driving and supporting the national economy will become increasingly prominent. The businesses of Shanghai Electric covers three business fields of energy equipment, industrial equipment and integrated service. The implementation of the project will deepen the integration and application of industrial internet technology in all business fields in the Group, achieving the refinement management and intelligent management for the production process of relevant units, accelerating product upgrading and intelligent manufacturing application, and enhancing the integration and collaboration level of the corporate.

(3) *To strengthen the development of the Company's principal business and enhance its overall competitiveness*

This project, being highly related to the Company's principal business, will help the Company to develop its advantageous business areas to a deeper level, and continue to strengthen its competitive edge in the market. The implementation of this project will export products and services with better quality in the future to meet the diversified and customized needs of customers, thereby further enhancing its profitability and building its comprehensive competitiveness.

2. Feasibility of implementation of the project

(1) *As a guidance, national policy providing a good policy environment for project implementation*

The government and regulatory authorities in China have promulgated a series of policies to accelerate the establishment of a generic technology system for industrial internet, and comprehensively support the building of China into a stronger country through manufacturing industry and national cyber development strategy. In March 2020, the MIIT issued the Notice on Promoting the Accelerated Development of Industrial Internet (《關於推動工業互聯網加快

發展的通知》), proposing to promote the integration and innovation of industrial internet in a wider scope, to a greater degree and at a higher level, and enhance the core capabilities of the industrial internet platforms. In January 2021, the MIIT issued Action Plan for Innovation and Development of Industrial Internet (2021–2023) (《工業互聯網創新發展行動計劃(2021–2013年)》), proposing to preliminarily construct an industrial internet network infrastructure covering all regions and all industries and a characteristic industrial internet platform for key industries and areas by 2023. The intensive introduction of supportive industrial policies has provided a good policy environment for the smooth implementation of this project.

(2) Continuous release of market demand providing a good market environment for project implementation

At present, the market demand for industrial internet in China continues to unleash and the scale of the industry continues to expand. According to the data issued by the State Statistics Bureau, the existing scale of industrial internet platform and industrial software industry in China increased to RMB248.6 billion in 2019 from RMB149 billion in 2017 with a compound annual growth rate of 29.20%. With the development of relevant technologies and the lead of industrial needs, deepening the in-depth application of industrial internet in all industrial fields, improving the implementation effect and inclusive level of the application, and expanding the application scope of industrial internet, will be the main driving factors for the market expansion of the future industrial internet. Each industrial internet product produced by this project will effectively meet the enterprise demands and has a broad application space, and there is a good market environment for project implementation.

(3) The Company gathered various high-quality resources, laying a solid foundation for project implementation

Shanghai Electric has extensive technical reserves and rich experience in the field of industrial internet. With over a decade of accumulation, Digital Technology Company has established an information platform at group level for supporting the complete process management including R&D design, production and manufacturing, purchase and storage, product sales and after-sales service, and built a core IT team of about 100 staff with rich experience in information, AI, big data and cloud computing. The Company accumulates years of experiences in industrial application as well as platform construction and integrates high-quality resources in multiple factors, laying a solid technical foundation for the implementation of this project.

(IV) Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical

1. Necessity of implementation of the project

(1) Implementation of the project helping to improve the undertaking capability of the Company for chemical engineering EPC projects

With Shanghai Boiler Works as an important platform for carrying out the chemical segment construction, Shanghai Electric fully integrates the available equipment and technology supporting resources, so as to comprehensively strengthen the system solution capability of chemical project integrating "consulting + technology + equipment + design + installment + debugging + service". The implementation of the project helps Shanghai Boiler Works to further accumulate the implementation experience of chemical engineering EPC general contracting project, improve the capability to undertake the large-scale project, and further enhance the comprehensive competitiveness of the Company in terms of chemical business segment.

(2) Implementation of the project helping to expand the market influence of the Company in the field of chemical engineering

This project is one of the ten projects for transformation and upgrading of Yan'an City and the first demonstration project of comprehensive utilisation of multi-generation and recycling of low-rank coal in Yan'an, and the milestone project for Shanghai Electric to step into the market of large-scale chemical engineering project. Undertaking the project helps to expand the market influence of the Company in the field of large-scale chemical engineering.

(3) Strengthening the Company's capital strength and enhancing the comprehensive competitiveness in chemical engineering business segment

Chemical engineering belongs to capital and technology intensive industry, the features in long cycle of production and payment collection and large resource occupancy, etc. for its complete production process and needs a relatively large and long-term capital scale. As EPC general contracting model requests for a stronger capital strength of general contractor, the market subject with strong capital strength plays a more obvious competitive advantage while undertaking the large-scale projects. Therefore, it is necessary for the Company to strengthen capital strength by way of equity financing, providing a sufficient capital guarantee for the Company in the sustainable development of chemical engineering segment.

2. Feasibility of implementation of the project

(1) Well-established project owner

The controlling shareholder of Yan'an Energy and Chemical Group Zichang Chemical Co., Ltd. (延安能源化工(集團)子長化工有限責任公司), the owner of the project, is Yan'an Energy and Chemical Group Co., Ltd. Yan'an Energy and Chemical Group Co., Ltd. is a key leading state-owned enterprise in Yan'an, and has complete industrial layout and scientific development strategy, with clear shareholding structure, sound financial position and good profitability, debt servicing capability, operation capability and development capability, which will provide sufficient safeguarding for the successful implementation of this project.

(2) Strong comprehensive profitability upon the completion of the project

In recent years, with the rebound of international oil price, the coal chemical industrial product industry encounters an economical turning point accordingly. Demonstration EPC project of comprehensive utilisation of multi-generation and recycling of coal middlings of one million tonnes per annum of Yan'an Energy and Chemical is established in the major domestic coal production regions and will form a complete recycling production chain upon the completion of the project, which can effectively reduce the production cost. In the meantime, the large demand in the downward market of the product and a strong profitability provide a sufficient safeguarding for the payment collection of EPF project.

(V) Necessity of Replenishment of Working Capital

1. To strengthen capital base strength of the Company and support the Company's principal business for sustainable development

In view of the wide development space of the Company in the future, the business scale of the Company is expected to maintain sustainable growth, and the demand on the working capital of the Company increases accordingly. At present, the demand on the working capital of the Company is satisfied by the bank loan and other debt financing ways. As the Company's business scale is increasing, it is necessary to replenish working capital through equity financing for raising funds, so as to support the Company's principal business for sustainable development and accommodate the needs as a result of the expanding business scale of the Company.

2. To reduce the financial risks and optimize financial structure of the Company

As at 31 December 2020, the total assets, total liabilities and gearing ratio on a consolidated basis of the Company were RMB315,402,734,000, RMB208,553,392,000 and 66.12%◦The proceeds raised under the Non-public Issuance of Shares is conductive to optimizing financial structure and reducing financial risks of the Company, thus guaranteeing the robust operation and sustainable development of the Company.

IV. EFFECT OF THE ISSUANCE ON OPERATION AND MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Impact of the Issuance on the Operation and Management of the Company

The investment projects to be funded by the proceeds are important measures for the Company to improve its industrial layout, consolidate its core competitiveness, and make breakthroughs in the key core technologies of the industry, which is in line with relevant national industrial policies and the overall strategic development direction of the Company in the future. The investment projects have good technological advancement and market competitiveness, and are of considerable significance to enhancement of its research and development capabilities and sustainable profitability.

(II) Impact of the Issuance on the Financial Position of the Company

The Non-public Issuance will increase the Company's total assets and net assets amounts, lower the overall gearing ratio level correspondingly and help the Company improve its capital strength, laying a foundation for the future development of the Company.

Upon completion of the Issuance, the total amount of share capital of the Company will increase but it will take a certain period of time for investment projects to be funded by the proceeds to generate economic benefits. Hence, earnings per share of the Company may be diluted in the short term.

The impact of the Non-public Issuance on cash flow of the Company is shown as follows: (1) the Issuance will increase the Company's cash inflow from financing activities and therefore enhance its liquidity and solvency; (2) the increase in the Company's net assets may enhance its ability of multi-channel financing, which will in turn bring a positive impact on its cash inflow from potential financing activities in the future; (3) with the benefits of the investment projects being gradually realised, the Company's net cash flow from operating activities and sustainability are expected to be effectively increased.

SECTION III DISCUSSION AND ANALYSIS OF THE BOARD ON THE IMPACT OF THE ISSUANCE ON THE COMPANY

I. CHANGES TO THE BUSINESS AND ASSETS, ARTICLES OF ASSOCIATION, SHAREHOLDING STRUCTURE, COMPOSITION OF SENIOR MANAGEMENT AND BUSINESS STRUCTURE OF THE COMPANY FOLLOWING THE ISSUANCE

(I) Effects on the Business and Assets of the Company

The gross proceeds from the Issuance, after deduction of issue cost, will be fully used for Non-carbon Energy Power Technology Research and Development Project, Smart City Key Platform and System Development Project, SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project, Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical and replenishment of working capital. The Issuance does not involve integration of business or assets of the Company. Upon the completion of the Issuance, there will be no material change to the Company's principal business. Following the gradual implementation of the investment projects, the industrial chain layout and product structure of the Company will be optimised, facilitating the Company's continuous high-quality development.

(II) Effects on the Company's Articles of Association

Upon the completion of the Issuance, the Company will make adjustments to the items in its Articles of Association that are related to the Non-Public Issuance, such as the registered capital, the total number of shares, the share capital, etc. in accordance with the circumstances of the Non-public Issuance, and will handle the relevant industrial and commercial registrations on the changes. Save for the above, the Company has no other plans to amend or adjust the Articles of Association.

(III) Effects on Shareholding Structure

Upon the completion of the Issuance, the share capital of the Company will increase accordingly and the shareholder structure of the Company will also change. The shareholding proportion of the existing shareholders will also change accordingly.

As at the date of announcement of this Plan, the total number of shares of the Company was 15,705,971,092. SEC together with Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司), its party acting in concert, held 8,571,047,141 shares of the Company in total, representing 54.57% of the Company's total share capital, and SEC was the Company's controlling shareholder and the Shanghai SASAC was the Company's de facto controller.

The number of shares to be issued under the Non-public Issuance shall not exceed 1,570,597,109 shares (inclusive), which is not more than 10% of the total share capital of the Company prior to the Non-public Issuance. Based on an assumption of the issuance of 1,570,597,109 shares, upon the completion of the Issuance, the shares of the Company held by SEC and its party acting in concert will represent 49.61% of the total share capital of the Company and the controlling shareholder and de facto controller of the Company remain unchanged.

(IV) Effects on the Composition of Senior Management

As at the date of announcement of this Plan, the Company has no plan to adjust the composition of its senior management and the composition of the senior management will not change due to the Issuance. If the Company intends to adjust the composition of senior management in the future, it will strictly perform necessary approval procedures and information disclosure obligations in accordance with the relevant requirements.

(V) Effects on the Business Structure

The proceeds to be raised from the Issuance will be used for Non-carbon Energy Power Technology Research and Development Project, Smart City Key Platform and System Development Project, SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project, Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical and replenishment of working capital. The construction of the investment projects to be funded with the proceeds raised mentioned above will be beneficial to the Company's accelerated enhancement of its technological strength in the business areas of non-carbon energy, industrial internet, smart city and large-scale chemical engineering, expansion of diversified businesses, further digital transformation of the Company and enhancement of the overall competitiveness of the Company. Upon the completion of the Issuance, there will be no material change to the Company's business structure.

II. CHANGES IN FINANCIAL POSITION, PROFITABILITY AND CASH FLOW OF THE COMPANY FOLLOWING THE ISSUANCE

(I) Effects on the Financial Position of the Company

Upon the completion of the Issuance, both of the total assets and net assets of the Company will increase. The gearing ratio of the Company will be lowered, which in turn will improve the quality of the Company's assets and enhance the Company's ability to resist financial risks.

(II) Effects on Profitability of the Company

Upon the completion of the Non-public Issuance, the total share capital of the Company will increase. Although the earnings per share of the Company may be diluted and the return on net assets may be decreased in the short term, upon the completion of the investment projects to be funded by the proceeds, the core competitiveness of the Company will be further enhanced, thereby strengthening the overall profitability of the Company.

(III) Effects on Cash Flow of the Company

Upon the completion of the Non-public Issuance, cash inflow from financing activities of the Company will significantly increase. As the implementation of the Company, net cash flow from operating activities of the Company will also increase in the future.

III. CHANGES IN BUSINESS RELATIONSHIP, MANAGEMENT RELATIONSHIP, RELATED PARTY TRANSACTIONS AND PEER COMPETITION BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES

Prior to the Issuance, the Company operates in an independent manner in terms of business, personnel, assets, institution and finance, and is not under the influence of its controlling shareholder and its associates. Upon completion of the Issuance, the business relationship, management relationship, related party transactions and peer competition between the Company and its controlling shareholder and its associates will not be significantly changed. The Company will strictly comply with relevant laws and regulations and rules regarding related party transactions of the Companies and other requirements, uphold the principles of impartiality, fairness and openness, and strictly perform its information disclosure obligation and approval procedures for related party transactions, in order to maintain its independence as a listed company and safeguard the interest of the listed company and other shareholders.

IV. APPROPRIATION OF FUNDS AND ASSETS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES OR PROVISION OF GUARANTEE FOR THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES FOLLOWING THE COMPLETION OF THE ISSUANCE

Upon the completion of the Issuance, there will be no circumstances where the funds or assets of the Company will be appropriated in violation of regulations by the Company, its controlling shareholder and de facto controller and its associates, and no guarantee will be provided by the Company to the controlling shareholder, the de facto controller and its associates in violation of regulations.

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

Upon the completion of the Issuance, the total assets and net assets of the Company will increase, while the gearing ratio will be lowered and the Company's solvency and risk resistance capabilities will be effectively strengthened. The Issuance will not significantly increase the Company's liabilities, including contingent liabilities, nor will it result in an excessively low liability proportion or an unreasonable financial cost.

VI. RISKS ASSOCIATED WITH THE ISSUANCE OF SHARES

(I) Risks Associated with the Non-public Issuance of A Shares

1. Risks associated with approvals

The plan for the Non-public Issuance of A Shares is subject to the consideration and approval at the general meeting of the Company following the obtaining of the approval of the competent authority of state assets, and can only be implemented after obtaining the approval by the CSRC. There are uncertainties associated with the outcome of, and timeframe for, the obtaining of approvals for the above matters. Investors are advised to be aware of investment risks.

2. Risks associated with issuance

As the Issuance is available to no more than 35 specific qualified target subscribers for fund raising, and the result of issuance will be subject to various internal and external factors such as the general condition of the securities market, trend of the Company's share price and recognition of the investors on the plan of the Issuance. As such, the Issuance to specific target subscribers is subject to the risk of there being insufficient proceeds raised.

3. Risks associated with the dilution of immediate returns as a result of the Issuance to specific target subscribers

As the total share capital and net assets scale of the Company will increase significantly upon receipt of the proceeds raised from the Issuance and it will take a certain period of time for the benefits arising from the proceeds to materialise, before which, the profit of the Company and the returns to shareholders still mainly rely on the existing businesses. Therefore, the Issuance of Shares to specific target subscribers may cause the Company's immediate returns to be diluted in the short term.

In addition, if the investment projects to be funded by the proceeds fail to realise the expected benefits, which in turn cause an inability for the Group's future business scale and profit level to generate corresponding growth, the earnings per share, return on net assets and other financial indicators of the Company will see a certain degree of decline. Investors are hereby reminded to pay attention to the risks that the Issuance to specific targets subscribers may subject to risks related to dilution of immediate returns.

4. Risks associated with fluctuations in stock prices

Stock investment itself has certain risks. Stock prices are not only affected by the Company's financial status, operating results and development prospects, but also by various factors such as national economic policies, business cycles, inflation, stock market supply and demand, and occurrence of major natural disasters. Therefore, after the completion of the Issuance, there will be uncertainties in the stock prices in the Company's secondary market. If the performance of the stock prices is lower than investors' expectations, there is a risk that investors will suffer investment losses.

(II) Market and Operation Risks

1. Market risk

Since the equipment manufacturing industry is greatly affected by social fixed asset investment, and is greatly connected with national economic growth, both of the constant changes in the macro economy and the periodic fluctuations in the industry development will pose challenges on the sustainable development of the Company. At present, the COVID-19 pandemic has been effectively controlled in China, however, the risk of a second outbreak exists abroad. If the pandemic fails to be effectively controlled or continues to spread around the world in the future, it is expected to have a certain impact on the demand of the Company's downstream industries.

2. Competition risk

The Issuer's principal business mainly involves three major areas, namely energy equipment, industrial equipment and integrated services. As a comprehensive equipment manufacturing group, the Issuer, although in a leading position in the market, also faces competition from other large companies. In the international market, large power generation equipment manufacturing companies including G.E (General Electric) and SIEMENS all have advanced industrial technologies, and have gradually penetrated the Chinese market through joint ventures with domestic companies. As more and more multinational companies engaging in the same industry enter the Chinese market and expand their scale of production and sale in China, the Issuer's will face increasingly fierce market competition in the above-mentioned fields. If the Issuer fails to effectively enhance its own competitive advantage to consolidate its competitive position in the industry, its market share may be reduced, and its future business development may be adversely affected.

3. *Raw material price fluctuation risk*

The Issuer is principally engaged in the manufacture of large equipment, for which the raw materials are mainly metals such as steel, copper and aluminum. The cost of raw materials may be affected by various factors, such as market supply and demand, changes in suppliers, availability of alternative materials, changes in the production condition of suppliers and natural disasters. In recent years, the prices of metals such as steel, copper and aluminum have fluctuated significantly, resulting in increased uncertainty in the consolidated costs of the Issuer. Due to the time lag between the pricing of sales of products and the raw material purchases of the Issuer, if raw material costs increase significantly during such period and the Issuer is unable to transfer the increased costs to its downstream customers in a timely manner, the profitability of the Issuer may be adversely affected.

In recent years, due to the impact of slowdown in the growth rate of fixed asset investment in China, especially the cancellation, slow approval, slow construction and suspension of a large number of coal power projects, the coal power related business of the Issuer has been facing significantly increased operating pressure. The price of major raw materials such as steel and non-ferrous metals fluctuated significantly, which will expose the Company to certain risks of raw material price fluctuations.

4. *Overseas business risk*

The Issuer has been exploring overseas markets in recent years, especially in the integrated services segment, which has undertaken a number of large-scale overseas projects. With the Company's continuous expansion of overseas business, the political and economic situation of the relevant countries may bring corresponding risks to the progress of completion of projects and the owner's ability to pay. As the possibility of the risk resulting from changes in the political and economic pattern of the countries where the overseas business locates is increasing, the risk related to commercial disputes between the Issuer and overseas owners and partners may also increase. In addition, due to the impact of the trade war between the U.S. and China, the Issuer is exposed to the risk of declining demand in overseas markets, reduced order volume and delayed delivery of orders.

5. *Exchange rate fluctuation risk*

The power station facilities, power station projects, transmission and distribution projects and other business of the Company all involve export business, and the contracts of such business, the amounts of which are relatively high, are dominated in USD in general; imported equipment and parts and components are required to be purchases in the course of production of the Company, and relevant contracts are mostly dominated in USD and other main foreign currencies. If the fluctuation in the exchange rate of RMB against USD and other main foreign currencies tends to increase, the exchange rate risk to the Company may increase.

6. Periodic and policy risks

Given that the Issuer's energy equipment and industrial equipment businesses are highly correlated with the state's investment scale of fixed assets, and are greatly affected by national economic periodic fluctuations and macro policy adjustments, the Company is exposed to certain risks of economic cycle fluctuations and policy adjustments. As power equipment is the core product of the Issuer, market demand is significantly affected by the operation of power generation industry, and power demand is directly subject to periodic fluctuations of economy. The export scale of power station facilities, power station projects, transmission and distribution projects of the Issuer is relatively large, thus, the changes in global economic situation and the adjustment to national export policy will have certain impact on the operation business of the Company.

7. Other force majeure risks

The Company does not exclude the possibility of adverse impact arising from politics, policies, economy, natural disasters and other factors beyond its control.

(III) Risks Associated with the Investment Projects Funded by the Proceeds

The feasibility study on the Company's projects to be funded with the proceeds raised is proposed based on the current economic situation, industry development trend, future market demand forecast, the Company's technical research and development capabilities and other factors. After prudent forecasting, the Company expected that the economic benefit of the investment projects to be funded with the proceeds is good. However, considering the uncertainties in the future economic situation, industry development trend and market competition environment, as well as the risks of the implementation of the projects (cost increase, schedule delay, and failure of timely availability of funds raised, etc.) and possible increase of personnel salary, the actual benefits of the investment project to be funded with the proceeds raised may be less than expected.

SECTION IV PROFIT DISTRIBUTION POLICY AND RELEVANT INFORMATION OF THE COMPANY

I. PROFIT DISTRIBUTION POLICY OF THE COMPANY

According to the Company's Articles of Association, which is currently in effect and was considered and approved at the annual general meeting for the year 2019 held on 29 June 2020, the relevant profit distribution policy of the Company is as follows:

"Article 170 Profits shall be distributed pro rata among shareholders within six (6) months of the end of each fiscal year. Plans for the distribution of profits shall be resolved by way of ordinary resolution at the general meeting. Except as otherwise resolved by the general meeting, the general meeting may grant the board of director the right to distribute interim profits.

The amount of any share paid up before the issuance of the payment demand of such share may carry interests, but the holder of such share shall not be entitled to participate in the distribution of the dividend of such pre-paid shares subsequently declared.

In the event that the power should be exercised to forfeit unclaimed dividends, such power shall not be exercised at least six (6) years after the date of declaration of the dividend.

Any of the above disposals shall not violate the mandatory provisions of laws and administrative regulations.

Article 171 The Company's profit distribution policies:

(I) Basic principle of profit distribution: The Company shall carry out an ongoing and stable profit distribution policy. The distribution of profit of the Company shall be focused on providing reasonable investment returns to investors and take into account the Company's sustainable development;

(II) Method and interval of profit distribution: The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company shall first adopt cash dividends to distribute profit. Subject to the satisfaction of the conditions for profit distribution, the Company shall distribute profit on an annual basis. The Company may carry out an interim profit distribution if conditions permit;

(III) Conditions and proportion of cash dividends distribution: Save for special conditions, the Company shall adopt cash dividends when there are positive accumulated and undistributed profits in a profitable year. The accumulated distribution of cash dividends over the last three years shall not be less than 30% of the average annual distributable profits for the last three years in principle.

Subject to the satisfaction of conditions of cash dividends distribution, in the case where the Company is at the mature stage of development and has no arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 80% of such distribution; in the case where the Company is at the mature stage of development and has an arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 40% of such distribution; in the case where the Company is at the growing stage of development and has an arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 20% of such distribution. The Board of directors shall determine the Company's stage of development for the purpose of cash dividends distribution with reference to the actual situation. Where the Company's stage of development is difficult to be ascertained but an arrangement for significant capital outlay exists, the profit distribution shall be handled pursuant to the aforesaid rules.

Special conditions refer to: (1) the auditors have not provided a standard unqualified opinion in their audit report in respect of the Company's financial statements for that year; (2) the Company has a material investment plan or an arrangement for significant capital outlay (excluding a fund raising event). A material investment plan or an arrangement for significant capital outlay refers to the accumulated expenditures for transactions such as external investments, assets acquisitions and investments in fixed assets of the Company in the next 12 months having reached or exceeded 30% of the latest audited net assets; (3) the balance of cash, excluding cash raised from capital markets and cash within special funding for special purposes or special account management funding such as a government special financial funds (including bank deposits and bonds with high liquidity), is not sufficient to pay the cash dividends; (4) the net operating cash flow of the Company for that year is negative; (5) a material change in the external operating environment occurs, which has a material effect on the production and operations of the Company; (6) other events materially affecting the production and operations and the funding of the Company have occurred or are expected to occur during the next 12 months.

Where the Company fails to determine a profit distribution proposal of that year in accordance with the above cash dividends policy in the event of special conditions, the Company shall disclose in the regular report such information as the specific reasons, the exact purpose for retention of the undistributed profit and the expected return for such purpose. Independent directors of the Company shall express an independent opinion in this regard.

(IV) Conditions of dividend distribution in the form of shares: Where the Company's share capital size and equity structure are reasonable and its share capital increases in line with its growth in operating results, the Company may distribute its profit in the form of shares. The profit distribution in the form of shares by the Company shall be made on the premise of giving reasonable cash dividends return to shareholders and maintaining proper share capital size, while taking into full consideration of factors including the growth of the Company and the dilution to net asset value per share.

(V) Consideration and deliberation procedures and decision-making mechanism for profit distribution proposal: In the event of profit distribution by the Company, the Board of directors shall formulate the distribution proposal and submit the proposal to the Shareholders' meeting of the Company for approval. The Board of directors shall carefully study and deliberate such matters including the timing, conditions and minimum proportion, conditions of adjustment and the requirements of the decision-making process for cash dividend distribution of the Company in formulating the detailed proposal of cash dividends distribution, and independent directors shall expressly give their opinions. The independent directors may gather views from minority shareholders and propose a distribution proposal which will be submitted directly to the Board of directors for its approval. Prior to the consideration of the detailed proposal of cash dividends distribution at the general meeting, the Company shall actively communicate and exchange views with the shareholders, in particular the minority shareholders, through various channels, such that the opinions and requests of the minority shareholders can be fully heard, and their concerns can be responded in a timely manner.

(VI) Amendment of profit distribution policy: The profit distribution policy of the Company shall not be amended randomly. The profit distribution policy can be amended where there is a material change in the production and operations of the Company, the need for an investment plan or a long-term development of the Company, changes in the external operating environment or changes in policies and regulations, the profit distribution policy may be amended after detailed discussion and upon the satisfaction of conditions stipulated by this Articles of Association. Independent directors shall expressly give their opinions regarding the amendments of profit distribution policy. The amended profit distribution policy shall not violate the relevant provisions of the regulatory authorities. The relevant proposal to amend the profit distribution policy shall first be approved by the Board of the Company and then submitted by the Board of the Company for consideration at a shareholders' general meeting. Such proposal should be passed by an affirmative vote of more than two-thirds of the Company's total voting shares being held by the shareholders who are present at the general meeting.

Article 172 After the general meeting has adopted the resolution on the plan for distribution of the Company's profits, the board of directors of the Company shall complete the distribution of dividends (or shares) within two (2) months of the date of the completion of such general meeting.

Article 173 The Company shall calculate, declare and pay dividends and other amounts payable to holders of domestic shares in Renminbi. The Company shall calculate and declare cash dividends and other payments payable to holders of overseas-listed foreign shares in Renminbi, and shall pay such amounts in the foreign currency where such overseas-listed foreign shares are listed (if such shares are listed in more than one places, such amounts shall be paid in the currency of the main place where such shares are listed determined by the Board of the Company).

Article 174 The foreign currency that the Company uses in paying dividends and other amounts to holders of foreign shares shall be obtained in accordance with the relevant foreign exchange administrative regulations of the PRC.

Article 175 The Company shall withhold and pay on behalf of its shareholders the taxes levied on the dividends in accordance with the provisions of the PRC tax law.

Article 176 The Company shall appoint collecting agents for holders of overseas-listed foreign shares. Collecting agents shall receive dividends distributed by and other sums payable on overseas-listed foreign shares by the Company on behalf of relevant shareholders.

Collecting agents appointed by the Company shall comply with the requirements of the laws of where the stock exchange on which shares of the Company are listed is located, and the provisions of such stock exchange.

The receiving agents appointed by the Company for holders of overseas-listed foreign shares listed in Hong Kong shall each be a company registered as a trust company under the Trustee Ordinance of Hong Kong (Chapter 29 of the Laws of Hong Kong).

II. THE COMPANY'S PLAN ON SHAREHOLDERS' RETURN FOR THE UPCOMING THREE YEARS (2021 – 2023)

To establish and improve the shareholder's return mechanism, enhance the transparency and operability of the decision-making mechanism for the profit distribution policy, make positive return to investors, and effectively protect the legitimate rights and interests of minority shareholders, the Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) of Shanghai Electric Group Company Limited has hereby been formulated pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice on Further

Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Regulatory Guidance No. 3 on Listed Companies – Distribution of Cash Dividend by Listed Companies (CSRC Announcement [2013] No.43) (《上市公司監管指引第3號—上市公司現金分紅》(證監會公告[2013]43號)) issued by the China Securities Regulatory Commission ("CSRC") and other laws and regulations, as well as the relevant provisions of the Articles of Association of Shanghai Electric Group Company Limited, taking into account the Company's actual circumstances.

(I) Principles of Formulating the Plan on Shareholders' Return

1. To make positive return to investors while taking into account the sustainable development of the Company;

2. To further enhance the transparency of the Company's profit distribution, especially cash dividends, to help investors to form stable expectation of return;

3. To maintain the continuity and stability of the Company's profit distribution policy;

4. To strictly comply with relevant requirements of profit distribution under relevant laws and regulations and the Articles of Association of Shanghai Electric Group Company Limited.

(II) Considerations in Formulating the Plan on Shareholders' Return

The plan on shareholders' return is an arrangement for profit distribution formulated on the basis of the comprehensive analysis of shareholders' demands and wishes regarding returns, the Company's developmental stage and plan, profitability, social capital cost and external financing environment, and giving full consideration to conditions such as the Company's current and future profitability scales, cash flows and capital needs of investment projects, capital structure and financing abilities, with the hope of balancing reasonable investment return to shareholders and capital needs for the Company's sustainable development.

(III) Cycle of Formulating Plan on Shareholders' Return

The Company will review the plan on shareholders' return every three years, and make proper and necessary amendments to its then effective dividend distribution policy based on the opinions of the shareholders (especially the minority shareholders), independent directors and supervisors, and determine the plan on shareholders' return for such period. The Board of the Company will formulate annual and interim dividend proposal based on specific operating information after fully considering the Company's then profitability, cash flows, developmental stage, ordinary working capital requirements and foreseeable substantial capital expenditures. The independent directors may gather views from minority shareholders and propose a distribution proposal which will be submitted directly to the Board of directors for its approval. When the detailed profit distribution plan is considered at the general meeting, the Company shall actively communicate and exchange views with the shareholders, in particular the minority shareholders, through various channels, such that the opinions and requests of the minority shareholders can be fully heard, and their concerns can be responded in a timely manner.

(IV) Details of the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021–2023)

The Company shall carry out an ongoing and stable profit distribution policy. The distribution of profit of the Company shall be focused on providing reasonable investment returns to investors and take into account the Company's sustainable development:

1. Method and interval of profit distribution

The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company shall first adopt cash dividends to distribute profit. Subject to the satisfaction of the conditions for profit distribution, the Company shall distribute profit on an annual basis. The Company may carry out an interim profit distribution if conditions permit.

2. Conditions and proportion of cash dividends distribution

Save for special conditions, the Company shall adopt cash dividends when there are positive accumulated and undistributed profits in a profitable year. The accumulated distribution of cash dividends over the last three years shall not be less than 30% of the average annual distributable profits for the last three years in principle. Subject to the satisfaction of conditions of cash dividends distribution, in the case where the Company is at the mature stage of development and has no arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 80% of such distribution; in the case where the Company is at the mature stage of development and has an arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 40% of such distribution; in the case where the Company is at the growing stage of development and has an arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 20% of such distribution. The Board of directors shall determine the Company's stage of development for the purpose of cash dividends distribution with reference to the actual situation. Where the Company's stage of development is difficult to be ascertained but an arrangement for significant capital outlay exists, the profit distribution shall be handled pursuant to the aforesaid rules.

Special conditions refer to: ① the auditors have not provided a standard unqualified opinion in their audit report in respect of the Company's financial statements for that year; ② the Company has a material investment plan or an arrangement for significant capital outlay (excluding a fund raising event). A material investment plan or an arrangement for significant capital outlay refers to the accumulated expenditures for transactions such as external investments, assets acquisitions and investments in fixed assets of the Company in the next 12 months having reached or exceeded 30% of the latest audited net assets; ③ the balance of cash, excluding cash raised from capital markets and cash within special funding for special purposes or special account management funding such as a government special financial funds (including bank deposits and bonds with high liquidity), is not sufficient to pay the cash dividends; ④the net operating cash flow of the Company for that year is negative; ⑤ a material change in the external operating environment occurs, which has a material effect on the production and operations of the Company; ⑥ other events materially affecting the production and operations and the funding of the Company have occurred or are expected to occur during the next 12 months.

Where the Company fails to determine a profit distribution proposal of that year in accordance with the above cash dividends policy in the event of special conditions, the Company shall disclose in the regular report such information as the specific reasons, the exact purpose for retention of the undistributed profit and the expected return for such purpose. Independent directors of the Company shall express an independent opinion in this regard.

3. Conditions of dividend distribution in the form of shares

Where the Company's share capital size and equity structure are reasonable and its share capital increases in line with its growth in operating results, the Company may distribute its profit in the form of shares. The profit distribution in the form of shares by the Company shall be made on the premise of giving reasonable cash dividends return to shareholders and maintaining proper share capital size, while taking into full consideration of factors including the growth of the Company and the dilution to net asset value per share."

4. Consideration and deliberation procedures and decision-making mechanism for profit distribution plan

In the event of profit distribution by the Company, the Board shall formulate the distribution proposal and submit the proposal to the general meeting of the Company for approval. The Board shall carefully study and deliberate such matters including the timing, conditions and minimum proportion, conditions of adjustment and the requirements of the decision-making process for cash dividend distribution of the Company in formulating the detailed proposal of cash dividends distribution, and independent directors shall expressly give their opinions. The independent directors may gather views from minority shareholders and propose a distribution proposal which will be submitted directly to the Board for approval. Prior to the consideration of the detailed proposal of cash dividends distribution at the general meeting, the Company shall actively communicate and exchange views with the shareholders, in particular the minority shareholders, through various channels, such that the opinions and requests of the minority shareholders can be fully heard, and their concerns can be responded in a timely manner.

5. Amendments of profit distribution policy

The profit distribution policy of the Company shall not be amended randomly. The profit distribution policy can be amended where there is a material change in the production and operations of the Company, the need for an investment plan or a long-term development of the Company, changes in the external operating environment or changes in policies and regulations, the profit distribution policy may be amended after detailed discussion and upon the satisfaction of conditions stipulated by the Articles of Association of Shanghai Electric Group Company Limited. Independent directors shall expressly give their opinions regarding the amendments of profit distribution policy. The amended profit distribution policy shall not violate the relevant provisions of the regulatory authorities. The relevant proposal to amend the profit distribution policy shall first be considered and approved by the Board of the Company and then submitted by the Board of the Company for consideration at a general meeting. Such proposal should be passed by an affirmative vote of more than two-thirds of the Company's total voting shares being held by the shareholders who are present at the general meeting.

(V) Implementation of the Plan on Shareholders' Return

Any matters not covered in the Plan on Shareholders' Return shall be governed by the relevant laws, regulations, regulatory documents and the Articles of Association of Shanghai Electric Group Company Limited. The Board of the Company is responsible for interpreting the Plan on Shareholders' Return. The Plan shall come into force on the date of its approval at the general meeting.

III. EXPLANATION ON THE IMPLEMENTATION OF THE PROFIT DISTRIBUTION POLICY IN REGULAR REPORTS

1. The Company shall disclose in the regular report the implementation of the profit distribution plan and cash dividends policy in accordance with the relevant requirements of the CSRC and the stock exchanges

2. Where the Company recorded profits for the previous accounting year, however, the Board of the Company failed to recommend the cash dividend distribution proposal at the end of the previous accounting year, the Board of the Company shall specify the reason therefor and the use of undistributed profit retained by the Company. Independent directors shall express an independent opinion in this regard.

IV. PROFIT DISTRIBUTION IN THE LATEST THREE YEARS

(I) Profit Distribution Plan in the Latest Three Years

1. Profit distribution of the Company for 2018

2018 annual profit distribution plan which was considered and approved at the 2018 annual general meeting of the Company held on 10 June 2019: a cash dividend of RMB0.6146 (including tax) per 10 Shares based on the total share capital of the Company on the record date for the implementation of the profit distribution plan was distributed, and a total of cash dividend of RMB931,270,200 was paid out.

2. Profit distribution plan of the Company for 2019

2019 annual profit distribution plan which was considered and approved at the 2019 annual general meeting of the Company held on 29 June 2020: no cash dividend was distributed, no bonus share was issued and no capitalisation of reserve was implemented in 2019. The undistributed profit of the Company was carried forward for distribution in subsequent years.

3. Profit distribution of the Company for 2020

2020 annual profit distribution plan which was considered and approved at the 48th meeting of the fifth session of the board of director of the Company held on 26 March 2021: a cash dividend of RMB0.7178 (including tax) per 10 Shares based on the total share capital of the Company on the record date for the implementation of the profit distribution plan will be distributed, and it is expected that a total of dividend of RMB1,127,375,000 will be paid out. As of the date of the announcement of the plan, the profit distribution plan has yet to be submitted to the general meeting of the Company for consideration, which will be implemented after being approved at the general meeting.

During 2020, the Company repurchased a total of 48,430,000 H Shares and paid HK$109,717,900 in aggregate for that, which was equivalent to RMB95,149,600 as calculated as per the central parity rate of HKD against RMB on 30 October 2020, being the completion date of the repurchase. According to the requirements under the Opinions on Supporting the Repurchase of Shares by Listed Companies (CSRC Announcement [2018] No. 35) (《關於支持上市公司回購股份的意見》(證監會公告[2018]35號)), the repurchase of shares by listed companies for cash consideration through the way of offer or centralized bidding shall be treated as cash dividend distribution and calculated based on the percentage for cash dividend.

(II) Distribution of Cash Dividends in the Latest Three Years

The Company's accumulated profit distribution made in cash for the latest three years amounted to RMB2,153,794,800 in total, representing 62.88% of the average annual distributable profit of RMB3,425,245,700 realised in the latest three years, the details of which are as follows:

Unit: RMB0'000

Items	**2020**	**2019**	**2018**
Total cash dividend amount (including tax)	**122,252.46**		93,127.02
Net profit attributable to shareholders of the Company	**375,817.50**	350,103.70	301,652.50
Percentage of cash dividend to net profit attributable to shareholders of the Company	**32.53%**		30.87%
Total cash dividends accumulated (including tax) in the latest three years			215,379.48
Average annual distributable profit in the latest three years			342,524.57
Percentage of accumulative profit distribution in cash in the latest three years to the average annual distributable profit			62.88%

Note: Save for the implementation of the repurchase of H Shares, the cash dividend distribution plan of the Company for 2020 has yet to be submitted to the general meeting for consideration and approval.

(III) Use of Undistributed Profit in the Latest Three Years

The retained undistributed profits of the Company are mainly used to replenish the working capital for operation of the Company's principal business and the investment in projects, so as to support the long-term sustainable development of the Company and maximise the interests of shareholders.

SECTION V DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES AND REMEDIAL MEASURES

Pursuant to the requirements of the documents including the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號))，the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and the Guidance on Matters Relating to the Dilution of Immediate Returns as a Result of Initial Public Offering, Refinancing and Major Asset Reorganisation (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), in order to safeguard the interests of small and medium investors, the Company has carefully analysed the impact of the Non-public Issuance of A Shares on immediate returns and formulated detailed remedial measures to counteract the dilution of immediate returns. The remedial measures formulated by the Company do not constitute a guarantee for the Company's future profits.

I. THE IMPACT OF DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE ON KEY FINANCIAL INDICATORS OF THE COMPANY

(I) Assumptions

1. It is assumed that there is no material adverse change in the business environment including macroeconomic conditions and industry policies.

2. It is assumed that the impact on the production and operation, financial position (e.g. finance costs and investment income) and so forth upon the receipt of the proceeds from the Non-public Issuance of A Shares shall be disregarded.

3. It is assumed that the total proceeds from the Non-public Issuance of Shares will be RMB5 billion, without regard to the effect of issue expenses.

4. Assuming that the price of the Non-public Issuance is the audited net assets per share as at 31 December 2020, which does not represent the actual number of the lower limit of the issue price of the Company. The assumption is only adopted to estimate the impact of the Issuance on the earnings per share of the Company, and does not represent the Company's judgment on the actual number of shares to be issued. The actual number of shares to be issued as approved by the CSRC shall prevail.

5. It is assumed that the Non-public Issuance will be completed by 30 September 2021. The completion time is only used for the calculation of the impact of the Issuance on immediate returns, and does not constitute a commitment to the actual completion time. Investors should not make investment decisions based on this assumptive completion date, and the Company shall not be held liable for any losses arising from such investment decision. The time at which the Company actually completes the Issuance as approved by CSRC shall prevail.

6. It is assumed that the impact of factors other than the proceeds and net profit on the net assets of the Company is to be disregarded.

7. The Company's net profit attributable to shareholders of the Company in 2020 was RMB3,758,175,000, and the net profit attributable to owners of the Company after deducting non-recurring gains and losses was RMB1,041,831,800. It is assumed that the three scenarios apply whereby the Company's net profit before and after deducting non-recurring gains and losses attributable to owners of the Company for the year of 2021 will decrease by 10%, remain flat, and increase by 10% as compared to 2020. (Such data will merely be for estimating the impact of the Issuance on the Company and do not represent the actual operating conditions of the Company).

8. The impact of profit distribution plan of the Company for 2020 is to be disregarded.

The assumptions stated above are merely for estimating the impact of the dilution of immediate returns as a result of the Non-public Issuance of A Shares on the key financial indicators of the Company, and do not constitute profit forecast in respect of the Company, nor do they represent the Company's judgment of the operating conditions and trends, and shall not be relied upon by investors in making their investment decisions. The Company does not bear any liability for any loss suffered by investors in making their investment decisions as such.

(II) Impact on the Key Financial Indicators of the Company

Based on the assumptions stated above, the impacts of the Non-public Issuance of A Shares on the key financial indicators of the Company are compared as follows:

Items	Year 2020/ End of Year 2020	Year 2021/End of Year 2021 Before the Issuance	Year 2021/End of Year 2021 After the Issuance
Share capital *(ten thousand shares)*	**1,518,135.29**	1,570,597.11	1,684,913.09
Scenario 1 : The net profit attributable to shareholders of the Company and the net profit attributable to shareholders of the Company after deducting non-recurring gains and losses for year 2021 will decrease by 10% as compared to the previous year			
Net profit attributable to ordinary shareholders of the Company *(RMB ten thousand)*	**375,817.50**	338,235.75	338,235.75
Net profit attributable to ordinary shareholders (after deducting non-recurring gains and losses) *(RMB ten thousand)*	**104,183.18**	93,764.87	93,764.87
Basic earnings per share *(RMB/share)*	**0.248**	0.216	0.212
Basic earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.060	0.059
Diluted earnings per share *(RMB/share)*	**0.240**	0.216	0.212
Diluted earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.060	0.059
Weighted average return on net assets	**5.79%**	4.79%	4.71%
Weighted average return on net assets (after deducting non-recurring gains and losses)	**1.60%**	1.33%	1.30%

Items	Year 2020/ End of Year 2020	Year 2021/End of Year 2021 Before the Issuance	After the Issuance
Scenario 2 : The net profit attributable to shareholders of the Company and the net profit attributable to shareholders of the Company after deducting non-recurring gains and losses for year 2021 will remain flat as compared to the previous year			
Net profit attributable to ordinary shareholders of the Company *(RMB ten thousand)*	**375,817.50**	375,817.50	375,817.50
Net profit attributable to ordinary shareholders (after deducting non-recurring gains and losses) *(RMB ten thousand)*	**104,183.18**	104,183.18	104,183.18
Basic earnings per share *(RMB/share)*	**0.248**	0.240	0.236
Basic earnings per share (after deducting non-recurring gains and losses)*(RMB/share)*	**0.069**	0.067	0.065
Diluted earnings per share *(RMB/share)*	**0.240**	0.240	0.236
Diluted earnings per share (after deducting non-recurring gains and losses)*(RMB/share)*	**0.069**	0.066	0.065
Weighted average return on net assets	**5.79%**	5.31%	5.21%
Weighted average return on net assets (after deducting non-recurring gains and losses)	**1.60%**	1.47%	1.45%

Items	Year 2020/ End of Year 2020	Year 2021/End of Year 2021 Before the Issuance	After the Issuance
Scenario 3 : The net profit attributable to shareholders of the Company and the net profit attributable to shareholders of the Company after deducting non-recurring gains and losses for year 2021 will increase by 10% as compared to the previous year			
Net profit attributable to ordinary shareholders of the Company *(RMB ten thousand)*	**375,817.50**	413,399.25	413,399.25
Net profit attributable to ordinary shareholders (after deducting non-recurring gains and losses) *(RMB ten thousand)*	**104,183.18**	114,601.50	114,601.50
Basic earnings per share *(RMB/share)*	**0.248**	0.264	0.259
Basic earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.073	0.072
Diluted earnings per share *(RMB/share)*	**0.240**	0.264	0.259
Diluted earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.073	0.072
Weighted average return on net assets	**5.79%**	5.82%	5.72%
Weighted average return on net assets (after deducting non-recurring gains and losses)	**1.60%**	1.61%	1.59%

Note: Basic earnings per share and return on net assets are calculated in accordance with the Compilation Rules No. 9 for Information Disclosure by Companies Offering Securities to the Public—Calculation and Disclosure of Return on Net Assets and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》).

Based on the analysis above, the Company's immediate returns will be diluted as a result of the Issuance, upon the increase in total share capital of the Company following the completion of the Non-public Issuance of A Shares and the increase in the scale of net assets of the Company following the receipt of the proceeds.

Going forward, the full utilisation of the proceeds and further development of the principal business will facilitate the increase in earnings per share of the Company.

II. ALERT OF RISKS SPECIFIC TO THE DILUTION OF IMMEDIATE RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE OF A SHARES

Upon receipt of the proceeds, the total share capital and scale of net assets of the Company will increase, while it will take a certain period of time for the economic benefits arising from the proceeds to materialise. Shortly after the receipt of the proceeds, there will exist the risk of a drop in indicators including the earnings per share and weighted average return on net assets. Accordingly, investors are reminded of paying attention to the risks relating to the dilution of immediate returns arising from the Non-public Issuance of A Shares.

III. THE NECESSITY AND REASONABLENESS OF THE NON-PUBLIC ISSUANCE

The Non-public Issuance is in line with the relevant national industrial policies, the development trend of the industry in which the Company operates and the future development plan of the Company, and enjoys good market prospects and economic benefits, conducive to improvement of the Company's profitability and in the interests of the Company and all its Shareholders, and it will enhance the Company's capital strength. For analysis on the necessity and reasonableness of the fund raising from the Non-public Issuance, please refer to the relevant content of the "SECTION II FEASIBILITY ANALYSIS OF THE BOARD ON THE USE OF PROCEEDS" in this plan.

IV. THE RELATIONSHIP BETWEEN PROJECTS TO BE INVESTED THROUGH FUND RAISING AND EXISTING BUSINESSES OF THE COMPANY AND THE COMPANY'S RESERVE FOR THE INVESTMENT PROJECTS IN TERMS OF PERSONNEL, TECHNOLOGY, MARKET, ETC.

(I) The Relationship between Projects to Be Invested through Fund Raising and Existing Businesses of the Company

As a large-scale comprehensive equipment manufacturing group in China, Shanghai Electric insists on focusing on its dominant main business, optimizing its existing main business, and vigorously developing emerging main business. It adheres to marketization, specialization and internationalization, as well as innovation as driving force and development through transformation. It actively participates in the construction of the "Domestic Circulation" system, deeply connects with the strategic emerging industries of China and Shanghai City, and seeks high-quality development opportunities in the fields of smart manufacturing, smart energy, smart cities, etc. Meanwhile, the Company concentrates on the linkage between various business segments to achieve coordinated development of each business segment.

The company takes into full consideration the industry needs and technical direction, and relies on its existing technology to implement the Non-carbon Energy Power Technology Research and Development Project, the Smart City Key Platform and System Development Project, the SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project and the Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million TonnesPer Annum of Yan'an Energy and Chemical. These projects are conducive to improving the Company's technology and industrial layout, giving full play to the Company's advantages in industrial linkage and collaborative development, further enhancing the Company's comprehensive competitiveness, and consolidating the Company's industry-leading position.

Moreover, part of the proceeds raised from this financing are used to supplement the Company's working capital, optimize its capital structure, improve its financial status, and enhance its capabilities in research and development and operation.

(II) The Company's Reserve for the Investment Projects In Terms of Personnel, Technology, Market, Etc.

1. Personnel reserve

The Company has established a stable and experienced technical team and production team. As of 31 December 2020, the Company and its principal subsidiaries had 39,312 employees, including 12,478 technicians and 17,111 production personnel, which laid a solid foundation for the Company's scientific research, technological transformation, project construction, etc.

2. Technology reserve

While adhering to innovation as driving force, the Company has been armed with stable technological research and development capabilities with solid theoretical foundation and rich practical experience through years of technology accumulation, which has laid a good technological foundation for implementation of the projects to be invested through fund raising.

3. Market reserve

As one of the largest comprehensive equipment manufacturing groups in China, the Company boasts a well-known and high-quality customer base in the industry and enjoys a high degree of market recognition. The Company provides services to its customers by way of a variety of methods such as direct supply and service collaboration, and meets diverse needs of its customers with fast response, superb technology and intelligent operation and maintenance. The Company's good market service capabilities provide strong support for its business development.

In summary, the Company has a good reserve in terms of personnel, technology and market for these investment projects.

V. REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES

In order to safeguard the interests of investors, secure the effective utilisation of the proceeds by the Company, prevent the risks of dilution of immediate returns, and enhance the ability to generate returns to shareholders of the Company, the Company proposes to implement the development strategy of the Company in a proactive manner, enhance operation and management and internal control, strenuously foster technological advancements to lower costs and improve efficiency, to further enhance the Company's overall competitiveness and risk resistance capabilities; proactively promote innovation in management, to improve the operation and management capability and profitability of the Company; strengthen the management of the proceeds raised to ensure the reasonable and well-regulated use thereof; continue to improve the governance level of the Company in order to provide institutional safeguards for the development of the Company; strengthen group control and management and boost vitality for development; stringently implement the Company's dividend policies and measures to protect the interests of shareholders, to enhance the Company's ability to generate returns in future.

(I) Strengthening the Promotion of the Investment Projects to Complete the Construction of the Projects As Soon As Possible

The proceeds from the Non-public Issuance of the Company not more than RMB5 billion, after deduction of issue cost, will be fully used for Non-carbon Energy Power Technology Research and Development Project, Smart City Key Platform and System Development

Project, SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project, Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical and replenishment of working capital. The Board has fully demonstrated the feasibility of investment projects to be funded by the proceeds from the Non-public Issuance of A Shares, and the relevant projects are in line with the national industrial policies, industry development trend and the future overall strategic development direction of the Company, with promising market prospect and profitability. Upon the receipt of the proceeds, the Company will expedite the implementation of the investment projects to be funded by the proceeds, proactively allocate resources, coordinate and reasonably arrange the investment and construction progress of the projects, strive to complete the investment projects to be funded by the proceeds as soon as possible the construction of, so that the diluted immediate returns of the Company can be replenished as soon as possible.

(II) Proactively Implementing the Development Strategies of the Company and Grasping the Development Opportunities

The fund raising through the Non-public Issuance of Shares will enhance the capital strengths of the Company, and improve the risk resistance capabilities and overall competitiveness of the Company. Meanwhile, the Company will proactively implement the formulated development strategies, further strengthen its existing advantages in segment industries and fields, grasp the new development opportunities in the field of intelligent manufacturing, smart energy and smart city, increase volume and improve efficiency, and cultivate stronger profit growth points, thereby improving the industry competitiveness of the Company and better generating returns to shareholders of the Company.

(III) Regulating Internal Control and Proactively Enhancing the Core Competitiveness of the Company

The Company will be committed to further consolidating and improving its core competitive strengths and seek enhancement in both its revenue level and profitability. The Company will continuously strengthen its internal control, improve the effectiveness of the management and control of its talents and operation, control operational and management risks holistically and effectively, and enhance its operational efficiency and profitability.

(IV) Continuing to Improve the Corporate Governance Level to Provide Institutional Safeguard for the Development of the Company

In strict compliance with laws, regulations and other regulatory documents including the Company Law and the Securities Law, the Company will continue to improve its corporate governance structure, ensure that shareholders can fully exercise their rights, ensure that the Board can exercise its rights and discharge its duties according to laws, regulations and the Articles of Association to make scientific, prompt and prudent decisions, ensure that independent directors can perform their duties conscientiously, safeguard the overall interests of the Company especially the legitimate interests of small and medium shareholders, and provide a scientific and effective corporate structure and institutional safeguards for sustainable and steady development of the Company.

(V) Strengthening the Management and Control of the Company to Boost Vitality for Development

The Company will strengthen its management and control and enhance the quality of cooperate operation, to continuously strengthen the synergy of the Company. Meanwhile, it will make ongoing improvements to the approaches of its performance appraisal, step up efforts in performance appraisal, improve its remuneration and incentive mechanism, establish a scientific and reasonable mechanism of talent recruitment and training that caters to actual needs, establish a market-oriented talent operation model, and improve its talent development strategy, with a view to boost vitality for development of the Company.

VI. UNDERTAKINGS BY PERSONS RELEVANT TO THE COMPANY REGARDING REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF RETURNS

(I) Undertakings by the Directors and Senior Management of the Company

In accordance with the relevant requirements of the CSRC, the following undertakings are made by the directors and senior management of the Company to ensure that the remedial measures taken by the Company to counteract the dilution of immediate returns upon the Non-public Issuance of A Shares will be fully implemented:

1. I/We will not transfer any benefits of the Company to other entities or individuals with no consideration or under unfair terms and shall not damage the Company's interests in any other ways;

2. I/We will restrict the duty-related consumption activities of myself/ourselves;

3. I/We will not utilise any assets of the Company for any investments or consumption activities unrelated to the performance of my/our duties;

4. I/We will procure the remuneration system formulated by the Board or the remuneration committee thereunder of the Company to be linked to the execution of remedial measures of the Company within the scope of my/our own duties and authorities;

5. If the Company is to adopt an equity incentive plan in the future, I/we will procure, on a best-effort basis, the exercise conditions for equity incentive to be announced by the Company to be correlated to the execution of remedial measures of the Company within the scope of my/our own duties and authorities;

6. After the CSRC and the Shanghai Stock Exchange otherwise issue the remedial measures to counteract the dilution of immediate returns and the relevant opinions and detailed implementation rules undertaken by them, in the event of any discrepancy between the relevant systems and undertakings of Shanghai Electric and such provisions, I/we will promptly make supplementary undertakings in accordance with the provisions of the CSRC and the Shanghai Stock Exchange, and facilitate amendments to relevant systems by Shanghai Electric to meet the requirements of the CSRC and the Shanghai Stock Exchange;

7. I/we will strictly perform the foregoing undertakings to ensure that the remedial measures of the Company can be effectively performed. If the promiser breaches such undertakings or declines to perform such undertakings, he/she shall perform the obligations to explain and apologise for the breach as well as other obligations under the Guidance on Matters Relating to the Dilution of Immediate Returns as a Result of Initial Public Offering, Refinancing and Major Asset Reorganisation (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) issued by the CSRC and other requirements, and agree on the regulatory measures or self-disciplinary regulatory measures made by the CSRC, the Shanghai Stock Exchange and the China Association for Public Companies in accordance with the law; for any loss caused to the Company or shareholders, the promiser is willing to bear the responsibility for compensating for such loss in accordance with the law.

(II) Undertakings by the Controlling Shareholder

In accordance with relevant requirements of the CSRC, to ensure that the remedial measures to counteract the dilution of immediate returns as a result of the Non-public Issuance of A Shares can be fully implemented, the following undertakings are made by the controlling shareholder of the Company:

1. I/We will not to act ultra vires as to intervene the operation and management activities of the Company or unlawfully encroach on the Company's interests;

2. From the date of making these undertakings until the completion of the Non-public Issuance, if the CSRC and/or the Shanghai Stock Exchange impose other new regulatory requirements in relation to the remedial measures and relevant undertakings, and the above undertakings no longer satisfy such requirements of the CSRC and/or the Shanghai Stock Exchange, I/we undertake to make supplementary undertakings at that time according to the latest requirements of the CSRC and/or the Shanghai Stock Exchange;

3. I/We will effectively implement the remedial measures set by the Company and all of my/our undertakings relating to the remedial measures. If I/we breach such undertakings and cause losses to the Company or its investors, I am/we are willing to bear the responsibility for compensating the Company or its investors in accordance with the laws.

As one of the relevant responsible persons in respect of the remedial measures, if I/we breach such undertakings or decline to perform such undertakings, I/we agree that securities regulatory institutions including the CSRC and the Shanghai Stock Exchange may impose relevant penalties on me/us or take relevant regulatory actions against me/us according to the relevant rules or regulations issued or promulgated by them."

Board of Directors of Shanghai Electric Group Company Limited
26 March 2021

Stock Abbreviation (A Shares): Shanghai Electric Stock Code: 601727
Stock Abbreviation (H Shares): SH Electric Stock Code: 601727

上海电气*
SHANGHAI ELECTRIC

Shanghai Electric Group Company Limited

(30th Floor, Maxdo Center, No.8 Xingyi Road, Shanghai)

The Feasibility Analysis Report on The Use of Proceeds from The Non-public Issuance of A Shares

March 2021

I. PROPOSED USE OF PROCEEDS

The gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB5,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Name of the investment project		Total investment amount of the relevant project	The amount of proceeds to be applied
Project name	**Subproject name**	*(RMB ten thousand)*	*(RMB ten thousand)*
Non-carbon Energy Power Technology Research and Development Project	Supercritical CO_2 technology research and development project	98,711.00	55,000.00
	Large-capacity energy storage technology research and development project	32,997.00	19,000.00
	Technology research and development project of hydrogen production from electrolyzed water	40,280.00	26,000.00
Smart city key platform and system development project	Smart city "unified management through one network" system research and development project	44,052.88	34,000.00
	Smart city rail transit system development project	51,573.21	38,000.00
SEunicloud industrial internet platform upgrading and innovation application project		70,210.53	56,000.00
Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical		191,701.93	125,000.00
Replenishment of working capital		147,000.00	147,000.00
Total		**676,526.55**	**500,000.00**

Except for replenishing of working capital, the proceeds shall be totally utilised as the capital expenditures for the investment projects. Prior to the receipt of the proceeds raised from the Issuance, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of the proceeds, if the actual amount of the net proceeds from the Issuance (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of the net proceeds and the priority and capital requirements of the projects, and any shortfall in the proceeds will be made up by utilising the internal funds of the Company or through other financing methods.

II. INFORMATION ON THE INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

(I) Non-carbon Energy Power Technology Research and Development Project

The project includes three sub-projects of "supercritical CO_2 technology research and development project", "large-capacity energy storage technology research and development project" and "research and development project of hydrogen production from electrolyzed water", the implementation subject of which for the project is Shanghai Electric.

1. Supercritical CO_2 technology research and development project

(1) Basic information of the project

Supercritical carbon dioxide (CO_2) is a special state fluid formed when CO_2 is above its critical temperature ($Tc = 304.1K$) and critical pressure ($Pc = 7.38MPa$). CO_2 is a non-toxic, non-flammable, colorless, tasteless natural working medium. In supercritical cycle with CO_2 as working medium, CO_2 absorbs heat from heat sources and generates steam to drive a turbine, which then completes the whole process of thermal-work conversion through recuperation, cooling and compression. Currently, nuclear power generation, coal-fired power generation and solar thermal power generation in the world are based on the steam Rankine cycle principle. Supercritical CO_2 Brayton cycle is a new type of power cycle emerging in recent years. According to the findings in research, this cycle has obvious advantages in terms of power density and compressed volume. The cycle efficiency can be improved by more than 3% compared to the traditional steam Rankine cycle.

Supercritical CO_2 technology research and development project intends to purchase advanced research and development equipment for the research and development as well as experimental iteration of power cycle systems, core equipment and key technologies, dedicated to breaking through the bottleneck of the development of existing power cycle technology, and improve the deficiencies of existing steam Rankine cycle system. After the completion of the research and development of supercritical CO_2 technology, the Company will establish the supercritical CO_2 circulating system and the capability for producing core equipment under the power level of 2~50MW, which will be widely used in nuclear power generation, solar thermal power generation, biomass power generation and naval propulsion power plant, etc., and play an important role in the future power system structure.

(2) Estimated project investment

The total investment of this project is RMB987.11 million, and the amount of proceeds to be applied is RMB550.00 million, the breakdown of which is as follows:

No.	Item	Investment Amount *(RMB ten thousand)*	Proceeds to be Applied *(RMB ten thousand)*
1	Equipment purchase and installment cost	44,288.00	44,000.00
2	R&D cost	43,160.00	11,000.00
3	Reserves	2,215.00	–
4	Initial working capital	9,048.00	–
	Total investment	**98,711.00**	**55,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) is 6.51 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the existing industrial park of Shanghai Electric, (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

The Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310112-04-05-993072) (《上海市企業投資項目備案證明》(項目代碼：2103-310112-04-05-993072)) issued by the Economic Commission of Minhang District, Shanghai (上海市閔行區經濟委員會).

It is a technology research and development project without emission of waste gas, waste water or hazardous waste. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

2. Large-capacity energy storage technology research and development project

(1) Basic information of the project

The large-capacity energy storage technology provides a package of solutions for achieving the sustainable development goal of power grids, solving the imbalance between power supply and demand and improving power supply reliability. The large-capacity energy storage system can ensure the continuity and stability of large-scale wind power generation, photovoltaic power generation and other new energy power generation, and will be widely applied in grid-connection of new energy power generation.

Based on the innovative development and market demand of energy storage lithium battery technology, this project will research and develop two core technology segments, namely energy storage cells and energy storage system integration, and eventually master the core technologies of long-life energy storage cells, intelligent energy management, high-efficiency energy storage system products and comprehensive system solutions, so as to form the production capacities of large-capacity, long-life, low-cost and high-safety energy storage cells and container storage systems. The relevant technologies, when mature, will be used in the fields of power generation, power transmission and distribution and electricity consumption. It covers energy storage facilities for large-scale solar or wind power generation, energy storage for industrial enterprises, energy storage for commercial buildings and data centers, energy storage charging stations and backup batteries for communication base stations, enhancing the core competitiveness of the Company's energy storage business segment.

(2) Estimated project investment

The total investment of this project is RMB329.97 million, and the amount of proceeds to be applied is RMB190.00 million, the breakdown of which is as follows:

No.	**Item**	**Investment Amount** *(RMB ten thousand)*	**Proceeds to be Applied** *(RMB ten thousand)*
1	Equipment purchase and installment cost	10,090.00	10,000.00
2	R&D cost	20,050.50	9,000.00
3	Reserves	504.50	–
4	Initial working capital	2,352.00	–
	Total investment	**32,997.00**	**19,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of the project is 6.33 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the existing industrial park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

The Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310112-04-05-783656) (《上海市企業投資項目備案證明》(項目代碼：2103-310112-04-05-783656)) issued by the Economic Commission of Minhang District, Shanghai (上海市閔行區經濟委員會).

It is a technology research and development project without emission of waste gas, waste water or hazardous waste. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

3. Technology research and development project of hydrogen production from electrolyzed water

(1) Basic information of the project

Hydrogen production from electrolyzed water means that photovoltaic, wind power and other new energy electric power are utilized to produce hydrogen, which is close to non-carbon emission and can make full use of the "three curtailments" (wind, solar and water curtailments) energy to produce hydrogen from electrolyzed water. It is an efficient and clean hydrogen production technology. The technology is quite simple and convenient and has high product purity, which can greatly reduce the cost of hydrogen production and is an important technical link for the production of "green hydrogen".

The project will take hydrogen production as the starting point, grasp the key technologies of alkaline electrolyzed water hydrogen production and proton exchange membrane (PEM) electrolyzed water hydrogen production through technology research and development, and develop alkaline and PEM hydrogen production equipment with high-cost performance. The Company will further increase hydrogen production capacity while improving equipment performance, and achieve the strategic development goal of leading the development of hydrogen energy industry by technology.

This project is designated for the research and development of the core technology of hydrogen production from electrolyzed water, and its main target applications include hydrogen refueling stations, renewable energy coupled with hydrogen production (i.e., electricity generated from renewable energy is converted into hydrogen energy for storage through renewable energy power generation – technology of hydrogen production from electrolyzed water) and industrial hydrogen, etc. After the completion of the project construction, it will help the Company to build up its strength for the long-term development of the overall layout of the entire industrial chain in the hydrogen energy field and promote the transformation and upgrading of Shanghai Electric to the field of hydrogen energy and comprehensive energy.

(2) Estimated project investment

The total investment of this project is RMB402.80 million, and the amount of proceeds to be applied is RMB260.00 million, the breakdown of which is as follows:

No.	Item	Investment Amount *(RMB ten thousand)*	Proceeds to be Applied *(RMB ten thousand)*
1	Equipment purchase and installment cost	22,860.00	22,000.00
2	R&D cost	14,477.00	4,000.00
3	Reserves	1,143.00	–
4	Initial working capital	1,800.00	–
	Total investment	**40,280.00**	**26,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of the project is 6.51 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the existing industrial park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

The Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310112-04-05-801578) (《上海市企業投資項目備案證明》(項目代碼：2103-310112-04-05-801578)) issued by the Economic Commission of Minhang District, Shanghai (上海市閔行區經濟委員會).

It is a technology research and development project without emission of waste gas, waste water or hazardous waste. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Revision) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

(II) Smart City Key Platform and System Development Project

The project includes two sub-projects of "smart city "unified management through one network" system research and development project" and "smart city rail transit system development project", the implementation subject of which for the project is Automation Institute, a wholly-owned subsidiary of Shanghai Electric.

1. Smart city "unified management through one network" system research and development project

(1) Basic information of the project

Based on advanced information technologies such as mobile internet, Internet of Things, big data and AI, smart city "unified management through one network" system provides a system platform of comprehensive management service for urban management fields such as municipal and public utilities. Upon completion, the platform will provide functional services such as basic support, convenient services and intelligent operation.

This project intends to research and develop key technology for smart city "unified management through one network" management platform and develop big central platform and cloud platform, so as to achieve the objectives of making public services accessible and social governance precise as well as empowering the modernization of governance system and governance ability by improving government governance and service capabilities through digital means.

(2) Estimated project investment

The total investment of this project is RMB440,528,800, and the amount of proceeds to be applied is RMB340.00 million, the breakdown of which is as follows:

No.	Item	Investment Amount *(RMB ten thousand)*	Proceeds to be Applied *(RMB ten thousand)*
1	Hardware and software purchase cost	14,732.00	14,000.00
2	Server lease expense	2,250.00	–
3	System development cost	20,197.68	20,000.00
4	Reserves	1,473.20	–
5	Initial working capital	5,400.00	–
	Total investment	**44,052.88**	**34,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of this project is 7.79 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the automatic science park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

Automation Institute has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310101-04-04-613316) (《上海市企業投資項目備案證明》(項目代碼：2103-310101-04-04-613316)) issued by the Development and Reform Commission of Huangpu District, Shanghai.

This project is information construction project without the pollutant emission. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Edition) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

2. Smart city rail transit system development project

(1) Basic information of the project

This project is proposed to develop the smart city rail transit integrated monitoring cloud platform and smart operation and maintenance platform. The smart city rail transit integrated monitoring cloud platform intends to realize the intelligent operation of urban rail transit through the development of AI, intelligent control, big data, cloud computing and other cutting-edge technologies, with the support of central real-time data base and historical data base of rail transit institution. The smart operation and maintenance platform is a big data center featuring intelligent cooperation among vehicle health monitoring, intelligent diagnosis, equipment operation and maintenance, vehicle inspection and repairing, decision support and emergency response, to ultimately realize three big functional services, i.e., rail transit data integration, rail transit intelligent maintenance and rail transit information service.

(2) Estimated project investment

The total investment of this project is RMB515,732,100, and the amount of proceeds to be applied is RMB380.00 million, the breakdown of which is as follows:

No.	**Item**	**Investment Amount** *(RMB ten thousand)*	**Proceeds to be Applied** *(RMB ten thousand)*
1	Hardware and software purchase cost	9,235.42	9,000.00
2	Server lease expense	5,347.20	–
3	System development cost	29,477.06	29,000.00
4	Reserves	923.53	–
5	Initial working capital	6,590.00	–
	Total investment	**51,573.21**	**38,000.00**

(3) Economic efficiency of the project

The construction period of this project is 36 months. As estimated, the after-tax investment payback period (including the construction period) of this project is 7.75 years, which has a sound economic benefit.

(4) Approvals required for the project

This project is planned to be implemented in the automatic science park of Shanghai Electric (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

Automation Institute has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310101-04-04-167606) (《上海市企業投資項目備案證明》(項目代碼：2103-310101-04-04-167606)) issued by the Development and Reform Commission of Huangpu District, Shanghai.

This project is an information construction project without the pollutant emission. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Edition) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

(III) SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project

1. Basic information of the project

In 2014, relevant companies under Shanghai Electric developed the industrial internet platforms applied in wind power and power station equipment, respectively. Under such basis, Shanghai Electric determined to conduct unified plan and constructed an industrial internet platform at group level. In September 2019, Shanghai Electric officially released the SEunicloud industrial internet platform in 2019 China International Industry Fair. At present, the platform, integrating the applications of equipment networking, fault diagnosis, remote operation and maintenance and energy planning, etc., has preliminarily equipped with the capability for undertaking the businesses of the Group.

By using advanced technologies such as Internet of Things, edge computing, big data, cloud platforms and micro services, the project is proposed to achieve the development, upgrading and functional iteration of PaaS platform, equipment access and edge service technology, "SEunicloud-IoT (星雲物聯)" access platform and industrial APP under the SEunicloud industrial internet platform, and to establish an extensible open cloud platform; meanwhile, the application functions and comprehensive solutions for industries such as thermal power, wind power, gas turbine, distributed energy, rail traffic, rehabilitation therapy, machine tools, environmental protection and motor are formed by way of expanding based on the application demand of all industries.

The implementation subject of the project is Digital Technology Company, a wholly-owned subsidiary of Shanghai Electric.

2. *Estimated project investment*

The total investment of this project is RMB702,105,300, and the amount of proceeds to be applied is RMB560.00 million, the breakdown of which is as follows:

No.	**Item**	**Investment Amount** *(RMB ten thousand)*	**Proceeds to be Applied** *(RMB ten thousand)*
1	Hardware and software purchase cost	19,638.60	19,638.60
2	System development cost	48,440.00	36,361.40
3	Hardware resource and service lease expense	1,150.00	–
4	Reserves	981.92	–
	Total investment	**70,210.53**	**56,000.00**

3. Economic efficiency of the project

The construction period of this project is 36 months.

The implementation of this project will not produce the economic efficiency directly, but it will facilitate the Group members of Shanghai Electric to improve work efficiency, reduce the production and operation costs, and enhance the digital and intelligent level of the enterprises, which will in turn increase the overall economic efficiency. Upon the maturity of platform development, under the premise of giving priority to meet the usage needs of the enterprises with the Group, the customized services may also be provided based on the needs of the customers outside the Group, thus achieving the according economic efficiency.

4. Approvals required for the project

This project is planned to be implemented in the existing industrial park of Digital Technology Company (not involving the newly-added land and newly-built plant), of which, the Company has legally obtained the relevant land use rights.

Digital Technology Company has obtained the Certificate of Filing for Investment Project of Shanghai Municipality (Project code: 2103-310104-04-04-995016) (《上海市企業投資項目備案證明》(項目代碼：2103-310104-04-04-995016)) issued by the Development and Reform Commission of Shanghai.

This project is information construction project without the pollutant emission. Pursuant to the requirements of Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Edition) (Decree No.16 of the Ministry of Ecological Environment) (《建設項目環境影響評價分類管理名錄(2021年版)》) (生態環境部令第16號)), no procedures for environmental impact assessment is required for the project.

(IV) Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical

1. Basic information of the project

This project is one of the ten projects for transformation and upgrading of Yan'an City and the Property Owner is Yan'an Energy and Chemical Group Zichang Chemical Co., Ltd. (延安能源化工(集團)子長化工有限責任公司). The main content of this project is the design, construction and installment of 400,000 tonnes per annum coal

coal middlings medium and low temperature pyrolysis multi-generation equipment, 700,000 tonnes per annum coal middlings and coal gasification multi-generation equipment, 150,000 tonnes per annum cobalt-based Fischer-Tropsch fine chemicals equipment, supporting utilities and auxiliary facilities. Upon reaching the production volume, the project will produce the high-end fine chemicals including aromatic solvent oil, Fischer-Tropsch synthetic wax (with high melting point), full synthetic lubricant base oil, high-end white oil, etc. and quality-improved clean coal and other product coals.

This project is undertaken by the consortium composed by Shanghai Boiler Works, a wholly-owned subsidiary of Shanghai Electric, and Global Engineering, a controlling subsidiary of Shanghai Boiler Works for the EPC general contracting construction. In particular, Shanghai Boiler Works, as the implementation subject and the consortium leader of the project to be funded with the proceeds, is responsible for the overall management and coordination, the purchase of equipment materials and debugging and other works of the project; Global Engineering, as a member of the consortium, is responsible for the design and other works of the project.

2. *Estimated project investment*

The total investment of this project is RMB1,917,019,300, and the amount of proceeds to be applied is RMB1,250.00 million, the breakdown of which is as follows:

No.	**Item**	**Investment Amount** *(RMB ten thousand)*	**Proceeds to be Applied** *(RMB ten thousand)*
1	Design charge	960.00	–
2	Construction cost	54,376.48	–
3	Equipment purchase cost	125,362.32	125,000.00
4	Other construction charges	4,853.13	–
5	Technology license and process package cost	6,150.00	–
	Total investment	**191,701.93**	**125,000.00**

Part of the proceeds utilised in this project shall all be utilised in equipment purchase cost by Shanghai Boiler Works.

3. Economic efficiency of the project

The construction period of this project is 24 months. The profit for the project is achieved by the difference between the project income and the investment cost of the project. As estimated, it has a sound economic benefit.

4. Approvals required for the project

As of the date of announcement of the Plan, the Property Owner is handling the procedures for bid, auction and listing for transfer of the project land.

The Property Owner has obtained the Confirmation Letter on Enterprise Investment Project Filing of Shaanxi Province (Project code: 2020–610623–26–03–048019) (《陝西省企業投資項目備案確認書》(項目代碼：2020-610623-26-03-048019)) issued by Yan‘an Municipal Bureau of Administrative Services.

As at the date of announcement of this plan, the Property Owner is in the process of preparation of the environmental assessment report and will handle the procedures for approval for the environmental assessment report for the project.

(V) Replenishment of Working Capital

In order to satisfy the requirements of the Company for working capital for its business development and optimize capital structure, the proceeds to be raised from the Non-public Issuance used for replenishment of working capital is proposed no more than RMB1,470.00 million.

III. NECESSITY OF AND FEASIBILITY ANALYSIS ON THE INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

(I) Non-carbon Energy Power Technology Research and Development Project

1. Necessity of implementation of the project

(1) It will speed up the industrialization of new energy, and achieve the sustainable development of energy

Low-carbon transformation and development is an inevitable choice for China to cope with new internal and external situations and challenges. In recent years, as a kind of secondhand energy with broad sources which is clean, non-carbon, flexible and high-efficient, and can be applied in multiple scenarios, hydrogen is gradually becoming an important trend towards which global energy technology revolution moves. The implementation of this project will help accelerate the development of supercritical CO_2, large-capacity energy storage and hydrogen production and other new energy technologies, is a strategic choice for the Company to cope with global climate change, guarantee the security of energy supply of the state and achieve sustainable development, is an important move to implement the spirit of the 19th Party Congress, establish a "clean and low-carbon, safe and efficient" energy system, and push forward energy supply-sided structural reform. It is important practice to drive regional high-quality economic development with energy revolution.

(2) It will help achieve the development strategy of the Company, and enhance the operation capability of the Company

In the context of the national government's efforts to promote the construction of clean energy and improve the domestic energy structure, Shanghai Electric, as a large state-owned comprehensive equipment manufacturing group, committing to providing global customers with integrated technology and system solutions that are green, environmentally friendly, intelligent and interconnected, actively responds to the requirements of the national low-carbon and sustainable development, and carries out the layout of the new energy business. The implementation of this project will help to grasp the development opportunities, quickly adapt to market changes, and occupy the top of new markets and new technologies, in order to enhance the business strength of the Company.

(3) It conforms to the requirements of technological development

Efficient, clean and low-carbon development has currently become a major trend in the world's energy development. Countries are constantly seeking low-cost clean energy alternatives to promote green and low-carbon economic transformation. At present, the world's energy technology innovation has entered an active period, with countries competing to seize the first opportunity to advance energy technology and seeking the competitive high ground for a new round of scientific and technological revolution and industrial transformation. With the implementation of this project, in the energy transformation revolution nowadays, by virtue of its strong technological and market advantages accumulated in traditional energy area, Shanghai Electric adapts to the requirement of technological development, transforms its advantages accumulated in the past into opportunities in new fields, and has completed the development and industrialization of new technology in a rapid manner.

2. Feasibility of implementation of the project

(1) The construction of this project is in line with national policies

China takes a positive attitude towards the development of new energy and has clearly proposed to support the development of new energy industry in a number of industrial policies, and more and more supporting policies have been introduced and support has increased in recent years. In October 2017, five ministries and commissions including the National Development and Reform Commission jointly issued the Guidance on Promoting the Development of Energy Storage Technology and Industry in China, which is the first guiding policy on the development of large-scale energy storage technology and application in China, giving energy storage a richer application approach. In December 2019, the National Bureau of Statistics issued the Energy Statistical Reporting System and required hydrogen to be included in energy statistics in 2020 together with coal, natural gas, crude oil, electricity and biofuels. In June 2020, the National Energy Administration issued the Guidance on Energy Work in 2020, which requires the development of hydrogen energy industry in terms of reform and innovation and promoting the industrialization of new technologies. This project is a state-encouraged one, which is in line with the national industrial policies and development direction.

(2) The Company has sound technological base

In the field of supercritical CO_2, through years of technical research and development as well as accumulation, Shanghai Electric has owned certain technological reserves in terms of ultra-high parameter recycling system and the development technology and materials of core technology and other factors. In the field of large-capacity energy storage, after the preliminary research and development work, Shanghai Electric has made initial achievements in long life battery cells and energy storage system products, and has applied for relevant invention patents, and possesses the independent intellectual property rights. In the field of hydrogen energy, Shanghai Electric has preliminarily mastered the key technologies such as the research and development of proton exchange membrane fuel cell system and electric reactor and the research and development of biomass gasification, which will provide technical support for the future development of industries of the equipment required for planning the hydrogen production, storage and transportation and application.

(3) Broad future market prospect

With the change of new energy industry, the future development prospect of supercritical CO_2, energy storage and hydrogen energy industries will be broader. Supercritical CO_2 technology applies to the technology development of complicated and complete system under the multi-scenario power level of 2–50MW. It's expected that at the late "14th Five Year Plan", such technology will preliminarily pace into industrial stage with the mature development of supercritical CO_2 technology and improvement of component matching capacity in China.

In the field of energy storage, according to the Zhongguancun Energy Storage Industry Technology Alliance (CNESA) forecast, by the end of 2025, the cumulative installed scale of operational electrochemical energy storage projects in China will reach 15GW. The compound growth rate in the next 5 years will be close to 55%, and the market development prospect for energy storage is broad.

Governments and enterprises in China are actively exploring the road for hydrogen energy industry development, and developed major hydrogen energy industry clusters such as Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, gradually radiating to the surrounding areas. After years of scientific and technological research, China has mastered partial core technologies for hydrogen energy infrastructures and fuel cell-related core technologies, formulated and introduced 86 national standards. It's expected that the future hydrogen energy industry in China will speed up its growth.

The broad new energy market in the future provides a solid market base for the implementation of this project.

(II) Smart City Key Platform and System Development Project

1. Necessity of implementation of the project

(1) To follow the trend of developing smart cities, and promote the development of digital economy

Smart city represents that the urban system and services are interconnected and integrated by all information technologies or innovative ideas for the purpose of strengthening the efficiency of urban resource application, optimizing urban management and services so as to improve life quality of citizens. Smart political affairs, smart transportation, etc. are the significant components of smart city. The implementation of the project is conductive for the Company to follow the trend of developing smart city, improving the Company's ability to research and develop and provide system platform related to smart city, which, through export of high-quality and convenient system solutions, help the relevant governmental institutions and rail transit operational institution to better utilize digital technology to optimize their business process, optimize theirs organization and management, and further promote the development of digital economy.

(2) To achieve breakthroughs in key and core technologies, and strengthen technology reserve and industry transformation capabilities

With the promotion of technologies such as the Internet of Things, cloud computing and big data, the above technologies have been widely applied in business areas such as administration and transportation. In the field of administration, "digital government" was redefined. Under the leadership of new generation of information technology, the precision and intelligence of social management will be effectively driven by the governmental data governance. In the field of urban rail transportation, automation technology and information systems are integrated to effectively improve station information management and operation and decision-making. With the implementation of this project, the Company will increase input in the research and development of its central platforms and cloud platforms, further increase the Company's technology reserve, improve its research and development and innovation capacity, and build core supporting capabilities for its digital business, so as to ensure its products as well as services in the field of smart city to maintain their industrial leading position in the future.

(3) To achieve diversified business development, and create new profit growth points

The project will apply big data, cloud computing, AI and other digital technologies to the business scenarios of relevant vertical areas in smart administration and smart transportation, to establish three-dimensional business service system based on integration of intelligent data analysis and cloud service products, which will facilitate the diversified development of the Company's businesses, thus developing new profit growth points.

2. Feasibility of implementation of the project

(1) The support of national industrial policy provides a sound policy environment for project implementation

Chinese government attaches great importance to the development of the field relevant to smart city, and has successively introduced a series of industrial policies related to cloud computing, enterprise cloudification, electronic administration, rail traffic and other factors to promote the digital transformation and upgrading of industrial construction. In 2016, the NDRC and Ministry of Transport jointly issued the Implementation Measure on Promotion of "Internet +" Convenient Transportation for Further Development of Intelligent Transportation (《推進"互聯網+"便捷交通促進智慧交通發展的實施方案》), requesting the realisation of intelligent transportation by application of internet technologies. In 2020, the Certain Opinions on Further Acceleration of Smart City Construction (《關於進一步加快智慧城市建設的若干意見》) introduced by Shanghai municipal government, specifies that the promotion of the "unified management through one network" ("一網統管") of city operation has sped up, and by 2022, Shanghai will be built as a vanguard of new smart cities in the world. The introduction and implementation of relevant policies are conducive to the sustainable and rapid development of the relevant smart city industry on an ongoing basis, providing a sound policy environment for the implementation of the project.

(2) Technical reserve provides technical guarantee for project implementation

After years of independent research and development, Automation Institute, the implementation subject of this project, has accumulated various core technologies regarding the development of front-end operation platform software and back-end user software. The Company keeps its focus on the development of cutting-edge technologies in the field of smart city, keeps abreast of the development trend of industrial technology, invests huge research and development resources in cloud computing, big data and other aspects and occupies a certain technical reserve. Automation Institute has over 40% employees with senior and intermediate technological titles and a number of technology leaders. The sound technical reserves provide a technical guarantee for project implementation.

(3) The industry has a broad market prospect, providing a sound market base for project implementation

In recent years, the Chinese government has successively launched and promoted smart city pilot work, constantly released bonus policies related to smart city and the relevant market scale is expanding. According to the relevant data released by Markets and Markets, the market research institution, the market scale of smart city in China is expected to increase to UD$59.9 billion in 2023 from US$30.4 billion in 2018.

In the field of rail transit service, with the continuous increase in the mileage of operating lines and vehicle population, there is a large rigid demand on guaranteeing the operation security, improving service quality and reducing operation costs in the domestic rail traffic industry. The smart traffic system integrated with cloud computing, big data and other advanced technologies allows the realisation of the intelligent operation and maintenance of urban rail, so as to lower the operational risks and effectively improve the effectiveness of operation and maintenance. According to the relevant information of Leadleo Academy (頭豹研究院), the market scale of the national intelligent urban rail traffic was RMB22.65 billion and is expected to reach RMB44.25 billion in 2023.

The main application areas of smart city have broad market development potential, which provides a sound market base for project implementation.

(III) SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project

1. Necessity of implementation of the project

(1) To respond to national industrial policy, and promote the technological innovation in the industrial internet industry

With the implementation of this project, the Company will respond to the national industrial policies, continue to input resources into research and development, establish industrial internet platform ecology, fully improve the production management and control level, supply chain collaboration level and products' distant service capabilities of its subordinate enterprises, promote the Group's transformation from traditional manufacturing to manufacturing service, and drive the technological innovation and the iteration of products in industrial internet industry.

(2) To deepen the integration and application of industrial internet technology and products, and help to enhance the integration and collaboration level of the corporate

At present, the industrial internet technology has been widely applied in various industries and fields, giving rise to new models and new business forms such as networked collaboration, service-oriented manufacturing and scale customisation, helping enterprises to achieve quality and efficiency improvements and speeding up the process of digital transformation of relevant industries. In the future, the depth of integration and inclusive level of the industrial internet in various application fields will continue to improve, and its role in driving and supporting the national economy will become increasingly prominent. The businesses of Shanghai Electric covers three business fields of energy equipment, industrial equipment and integrated service. The implementation of the project will deepen the integration and application of industrial internet technology in all business fields in the Group, achieving the refinement management and intelligent management for the production process of relevant units, accelerating product upgrading and intelligent manufacturing application, and enhancing the integration and collaboration level of the corporate.

(3) *To Strengthen the development of the Company's principal business and enhance its overall competitiveness*

This project, being highly related to the Company's principal business, will help the Company to develop its advantageous business areas to a deeper level, and continue to strengthen its competitive edge in the market. The implementation of this project will export products and services with better quality in the future to meet the diversified and customized needs of customers, thereby further enhancing its profitability and building its comprehensive competitiveness.

2. Feasibility of implementation of the project

(1) *As a guidance, national policy providing a good policy environment for project implementation*

The government and regulatory authorities in China have promulgated a series of policies to accelerate the establishment of a generic technology system for industrial internet, and comprehensively support the building of China into a stronger country through manufacturing industry and national cyber development strategy. In March 2020, the MIIT issued the Notice on Promoting the Accelerated Development of Industrial Internet (《關於推動工業互聯網加快發展的通知》), proposing to promote the integration and innovation of industrial internet in a wider scope, to a greater degree and at a higher level, and enhance the core capabilities of the industrial internet platforms. In January 2021, the MIIT issued Action Plan for Innovation and Development of Industrial Internet (2021–2023) (《工業互聯網創新發展行動計劃(2021–2013年)》), proposing to preliminarily construct an industrial internet network infrastructure covering all regions and all industries and a characteristic industrial internet platform for key industries and areas by 2023. The intensive introduction of supportive industrial policies has provided a good policy environment for the smooth implementation of this project.

(2) *Continuous release of market demand providing a good market environment for project implementation*

At present, the market demand for industrial internet in China continues to unleash and the scale of the industry continues to expand. According to the data issued by the State Statistics Bureau, the existing scale of industrial internet platform and industrial software industry in China increased to RMB248.6 billion in 2019 from RMB149 billion in 2017 with a compound annual growth rate of 29.20%. With the development of relevant technologies and the lead of industrial needs, deepening the in-depth application of industrial internet in all industrial fields, improving the implementation effect and inclusive level of the application, and expanding the application scope of industrial internet, will be the main driving factors for the market expansion of the future industrial internet. Each industrial internet product produced by this project will effectively meet the enterprise demands and has a broad application space, and there is a good market environment for project implementation.

(3) The Company gathered various high-quality resources, laying a solid foundation for project implementation

Shanghai Electric has extensive technical reserves and rich experience in the field of industrial internet. With over a decade of accumulation, Digital Technology Company has established an information platform at group level for supporting the complete process management including R&D design, production and manufacturing, purchase and storage, product sales and after-sales service, and built a core IT team of about 100 staff with rich experience in information, AI, big data and cloud computing. The Company accumulates years of experiences in industrial application as well as platform construction and integrates high-quality resources in multiple factors, laying a solid technical foundation for the implementation of this project.

(IV) Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan‘an Energy and Chemical

1. Necessity of implementation of the project

(1) Implementation of the project helping to improve the undertaking capability of the Company for chemical engineering EPC projects

With Shanghai Boiler Works as an important platform for carrying out the chemical segment construction, Shanghai Electric fully integrates the available equipment and technology supporting resources, so as to comprehensively strengthen the system solution capability of chemical project integrating "consulting + technology + equipment + design + installment + debugging + service". The implementation of the project helps Shanghai Boiler Works to further accumulate the implementation experience of chemical engineering EPC general contracting project, improve the capability to undertake the large-scale project, and further enhance the comprehensive competitiveness of the Company in terms of chemical business segment.

(2) Implementation of the project helping to expand the market influence of the Company in the field of chemical engineering

This project is one of the ten projects for transformation and upgrading of Yan'an City and the first demonstration project of comprehensive utilisation of multi-generation and recycling of low-rank coal in Yan'an, and the milestone project for Shanghai Electric to step into the market of large-scale chemical engineering project. Undertaking the project helps to expand the market influence of the Company in the field of large-scale chemical engineering.

(3) Strengthening the Company's capital strength and enhancing the comprehensive competitiveness in chemical engineering business segment

Chemical engineering belongs to capital and technology intensive industry, the features in long cycle of production and payment collection and large resource occupancy, etc. for its complete production process and needs a relatively large and long-term capital scale. As EPC general contracting model requests for a stronger capital strength of general contractor, the market subject with strong capital strength plays a more obvious competitive advantage while undertaking the large-scale projects. Therefore, it is necessary for the Company to strengthen capital strength by way of equity financing, providing a sufficient capital guarantee for the Company in the sustainable development of chemical engineering segment.

2. Feasibility of implementation of the project

(1) Well-established project owner

The controlling shareholder of Yan'an Energy and Chemical Group Zichang Chemical Co., Ltd. (延安能源化工(集團)子長化工有限責任公司), the owner of the project, is Yan'an Energy and Chemical Group Co., Ltd. Yan'an Energy and Chemical Group Co., Ltd. is a key leading state-owned enterprise in Yan'an, and has complete industrial layout and scientific development strategy, with clear shareholding structure, sound financial position and good profitability, debt servicing capability, operation capability and development capability, which will provide sufficient safeguarding for the successful implementation of this project.

(2) Strong comprehensive profitability upon the completion of the project

In recent years, with the rebound of international oil price, the coal chemical industrial product industry encounters an economical turning point accordingly. Demonstration EPC project of comprehensive utilisation of multi-generation and recycling of coal middlings of one million tonnes per annum of Yan'an Energy and Chemical is established in the major domestic coal production regions and will form a complete recycling production chain upon the completion of the project, which can effectively reduce the production cost. In the meantime, the large demand in the downward market of the product and a strong profitability provide a sufficient safeguarding for the payment collection of EPF project.

(V) Necessity of Replenishment of Working Capital

1. To strengthen capital base strength of the Company and support the Company's principal business for sustainable development

In view of the wide development space of the Company in the future, the business scale of the Company is expected to maintain sustainable growth, and the demand on the working capital of the Company increases accordingly. At present, the demand on the working capital of the Company is satisfied by the bank loan and other debt financing ways. As the Company's business scale is increasing, it is necessary to replenish working capital through equity financing for raising funds, so as to support the Company's principal business for sustainable development and accommodate the needs as a result of the expanding business scale of the Company.

2. To reduce the financial risks and optimize financial structure of the Company

As at 31 December 2020, the total assets, total liabilities and gearing ratio on a consolidated basis of the Company were RMB315,402,734,000, RMB208,553,392,000 and 66.12%, respectively. The proceeds raised under the Non-public Issuance of A Shares is conductive to optimizing financial structure and reducing financial risks of the Company, thus guaranteeing the robust operation and sustainable development of the Company.

IV. EFFECT OF THE ISSUANCE ON OPERATION AND MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Impact of the Issuance on the Operation and Management of the Company

The investment projects to be funded by the proceeds are important measures for the Company to improve its industrial layout, consolidate its core competitiveness, and make breakthroughs in the key core technologies of the industry, which is in line with relevant national industrial policies and the overall strategic development direction of the Company in the future. The investment projects have good technological advancement and market competitiveness, and are of considerable significance to enhancement of its research and development capabilities and sustainable profitability.

(II) Impact of the Issuance on the Financial Position of the Company

The Non-public Issuance will increase the Company's total assets and net assets amounts, lower the overall gearing ratio level, and help the Company improve its capital strength, laying a foundation for the future development of the Company.

Upon completion of the Issuance, the total amount of share capital of the Company will increase but it will take a certain period of time for investment projects to be funded by the proceeds to generate economic benefits. Hence, earnings per share of the Company may be diluted in the short term.

The impact of the Non-public Issuance on cash flow of the Company is shown as follows: (1) the Issuance will increase the Company's cash inflow from financing activities and therefore enhance its liquidity and solvency; (2) the increase in the Company's net assets may enhance its ability of multi-channel financing, which will in turn bring a positive impact on its cash inflow from potential financing activities in the future; (3) with the benefits of the investment projects being gradually realised, the Company's net cash flow from operating activities and sustainability are expected to be effectively increased.

Board of Directors of Shanghai Electric Group Company Limited
26 March 2021

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT ON THE USE OF PREVIOUSLY RAISED PROCEEDS

Shanghai Electric Group Company Limited
Report on the Use of Previously Raised Proceeds

Pursuant to the requirements of the Regulations on the Report on the Use of Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) issued by the China Securities Regulatory Commission, the report on the use of the previously raised proceeds of Shanghai Electric Group Company Limited as at 31 December 2020 (**Report on the Use of the Previously Raised Proceeds**) is as follows:

I. INFORMATION OF THE PREVIOUSLY RAISED PROCEEDS

Pursuant to the Approval for Issuance of Shares by Shanghai Electric Group Company Limited to Shanghai Electric (Group) Corporation for Assets Acquisition as well as Supporting Funds Raising (Zheng Jian Xu Ke [2017] No. 1390) (《關於核准上海電氣集團股份有限公司向上海電氣(集團)總公司發行股份購買資產並募集配套資金的批覆》(證監許可[2017]1390號文)) issued by the China Securities Regulatory Commission on 31 July 2017, Shanghai Electric Group Company Limited (the "**Company**" or "**Shanghai Electric**") issued 416,088,765 RMB denominated ordinary shares (A shares) in October 2017 through non-public issuance at the price of RMB7.21 per share and raised proceeds in an aggregate amount of RMB2,999,999,995.65. After deduction of underwriting fees of RMB14,999,999.98 (tax inclusive), the net proceeds from the non-public issuance amounted to RMB2,984,999,995.67. PricewaterhouseCoopers Zhong Tian LLP issued the Capital Verification Report on the Non-public Issuance of RMB-denominated Ordinary Shares (A Shares) by Shanghai Electric Group Company Limited in 2017 (PwC Zhong Tian Yan Zi (2017) No. 968) in relation to the receipt of the abovementioned proceeds.

On 22 January 2018, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at fifty-ninth meeting of the fourth session of the Board of the Company. It was approved that idle proceeds totaling not more than RMB2 billion would be used to replenish working capital on the condition that funding needs of the projects to be invested through fund raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 23 January 2018.

On 17 April 2018, the Proposal in Relation to the Replacement of the Self-Pooled Upfront Investment in Projects to be Invested Through Fund Raising with the Proceeds was considered and approved at sixty-fourth meeting of the fourth session of the Board of the Company, which proposed to replace the self-pooled upfront investment in projects to be invested through fund raising with RMB88 million out of the proceeds.

The Company returned all the above-mentioned proceeds totaling RMB2 billion for the replenishment of working capital to the special account for proceeds on 14 January 2019.

On 18 January 2019, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at the sixth meeting of the fifth session of the Board of the Company. It was approved that idle proceeds totaling not more than RMB2.5 billion would be used to replenish working capital on the condition that funding needs of the projects to be invested through fund raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 21 January 2019.

The Company returned all the above-mentioned proceeds totaling RMB2.5 billion for the replenishment of working capital to the special account for proceeds on 19 November 2019.

As at 31 December 2021, RMB2,611 million (including the relevant issuance fees of RMB15 million and interest income of 5 million) out of the proceeds was used by the Company. The balance of the proceeds amounted to RMB385 million (including interest income of RMB6 million).

In order to regulate the management and use of proceeds of the Company and protect the interests of investors, the Company has formulated the Management System of Proceeds of Shanghai Electric Group Company Limited (《上海電氣集團股份有限公司募集資金管理制度》), which provides specific and clear regulations on the deposit and use of proceeds, the management of the implementation of projects to be invested through fund raising and the supervision of the use of proceeds.

On 15 November 2017, the Company, Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai and Guotai Junan Securities Co., Ltd. ("Guotai Junan"), the independent financial adviser of the Company, entered into the Tripartite Custodian Agreement on the Designated Saving Account for Proceeds Raised (《募集資金專戶存儲三方監管協議》) to set a special account for the deposit of proceeds with the account number of 100126212904052566.

On 31 December 2019, the Company, Shanghai Electric (Nantong) Technology Innovation Center Co. Ltd. (上海電氣(南通)科創中心有限公司), being the implementation entity of the project of "Shanghai Electric Nantong Central Research Institute" funded by the proceeds, Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai and Guotai Junan, entered into the Quadrilateral Custodian Agreement on the Designated Saving Account for Proceeds Raised (《募集資金專戶存儲四方監管協議》) to set a special account for the deposit of proceeds with the account number of 1001262129040538030.

On 17 March 2020, the Company, Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司) ("**SEC Property**") and Shanghai Dingshengyuan Enterprise Development Co., Ltd. (上海定升源企業發展有限公司) (a project company jointly established by SEC Property and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司), a controlled subsidiary of Shanghai Guorun Investment and Development Company Limited (上海國潤投資發展有限公司)), being the implementation entities of the project of "Innovative Industry Park Reformation Project at Beinei Road" funded by the proceeds, Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai and Guotai Junan, entered into the Five-Party Custodian Agreement on the Designated Saving Account for Proceeds Raised (《募集資金專戶存儲五方監管協議》) to set special accounts for the deposits of proceeds with the account number of 1001262129040539207 and 1001262129040539180, respectively.

The unused balance of the special accounts for the deposits of proceeds as at 31 December 2020 is set out as follows:

Unit: RMB100 million

Account holder	Bank	Account number	Initial deposit amount	Amount used	Amount of interest income	Balance
Shanghai Electric Group Company Limited	Industrial and Commercial Bank of China, Waitan Sub-Branch, Shanghai	1001262129040525666	29.85	29.90	0.07	0.02
Shanghai Electric (Nantong) Technology Innovation Center Co. Ltd.	Industrial and Commercial Bank of China, Waitan Sub-Branch, Shanghai	1001262129040538030	7.26	4.12	0.04	3.18
Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司)	Industrial and Commercial Bank of China, Waitan Sub-Branch, Shanghai	1001262129040539207	0.66	0.01	–	0.65
Shanghai Dingshengyuan Enterprise Development Co., Ltd. (上海定升源企業發展有限公司)	Industrial and Commercial Bank of China, Waitan Sub-Branch, Shanghai	1001262129040539180	0.01	0.01	–	–
Total						**3.85**

Note: As at 31 December 2020, the balance of the special account for the deposit of proceeds amounted to RMB385 million, among which, the net proceeds amounted to RMB379 million and the interest income amounted to RMB6 million.

II. ACTUAL USE OF THE PREVIOUSLY RAISED PROCEEDS

According to use of supporting funds as disclosed in the Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Related-party Transaction) by Shanghai Electric Group Company Limited (Revised) (《上海電氣集團股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(修訂稿)》), it was originally planned to use the proceeds of RMB3 billion for the following projects.

Unit: RMB100 million

No.	Use of proceeds	Total investment	Amount of proceeds to be used
1	Emerging Industrial Park Development Project at Gonghe New Road	18.15	10.55
2	Innovative Industry Park Reformation Project at Beinei Road	2.65	2.26
3	Technology Innovation Park Reformation Project at Jinshajiang Branch Road	3.85	3.28
4	Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road	13.70	11.66
5	Taxes and Other Expenses related to the Reorganization	2.25	2.25
Total		40.60	30.00

Note: As the net proceeds actually raised by the Company after deduction of issuance fees amounted to RMB2,985 million, the amount of "Taxes and Other Expenses related to the Reorganization" paid out of the proceeds was adjusted from RMB225 million to RMB210 million.

(I) Change in Use of Proceeds as Approved at the Second Meeting of the Fifth Session of the Board

As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018, and the 2018 third extraordinary general meeting of the Company held on 10 December 2018, the Company will no longer use any of the proceeds of RMB2,554 million (including interest income and the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out) to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5 million.

Proposed proceeds-funded projects after the above change are as follows:

Unit: RMB100 million

No.	Name of proceeds-funded projects	Total investment	Amount of proceeds proposed to be used
1	Innovative Industry Park Reformation Project at Beinei Road	2.65	2.26
2	Taxes and Other Expenses related to the Reorganization	2.25	2.25
-	Proceeds-funded projects under investigation yet pending for confirmation	–	25.49
Total		4.90	30.00

(II) Change in Use of Proceeds as Approved at the Fourth Meeting of the Fifth Session of the Board

As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018, the 2019 first extraordinary general meeting, the 2019 first A share class meeting and the 2019 first H share class meeting of the Company held on 6 May 2019, respectively, the Company planned to use RMB342 million out of the proceeds to acquire, through Shanghai Electric Investment Company Limited ("**SEI**"), a wholly-owned subsidiary of the Company, the 100% equity interests of Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) from Orient Landscape Group Environmental Protection Company Limited (東方園林集團環保有限公司) ("**Orient Landscape**") and Taizhou Zongze Equity Investment Management LP (台州宗澤股權投資管理合夥企業(有限合夥)) ("**Taizhou Zongze**"); and use RMB756 million out of the proceeds to acquire, through SEI, a wholly-owned subsidiary of the Company, the 100% equity interests of Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司) from Orient Landscape and Taizhou Zongze. The Company completed the aforesaid acquisitions with its self-owned funds through SEI, a wholly-owned subsidiary of the Company in advance and has supplemented the self-owned funds with the proceeds.

Proposed proceeds-funded projects after the above change are as follows:

Unit: RMB100 million

No.	Name of proceeds-funded projects	Total investment	Amount of proceeds proposed to be used
1	Innovative Industry Park Reformation Project at Beinei Road	2.65	2.26
2	Taxes and Other Expenses related to the Reorganization	2.25	2.25
3	Acquisition of 100% Equity Interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	3.42	3.42
4	Acquisition of 100% Equity Interests in Ningbo Hi-Firm Environmental Protection Company Limited	7.56	7.56
-	Proceeds-funded projects under investigation yet pending for confirmation	–	14.51
Total		15.88	30.00

(III) Change in Use of Proceeds as Approved at the 20th Meeting of the Fifth Session of the Board

As considered and approved at the 20th meeting of the fifth session of the Board of the Company held on 27 September 2019, and as considered and approved at the 2019 second extraordinary general meeting, the 2019 second A share class meeting and the 2019 second H share class meeting of the Company held on 14 November 2019, respectively, the Company proposes to change the total investment and implementation mode of as well as the amount of proceeds earmarked for the Innovative Industry Park Reformation Project at Beinei Road (the "**Beinei Road Project**"). In particular, the total investment will be adjusted to RMB130 million; a project company (Shanghai Dingshengyuan Enterprise Development Co., Ltd. (上海定升源企業發展有限公司)) would be jointly established by Shanghai Electric Group Property Company Limited ("**SEC Property**") and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司), a controlled subsidiary of Shanghai Guorun Investment and Development Company Limited (上海國潤投資發展有限公司) ("**Guorun Investment**") to function as the implementation entity. The project company has a registered capital of RMB20 million, and is owned as to 60% by SEC Property through its contribution of self-financed funds in the amount of RMB12 million; Proceeds earmarked for the project will be reduced from RMB226 million to RMB66 million, which will be provided to SEC Property by the Company through capital contribution, and in turn allocated to the project company by SEC Property by way of entrusted bank loans at an interest of 8% per annum for construction of No. 32 park zone reformation project at Beinei Road. In addition, upon intensive research and demonstration, the Company proposed to appropriate RMB726 million from the RMB1,451 million previously set apart for proceeds-funded projects yet pending for confirmation to invest in the Shanghai Electric Nantong Central Research Institute Project, and use the remaining proceeds of RMB891 million (including interest income, of which proceeds of RMB885 million and interest income therefrom of RMB6 million, and the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out) to replenish working capital permanently.

Proceeds-funded projects after the change are as follows:

Unit: RMB100 million

No.	Name of proceeds-funded projects	Total investment	Amount of proceeds proposed to be used
1	Innovative Industry Park Reformation Project at Beinei Road	1.30	0.66
2	Taxes and Other Expenses related to the Reorganization	2.25	2.25
3	Acquisition of 100% Equity Interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	3.42	3.42
4	Acquisition of 100% Equity Interests in Ningbo Hi-Firm Environmental Protection Company Limited	7.56	7.56
5	Shanghai Electric Nantong Central Research Institute	7.77	7.26
6	Permanent replenishment of working capital	8.85	8.85
Total		31.15	30.00

As at 31 December 2020, the amount for the proceeds-funded projects actually invested in by the Company was RMB2,606 million.

Details of the use of previously raised proceeds, please refer to attached table 1 "Comparison table of the use of previously raised proceeds".

III. THE BENEFITS REALIZED FROM THE PREVIOUSLY RAISED PROCEEDS-FUNDED PROJECTS

As at 31 December 2020, please refer to attached table 2 for details of the comparison table of the benefits realized from the previously raised supporting proceeds-funded projects.

IV. THE OPERATION OF RELEVANT ASSETS RELATING TO THE PREVIOUS ISSUANCE INVOLVING THE SUBSCRIPTION OF SHARES BY ASSETS

(I) Change in asset ownership

Assets Acquisition by Issuance of Shares

Details for the transfer of the underlying assets to the company is as follows:

Underlying asset	**Completion time of industrial and commercial changes/asset transfer**
47.18% domestic shares of Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司) ("**Shanghai Prime**")	2017.8
50.10% equity interests of Thales SEC Transportation System Limited Company (上海電氣泰雷茲交通自動化系統有限公司) ("**Thales SEC**")	2017.8
100% equity interests of Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司) ("**SEC Property**")	2017.8
Assets such as 26 land use rights and related ancillary buildings	2017.9

(II) Change in the carrying amount of assets purchased, production operation and contributed benefits

Details for the underlying assets in the last three years is as follows:

Unit: RMB100 million

Underlying asset	Item	2018	2019	2020
Shanghai Prime	Total assets	96.58	96.44	**96.00**
	Total liabilities	55.01	54.60	**57.40**
	Net assets attributable to owners of the parent company	41.11	41.46	**37.62**
	Revenue	92.31	86.04	**74.38**
	Net profit attributable to owners of the parent company	2.80	1.27	**-3.33**
Thales SEC	Total assets	13.22	14.93	**15.56**
	Total liabilities	8.45	9.58	**10.16**
	Net assets attributable to owners of the parent company	4.76	5.34	**5.40**
	Revenue	11.60	12.15	**10.23**
	Net profit attributable to owners of the parent company	0.91	0.94	**0.81**
SEC Property	Total assets	23.81	29.27	**29.83**
	Total liabilities	3.06	4.57	**2.54**
	Net assets attributable to owners of the parent company	20.26	24.22	**26.98**
	Revenue	7.02	4.46	**6.44**
	Net profit attributable to owners of the parent company	2.60	0.98	**3.11**

(III) Profit forecast and performance of commitments

1. Performance Commitment

(1) Pursuant to the plan of shares issuance, assets purchase, matching funds raising and related party transactions between the Company and Shanghai Electric (Group) Corporation ("**SEC**") in July 2017, SEC and the Company entered into a Performance Compensation Agreement, under which SEC undertakes that the audited net profits of Shanghai Thales Saic Transport Co. Ltd. (currently known as "**Thales SEC Transportation System Limited Company (上海電氣泰雷茲交通自動化系統有限公司)**" ("**Thales SEC**")) for the years 2017, 2018 and 2019 (net profits represent the net profits attributable to the owners of the parent company after deduction of non-recurring profit and loss in the consolidated statements) shall be no less than RMB54,475.9 thousand, RMB62,945.8 thousand and RMB64,280.2 thousand, respectively; otherwise, SEC will compensate the Company for the shortfall in accordance with the relevant agreement.

(2) Pursuant to the plan of shares issuance, assets purchase, matching funds raising and related party transactions between the Company and SEC in July 2017, SEC undertakes that the values of the real estates and corresponding land use rights (except for the property and its land use right located in No. 365 Chenhang Branch Road) under the account of inventory, the land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights beyond the account of inventory within the 100% equity interest of SEC Property in the purchase of land assets and land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights contained within the purchase of land assets (the "**Underlying Assets**") are assessed by adopting market comparison approach, the above Underlying Assets shall be subject to impairment test at the end of each year of the compensation measurement period (i.e. 2017, 2018 and 2019). In the event of impairment, SEC agrees to compensate the company in shares and if the shares are not sufficient to compensate, SEC shall compensate in cash.

2. Relevant Compensation Arrangements

(I) Performance Commitment and Compensation Arrangements

(1) This transaction uses the income approach to evaluate and determine the evaluation conclusion of the Underlying Assets

Among the assets to be acquired in this transaction, the transaction value of 50.10% equity interests in Thales SEC was assessed using the income approach and the valuation conclusion was made. Except for the above-mentioned assets (the "**Underlying Assets 1**"), there are no assets proposed to be acquired in this transaction and their related items for which the valuation conclusion was determined using the income approach.

(2) Profit committed and Compensation Arrangements

(a) If the actual net profit achieved by Thales SEC in any year of 2017, 2018 and 2019 is less than the corresponding net profit commitment of SEC, then SEC shall compensate Shanghai Electric for the shortfall. The amount of compensation for each year within the compensation measurement period is calculated as follows.

The amount of compensation payable for the current period of the Underlying Assets 1 = (the cumulative net profit commitments of Thales SEC as at the end of the current period – the cumulative actual net profit achieved by Thales SEC as at the end of the current period)/the total net profit commitments of Thales SEC during the compensation measurement period x the transaction price of the Underlying Assets 1 – the cumulative amount of compensation paid.

When calculating the amount of compensation payable by SEC for the compensation measurement period on an annual basis, the amount of compensation for the current period calculated in accordance with the above formula will be taken as zero if it is less than zero, i.e. the compensation paid will not be carried back.

(b) In respect of the form of compensation to be paid by SEC to Shanghai Electric, both parties have agreed that the compensation shall be made in the form of the shares of Shanghai Electric subscribed by SEC in the transaction, and if the shares are not sufficient for the compensation, SEC shall make the compensation in cash.

(c) The formula for calculating the number of shares to be compensated is: number of shares to be compensated in the current year = amount to be compensated in the current period/ issuance price of the shares issued for the purchase of assets in this transaction.

If Shanghai Electric implements conversion increase or stock dividend distribution during the compensation calculation period, the number of shares to be compensated shall be adjusted accordingly as follows: number of shares to be compensated in the current year (after adjustment) = number of shares to be compensated in the current year × (1+ proportion of conversion increase or stock dividend distribution).

If Shanghai Electric implements cash dividends during the compensation calculation period, the portion of the cash dividends shall be returned accordingly. The calculation formula is: return amount = distributed cash dividend per share × number of compensation shares.

(d) In the event that the actual net profit achieved by Thales SEC is less than the corresponding net profit commitment and SEC has to make share compensation to Shanghai Electric, Shanghai Electric shall repurchase and cancel the shares which shall be compensated by SEC at a total price of RMB1. Shanghai Electric shall convene a board meeting within 60 days upon the issuance of a special audit opinion by the accounting firm to consider the relevant proposals to repurchase and cancel the compensable shares of SEC, and issue a notice of the general meeting on convening and considering the aforesaid matter. If Shanghai Electric's general meeting considers and approves the share repurchase and cancellation plan, Shanghai Electric shall accordingly perform the relevant procedures for notifying creditors and other laws and regulations regarding the reduction of registered capital. Shanghai Electric shall, within 30 days after the announcement of the resolution of the general meeting and the approval of the competent state-owned assets supervision and administration department, notify SEC in writing of the number of shares to be repurchased. SEC shall, within 5 working days upon receipt of the written notice from Shanghai Electric, issue an instruction to the Shanghai Branch of China Securities Depository and Clearing Co., Ltd. to transfer the shares subject to compensation in the current year to a special account set up by the Board of Shanghai Electric. Shanghai Electric will proceed with the cancellation of such shares as soon as possible after the transfer of such shares to the special account established by the Board of Shanghai Electric.

(3) Impairment test arrangement for the expiration of performance compensation period

Upon expiry of the compensation measurement period, Shanghai Electric and SEC will jointly engage an accounting firm qualified in securities business to conduct an impairment test on the Underlying Assets 1 and issue the corresponding impairment test audit report before or on the date of the annual audit report of Shanghai Electric for the last year of the compensation measurement period.

If the impairment amount of the Underlying Assets 1 at the end of the period is greater than the amount already compensated within the compensation period of the Underlying Assets 1, then SEC shall compensate Shanghai Electric with additional shares, and if the shares are insufficient for the compensation, SEC shall make the compensation in cash.

The formula for calculating the number of shares to be compensated is:

Number of compensable shares of the Underlying Assets 1 = (amount of impairment of the Underlying Assets 1 at the end of the period – amount compensated during the compensation period of the Underlying Assets 1)/issuance price of the shares issued for the purchase of assets in this transaction

The impairment amount of the Underlying Assets 1 at the end of the period is the transaction price of the Underlying Assets 1 minus the assessed value of the Underlying Assets 1 at the end of the period and excluding the effects of shareholder capital increases, capital reductions, acceptance of gifts and profit distributions during the compensation measurement period.

(II) Impairment Testing and Compensation Arrangements

(1) This transaction uses the income approach to evaluate and determine the evaluation conclusion of the Underlying Assets

Among the assets to be acquired in this transaction, the values of the real estates and corresponding land use rights (except for the property and its land use right located in No. 365 Chenhang Branch Road) under the account of inventory, the land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights beyond the account of inventory within the 100% equity interest of SEC Property and land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights contained within the purchase of land assets are assessed by adopting market comparison approach. Except for the above-mentioned assets (the "**Underlying Assets 2**"), there are no assets proposed to be acquired in this transaction and their related items for which the valuation conclusion was determined using the market approach.

(2) Impairment Testing Compensation Arrangements

During the compensation measurement period, Shanghai Electric and SEC shall jointly engage an accounting firm qualified in securities business to conduct an impairment test on the Underlying Assets 2 and issue the corresponding impairment test audit report before or on the date of the annual audit report of Shanghai Electric for the year of the compensation measurement period.

In the event of impairment of the Underlying Assets 2, SEC shall compensate the listed company with shares, and if the shares are insufficient for the compensation, SEC shall make the compensation in cash. The formula for calculating the number of shares to be compensated is:

Number of compensable shares = amount of impairment of the Underlying Assets 2 at the end of the period/issuance price of the shares issued for the purchase of assets in this transaction – total amount of compensated shares during the compensation period of the Underlying Assets 2

The impairment amount of the Underlying Assets 2 at the end of the period is the transaction price of the Underlying Assets 2 minus the assessed value of the Underlying Assets 2 at the end of the period and excluding the effects of shareholder capital increases, capital reductions, acceptance of gifts and profit distributions during the compensation measurement period.

3. Profit Forecast Completion and Compensation

(1) As audited by the PricewaterhouseCoopers Zhong Tian Special Audit Report Te Shen Zi (2018) No.1514 issued by PricewaterhouseCoopers Zhong Tian LLP, a certified public accountant firm with qualifications for securities and futures, the audited net profit after deducting non-recurring profits or losses achieved by Thales SEC for the year 2017 amounted to RMB66.24 million, which met and exceeded the profit forecast and compensation commitment of SEC; as audited by the PricewaterhouseCoopers Zhong Tian Special Audit Report Te Shen Zi (2019) No.1481 issued by PricewaterhouseCoopers Zhong Tian LLP, a certified public accountant firm with qualifications for securities and futures, the audited net profit after deducting non-recurring profits or losses achieved by Thales SEC for the year 2018 amounted to RMB88.15 million, which met and exceeded the profit forecast and compensation commitment of SEC; as audited by the PricewaterhouseCoopers Zhong Tian Special Audit Report Te Shen Zi (2020) No.2030 issued by PricewaterhouseCoopers Zhong Tian LLP, a certified public accountant firm with qualifications for securities and futures, the audited net profit after deducting non-recurring profits or losses achieved by Thales SEC for the year 2019 amounted to RMB87.9371 million, which met and exceeded the profit forecast and compensation commitment of SEC. Accordingly, the relevant committed party is not required to compensate the Company.

(2) As tested by the Company, there was no impairment of the above-mentioned Underlying Assets in 2017, 2018 and 2019. The impairment test report of the Company has been audited and an audit report has been issued by Baker Tilly International Certified Public Accountants (Special General Partnership), a certified public accountant firm with qualifications for securities and futures. Accordingly, the relevant committed party is not required to compensate the Company.

The actual use of the proceeds mentioned above has been compared, item by item, by the Company with the relevant disclosures in the annual reports, interim reports and other information disclosure documents of the Company for the period from 2017 to 2020. The actual use of proceeds is in line with the relevant disclosures.

Board of Shanghai Electric Group Company Limited

26 March 2021

Attached table 1: Comparison table of the use of previously raised proceeds

Unit: RMB100 million

Total amount of proceeds	30.00	Total cumulative proceeds invested (Note1)	26.06
Total proceeds used for other purposes instead of the scheduled one(s)	27.09	Total proceeds invested during the years:	26.06
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	90.30%		
		2017	–
		2018	2.10
		2019	21.12
		2020	2.84

	Investment Projects		Total Amount of Proceeds with Investment			Accumulated Amount of Proceeds with Investment as of 31 December 2020				
No.	Projects with investment commitment	Actual investment projects	Committed investment amount before fundraising	Committed investment amount after fundraising	Actual investment amount	Committed investment amount before fundraising	Committed investment amount after fundraising	Actual investment amount	Difference between the actual investment amount and the committed investment amount after fundraising	Date of achieving the project's designed serviceable condition (or the stage of completion of the project by the deadline)
1	Emerging Industrial Park Development Project at Gonghe New Road		10.55	–	–	10.55	–	–	–	N/A
2	Innovative Industry Park Reformation Project at Beinei Road *(Note 2)*	Innovative Industry Park Reformation Project at Beinei Road *(Note 2)*	2.26	0.66	0.01	2.26	0.66	0.01	0.65	2021.12.31
3	Technology Innovation Park Reformation Project at Jinshajiang Branch Road		3.28	–	–	3.28	–	–	–	N/A
4	Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road		11.66	–	–	11.66	–	–	–	N/A
5	Taxes and Other Expenses related to the Reorganization	Taxes and Other Expenses related to the Reorganization	2.25	2.10	2.10	2.25	2.10	2.10	–	N/A

Investment Projects			Total Amount of Proceeds with Investment			Accumulated Amount of Proceeds with Investment as of 31 December 2020				
No.	Projects with investment commitment	Actual investment projects	Committed investment amount before fundraising	Committed investment amount after fundraising	Actual investment amount	Committed investment amount before fundraising	Committed investment amount after fundraising	Actual investment amount	Difference between the actual investment amount and the committed investment amount after fundraising	Date of achieving the project's designed serviceable condition (or the stage of completion of the project by the deadline)
6	Acquisition of 100% Equity Interests in Wujiang Taihu Industrial Wastes Treatment Company Limited		–	3.42	3.42	–	3.42	3.42	–	2019.12.31
7	Acquisition of 100% Equity Interests in Ningbo Hi-Firm Environmental Protection Company Limited		–	7.56	7.56	–	7.56	7.56	–	2019.12.31
8	Shanghai Electric Nantong Central Research Institute		–	7.26	4.12	–	7.26	4.12	3.14	2021.12.31
9	Permanent replenishment of working capital		–	8.85	8.85	–	8.85	8.85	–	2019.12.31
Total			30.00	29.85	26.06	30.00	29.85	26.06	3.79	

Details of material changes in the feasibility of the projects

As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018, and the 2018 third extraordinary general meeting of the Company held on 10 December 2018, the Company has made changes in the three proceeds-funded projects of Emerging Industrial Park Development Project at Gonghe New Road, Technology Innovation Park Reformation Project at Jinshajiang Branch Road and Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road.

For details of the change in Innovative Industry Park Reformation Project at Beinei Road, please refer to the "Changes in proceeds-funded project".

Upfront investment in the project to be invested through fund raising and replacement of such investment with the proceeds

On 17 April 2018, the Proposal in Relation to the Replacement of the Self-Pooled Upfront Investment in Projects to be Invested Through Fund Raising with the Proceeds was considered and approved at 64th meeting of the fourth session of the Board of the Company, which proposed to replace the self-pooled upfront investment in projects to be invested through fund raising with RMB88 million out of the proceeds.

PricewaterhouseCoopers Zhong Tian LLP reviewed the upfront investment in relation to the fund raising through Non-public Issuance of A shares, and issued the PricewaterhouseCoopers Zhong Tian Te Shen Zi (2018) No.1870 document, i.e., the Report and Verification Report on Upfront Investment with Self-pooled Funds in the Project to be Invested Through Funds Raising. Guotai Junan Securities Co., Ltd. also expressed opinions on the Company's replacement of the self-pooled upfront investment in projects to be invested through fund raising with the proceeds.

Provisional replenishment of working capital with the idle proceeds from fund raising

On 22 January 2018, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at 59th meeting of the fourth session of the Board of the Company. It was approved that idle proceeds totaling not more than RMB2 billion would be used to replenish working capital on the condition that funding needs of the projects to be invested through fund raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 23 January 2018. The Company returned all the above-mentioned proceeds totaling RMB2 billion for the replenishment of working capital to the special account for proceeds on 14 January 2019. On 18 January 2019, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at sixth meeting of the fifth session of the Board of the Company. It was approved that idle proceeds totaling not more than RMB2.5 billion would be used to replenish working capital on the condition that funding needs of the projects to be invested through fund raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 21 January 2019 and returned all of them on 19 November 2019.

Cash management of the idle proceeds and investment in related products	N/A
Permanent replenishment of working capital or repayment of bank loans with excess proceeds	N/A
Amount of excess proceeds and the reasons for excess	N/A
Changes in proceeds-funded project	As considered and approved at the meeting of the second meeting of the fifth session of the Board of the Company held on 22 October 2018, and the 2018 third extraordinary general meeting of the Company held on 10 December 2018, Shanghai Electric will no longer use any of the proceeds of RMB2,554 million (including interest income and the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out) to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5 million. As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018, and the 2019 first extraordinary general meeting, the 2019 first A share class meeting and the 2019 first H share class meeting of the Company held on 6 May 2019, respectively, the Company planned to use RMB342 million out of the proceeds to acquire, through SEI, a wholly-owned subsidiary of the Company, the 100% equity interests of Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) from Orient Landscape and Taizhou Zongze; and use RMB756 million out of the proceeds to acquire, through SEI, a wholly-owned subsidiary of the Company, the 100% equity interests of Ningbo Hi-Firm Environmental Protection Company Limited from Orient Landscape and Taizhou Zongze. The Company completed the aforesaid acquisitions with its self-owned funds through SEI, a wholly-owned subsidiary of the Company in advance, and has supplemented the self-owned funds with the proceeds.

As considered and approved at the 20th meeting of the fifth session of the Board of the Company held on 27 September 2019, and the 2019 second extraordinary general meeting, the 2019 second A share class meeting and the 2019 second H share class meeting of the Company held on 14 November 2019, respectively, the Company proposes to change the total investment and implementation mode of as well as the amount of proceeds earmarked for the Beinei Road Project. In particular, the total investment will be adjusted to RMB130 million; a project company will be jointly established by SEC Property and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司), a controlled subsidiary of Guorun Investment, to function as the implementation entity. The project company (the name of which shall be subject to the approved business name) has a registered capital of RMB20 million, and is owned as to 60% by SEC Property through its contribution of self-financed funds in the amount of RMB12 million; Proceeds earmarked for the project will be reduced from RMB226 million to RMB66 million, which will be provided to SEC Property by the Company through capital contribution, and in turn allocated to the project company by SEC Property by way of entrusted bank loans at an interest of 8% per annum for construction of No. 32 park zone reformation project at Beinei Road. In addition, upon intensive research and demonstration, the Company proposed to appropriate RMB726 million from the RMB1,451 million previously set apart for proceeds-funded projects yet pending for confirmation to invest in the "Shanghai Electric Nantong Central Research Institute Project", and use the remaining proceeds of RMB891 million (including interest income and the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out. Such funds comprise proceeds of RMB885 million and interest income therefrom of RMB6 million) to replenish working capital permanently.

Other use of proceeds Nil

Note 1: "Total cumulative proceeds invested" comprising the cumulative invested amount after such proceeds were credited and the actual amount used to replace the upfront investment amounted to RMB88 million altogether.

Note 2: Application for approval of positioning of the project of the Innovative Industry Park Reformation Project at Beinei Road as per requirements under the "50 Guidelines for Cultural and Creative Industries 50 provisions for culture and creativity industry (文創五十條)" of Shanghai was advanced and the positioning of the project has obtained the recognition of relevant governmental authorities and the minutes of meeting of which has been issued, and the project is expected to be completed at the end of 2021.

Attached table 2-1: Comparison table of the benefits realized from the previously raised proceeds-funded projects

Unit: RMB100 million

Actual investment projects		The cumulative utilization rate of investment projects as of the closing date	Committed benefits *(Note 1)*	Actual benefits for the last three years			Cumulative benefits as of the closing date	Whether the expected benefits have been achieved
No.	**Project name**			**2018**	**2019**	**2020**		
1	Innovative Industry Park Reformation Project at Beinei Road	N/A	N/A	N/A	N/A	N/A	N/A	Still under construction
2	Taxes and Other Expenses related to the Reorganization	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Acquisition of 100% Equity Interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4	Acquisition of 100% Equity Interests in Ningbo Hi-Firm Environmental Protection Company Limited	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Shanghai Electric Nantong Central Research Institute	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Permanent replenishment of working capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note 1: As the Company did not make any commitment on the benefits of the use of proceeds in the Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Related-party Transaction) for the 2017, therefore, the committed benefits are not applicable.

Schedule 2-2: Comparison table of the benefits realized from the previously raised proceeds-funded projects:

Unit: RMB'00 million

Actual investment projects					Actual benefits for the last three years (Note 1)				
Project	**No.**	**Projects with investment commitment**	**The cumulative utilization rate of investment projects as of the closing date**	**Committed benefits**	**2018**	**2019**	**2020**	**Cumulative benefits as of the closing date**	**Whether the expected benefits have been achieved**
Issuance of Shares for Assets Acquisition as well as Supporting Funds Raising	1	Purchase of 47.18% of domestic shares of Shanghai Prime	N/A	N/A (Note 2)	2.80	1.27	-3.33	0.74	N/A
	2	Purchase of 50.10% equity interests of Thales SEC	N/A	Net profit of not less than RMB63 million and RMB64 million for 2018 and 2019	0.88	0.88	0.66	2.42	Yes (Note 3)
	3	100% equity interests of SEC Property (Note 4)	N/A	In the event of impairment, SEC agrees to compensate the company in shares and if the shares are not sufficient to compensate, SEC shall compensate in cash.	2.60	0.98	2.11	5.69	Yes (Note 4)
	4	Purchase of 26 land use rights and buildings	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note 1: The committed benefits, actual benefits and cumulative benefits of Shanghai Prime and SEC Property are the net profit attributable to shareholders of the parent company of each of the underlying asset company. The committed benefits, actual benefits and cumulative benefits of Thales SEC are the net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses of the underlying asset company.

Note 2: As the Company did not make any commitment on the benefits of Shanghai Prime in the Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Related-party Transaction) for the 2017, therefore, the committed benefits are not applicable.

Note 3: As audited by the PricewaterhouseCoopers Zhong Tian Special Audit Report Te Shen Zi (2018) No.1514 issued by PricewaterhouseCoopers Zhong Tian LLP, a certified public accountant firm with qualifications for securities and futures, the audited net profit after deducting non-recurring profits or losses achieved by Thales SEC for the year 2017 amounted to RMB66.24 million, which met and exceeded the profit forecast and compensation commitment of SEC; as audited by the PricewaterhouseCoopers Zhong Tian Special Audit Report Te

Shen Zi (2019) No.1481 issued by PricewaterhouseCoopers Zhong Tian LLP, a certified public accountant firm with qualifications for securities and futures, the audited net profit after deducting non-recurring profits or losses achieved by Thales SEC for the year 2018 amounted to RMB88.15 million, which met and exceeded the profit forecast and compensation commitment of SEC; as audited by the PricewaterhouseCoopers Zhong Tian Special Audit Report Te Shen Zi (2020) No.2030 issued by PricewaterhouseCoopers Zhong Tian LLP, a certified public accountant firm with qualifications for securities and futures, the audited net profit after deducting non-recurring profits or losses achieved by Thales SEC for the year 2019 amounted to RMB87.9371 million, which met and exceeded the profit forecast and compensation commitment of SEC. Accordingly, the relevant committed party is not required to compensate the Company.

Note 4: The values of the real estates and corresponding land use rights (except for the property and its land use right located in No. 365 Chenhang Branch Road) under the account of inventory, the land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights beyond the account of inventory within the 100% equity interest of SEC Property in the purchase of land assets and land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights contained within the purchase of land assets (the "Underlying Assets") are assessed by adopting market comparison approach, the above Underlying Assets shall be subject to impairment test at the end of each year of the compensation measurement period (i.e. 2017, 2018 and 2019). In the event of impairment, SEC agrees to compensate the company in shares and if the shares are not sufficient to compensate, SEC shall compensate in cash. As tested by the Company, there was no impairment of the above-mentioned Underlying Assets in 2017, 2018 and 2019. The impairment test report of the Company has been audited and an audit report has been issued by Baker Tilly International Certified Public Accountants (Special General Partnership), a certified public accountant firm with qualifications for securities and futures. Accordingly, the relevant committed party is not required to compensate the Company.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED THE DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES AND REMEDIAL MEASURES, AND UNDERTAKINGS BY THE RELEVANT PERSONS

Special Notice：

The following analysis and description of the major financial indicators upon the non-public issuance of A Shares (the "**Issuance**", the "**Non-public Issuance"** or the **"Non-public Issuance of Shares**") of Shanghai Electric Group Company Limited (the "**Company**", the "**listed company**" or "**Shanghai Electric**") do not constitute a profit forecast of the Company. Investors should not solely rely upon such analysis and description in making investment decisions. The Company takes no responsibility for any loss arising from the investment decisions made by investors thereby.

Pursuant to the requirements of the relevant documents including of the Opinions on Further Strengthening the Protection of Legitimate Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)) promulgated by the State Council, and the Guidance on Matters Relating to the Dilution of Immediate Returns as a Result of Initial Public Offering, Refinancing and Major Asset Reorganisation (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), in order to protect the rights of small and medium investors, the Company has carefully analysed the impact of the Non-public Issuance of Shares on dilution of immediate returns and introduced detailed remedial measures, and relevant persons have also made undertakings to fulfill the remedial measures of the Company. The particulars are as follows:

I. ANALYSIS ON THE IMPACT OF DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES ON KEY FINANCIAL INDICATORS OF THE COMPANY

(I) Assumptions

1. It is assumed that there is no material adverse change in the business environment including macroeconomic conditions and industry policies.

2. It is assumed that the impact on the production operation, financial position such as finance costs and investment income and so forth upon the availability of the proceeds from the Non-public Issuance shall be disregarded.

3. It is assumed that the total proceeds from the Non-public Issuance of Shares will be RMB5 billion, without regard to the effect of issue expenses.

4. Assuming that the price of the Non-public Issuance is the audited net assets per share as at 31 December 2020, which does not represent the actual number of the lower limit of the issue price of the Issuance of the Company. The assumption is only adopted to estimate the impact of the Issuance on the earnings per share of the Company, and does not represent the Company's judgment on the actual number of shares to be issued. The actual number of shares to be issued as approved by the CSRC shall prevail.

5. It is assumed that the Non-public Issuance will be completed by 30 September 2021. The completion time is only used for the calculation of the impact of the Issuance on immediate returns, and does not constitute a commitment to the actual completion time. Investors should not make investment decisions based on this assumptive completion date, and the Company shall not be held liable for any losses arising from such investment decision. The time at which the Company actually completes the Issuance as approved by CSRC shall prevail.

6. It is assumed that the impact of factors other than the proceeds and net profit on the net assets of the Company is to be disregarded.

7. The Company's net profit attributable to shareholders of the Company in 2020 was RMB3,758,175,000, and the net profit attributable to owners of the Company after deducting non-recurring gains and losses was RMB1,041,831,800. It is assumed that the three scenarios apply whereby the Company's net profit before and after deducting non-recurring gains and losses attributable to owners of the Company for the year of 2021 will decrease by 10%, remain flat, and increase by 10% as compared to 2020. (Such data will merely be for estimating the impact of the Issuance on the Company and do not represent the actual operating conditions of the Company).

8. The impact of profit distribution plan of the Company for 2020 is to be disregarded.

The assumptions stated above are merely for estimating the impact of the dilution of immediate returns as a result of the Non-public Issuance of Shares on the key financial indicators of the Company, and do not constitute profit forecast in respect of the Company, nor do they represent the Company's judgment of the operating conditions and trends, and shall not be relied upon by investors in making their investment decisions. The Company does not bear any liability for any loss suffered by investors in making their investment decisions as such.

(II) Impact on the Key Financial Indicators of the Company

Based on the assumptions stated above, the impacts of the Non-public Issuance of A Shares on the key financial indicators of the Company are compared as follows:

Items	Year 2020/ End of Year 2020	Year 2021/End of Year 2021 Before the Issuance	After the Issuance
Share capital *(ten thousand shares)*	**1,518,135.29**	1,570,597.11	1,684,913.09
Scenario 1 : The net profit attributable to shareholders of the Company and the net profit attributable to shareholders of the Company after deducting non-recurring gains and losses for year 2021 will decrease by 10% as compared to the previous year			
Net profit attributable to ordinary shareholders of the Company *(RMB ten thousand)*	**375,817.50**	338,235.75	338,235.75
Net profit attributable to ordinary shareholders (after deducting non-recurring gains and losses) *(RMB ten thousand)*	**104,183.18**	93,764.87	93,764.87
Basic earnings per share *(RMB/share)*	**0.248**	0.216	0.212
Basic earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.060	0.059
Diluted earnings per share *(RMB/share)*	**0.240**	0.216	0.212
Diluted earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.060	0.059
Weighted average return on net assets	**5.79%**	4.79%	4.71%
Weighted average return on net assets (after deducting non-recurring gains and losses)	**1.60%**	1.33%	1.30%

Items	Year 2020/ End of Year 2020	Year 2021/End of Year 2021 Before the Issuance	After the Issuance
Scenario 2 : The net profit attributable to shareholders of the Company and the net profit attributable to shareholders of the Company after deducting non-recurring gains and losses for year 2021 will remain flat as compared to the previous year			
Net profit attributable to ordinary shareholders of the Company *(RMB ten thousand)*	**375,817.50**	375,817.50	375,817.50
Net profit attributable to ordinary shareholders (after deducting non-recurring gains and losses) *(RMB ten thousand)*	**104,183.18**	104,183.18	104,183.18
Basic earnings per share *(RMB/share)*	**0.248**	0.240	0.236
Basic earnings per share (after deducting non-recurring gains and losses)*(RMB/share)*	**0.069**	0.067	0.065
Diluted earnings per share *(RMB/share)*	**0.240**	0.240	0.236
Diluted earnings per share (after deducting non-recurring gains and losses)*(RMB/share)*	**0.069**	0.066	0.065
Weighted average return on net assets	**5.79%**	5.31%	5.21%
Weighted average return on net assets (after deducting non-recurring gains and losses)	**1.60%**	1.47%	1.45%

Items	Year 2020/ End of Year 2020	Year 2021/End of Year 2021 Before the Issuance	After the Issuance
Scenario 3 : The net profit attributable to shareholders of the Company and the net profit attributable to shareholders of the Company after deducting non-recurring gains and losses for year 2021 will increase by 10% as compared to the previous year			
Net profit attributable to ordinary shareholders of the Company *(RMB ten thousand)*	**375,817.50**	413,399.25	413,399.25
Net profit attributable to ordinary shareholders (after deducting non-recurring gains and losses) *(RMB ten thousand)*	**104,183.18**	114,601.50	114,601.50
Basic earnings per share *(RMB/share)*	**0.248**	0.264	0.259
Basic earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.073	0.072
Diluted earnings per share *(RMB/share)*	**0.240**	0.264	0.259
Diluted earnings per share (after deducting non-recurring gains and losses) *(RMB/share)*	**0.069**	0.073	0.072
Weighted average return on net assets	**5.79%**	5.82%	5.72%
Weighted average return on net assets (after deducting non-recurring gains and losses)	**1.60%**	1.61%	1.59%

Note: Basic earnings per share and return on net assets are calculated in accordance with the Compilation Rules No. 9 for Information Disclosure by Companies Offering Securities to the Public—Calculation and Disclosure of Return on Net Assets and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》).

Based on the analysis above, the Company's immediate returns will be diluted as a result of the Non-public Issuance, the total share capital of the Company will increase upon the completion of the Non-public Issuance and the scale of net assets of the Company will increase following the availability of the proceeds.

Going forward, the full utilisation of the proceeds and further development of the principal businesses will facilitate the increase in earnings per share of the Company.

II. ALERT OF RISKS SPECIFIC TO THE DILUTION OF IMMEDIATE RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE

Upon receipt of the proceeds from the Non-public Issuance, the total share capital and scale of net assets of the Company will increase, while it will take time for the financial benefits arising from the proceeds to materialise. Shortly after the receipt of the proceeds from the Non-public Issuance, there will exist the risk of a drop in indicators including the earnings per share and weighted average return on net assets. Accordingly, investors are reminded of the risks relating to the dilution of immediate returns arising from the Non-public Issuance.

III. THE NECESSITY AND REASONABLENESS OF THE NON-PUBLIC ISSUANCE

(I) Non-carbon Energy Power Technology Research and Development Project

1. Necessity of implementation of the project

(1) It will speed up the industrialization of new energy, and achieve the sustainable development of energy

Low-carbon transformation and development is an inevitable choice for China to cope with new internal and external situations and challenges. In recent years, as a kind of secondhand energy with broad sources which is clean, non-carbon, flexible and high-efficient, and can be applied in multiple scenarios, hydrogen is gradually becoming an important trend towards which global energy technology revolution moves. The implementation of this project will help accelerate the development of supercritical CO_2, large-capacity energy storage and hydrogen production and other new energy technologies, is a strategic choice for the Company to cope with global climate change, guarantee the security of energy supply of the state and achieve sustainable development, is an important move to implement the spirit of the 19th Party Congress, establish a "clean and low-carbon, safe and efficient" energy system, and push forward energy supply-sided structural reform. It is important practice to drive regional high-quality economic development with energy revolution.

(2) It will help achieve the development strategy of the Company, and enhance the operation capability of the Company

In the context of the national government's efforts to promote the construction of clean energy and improve the domestic energy structure, Shanghai Electric, as a large state-owned comprehensive equipment manufacturing group, committing to providing global customers with integrated technology and system solutions that are green, environmentally friendly, intelligent and interconnected, actively responds to the requirements of the national low-carbon and sustainable development, and carries out the layout of the new energy business. The implementation of this project will help to grasp the development opportunities, quickly adapt to market changes, and occupy the top of new markets and new technologies, in order to enhance the business strength of the Company.

(3) It conforms to the requirements of technological development

Efficient, clean and low-carbon development has currently become a major trend in the world's energy development. Countries are constantly seeking low-cost clean energy alternatives to promote green and low-carbon economic transformation. At present, the world's energy technology innovation has entered an active period, with countries competing to seize the first opportunity to advance energy technology and seeking the competitive high ground for a new round of scientific and technological revolution and industrial transformation. With the implementation of this project, in the energy transformation revolution nowadays, by virtue of its strong technological and market advantages accumulated in traditional energy area, Shanghai Electric adapts to the requirement of technological development, transforms its advantages accumulated in the past into opportunities in new fields, and has completed the development and industrialization of new technology in a rapid manner.

2. Feasibility of implementation of the project

(1) The construction of this project is in line with national policies

China takes a positive attitude towards the development of new energy and has clearly proposed to support the development of new energy industry in a number of industrial policies, and more and more supporting policies have been introduced and support has increased in recent years. In October 2017, five ministries and commissions including the National Development and Reform Commission jointly issued the Guidance on Promoting the Development of Energy Storage Technology and Industry in China, which is the first guiding policy on the development of large-scale energy storage technology and application in China, giving energy storage a richer application approach. In December 2019, the National Bureau of Statistics issued the Energy Statistical Reporting System and required hydrogen to be included in energy statistics in 2020 together with coal, natural gas, crude oil, electricity and biofuels. In June 2020, the National Energy Administration issued the Guidance on Energy Work in 2020, which requires the development of hydrogen energy industry in terms of reform and innovation and promoting the industrialization of new technologies. This project is a state-encouraged one, which is in line with the national industrial policies and development direction.

(2) The Company has sound technological base

In the field of supercritical CO_2, through years of technical research and development as well as accumulation, Shanghai Electric has owned certain technological reserves in terms of ultra-high parameter recycling system and the development technology and materials of core technology and other factors. In the field of large-capacity energy storage, after the preliminary research and development work, Shanghai Electric has made initial achievements in long life battery cells and energy storage system products, and has applied for relevant invention patents, and possesses the independent intellectual property rights. In the field of hydrogen energy, Shanghai Electric has preliminarily mastered the key technologies such as the research and development of proton exchange membrane fuel cell system and electric reactor and the research and development of biomass gasification, which will provide technical support for the future development of industries of the equipment required for planning the hydrogen production, storage and transportation and application.

(3) Broad future market prospect

With the change of new energy industry, the future development prospect of supercritical CO_2, energy storage and hydrogen energy industries will be broader. Supercritical CO_2 technology applies to the technology development of complicated and complete system under the multi-scenario power level of 2–50MW. It's expected that at the late "14th Five Year Plan", such technology will preliminarily pace into industrial stage with the mature development of supercritical CO_2 technology and improvement of component matching capacity in China.

In the field of energy storage, according to the Zhongguancun Energy Storage Industry Technology Alliance (CNESA) forecast, by the end of 2025, the cumulative installed scale of operational electrochemical energy storage projects in China will reach 15GW. The compound growth rate in the next 5 years will be close to 55%, and the market development prospect for energy storage is broad.

Governments and enterprises in China are actively exploring the road for hydrogen energy industry development, and developed major hydrogen energy industry clusters such as Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, gradually radiating to the surrounding areas. After years of scientific and technological research, China has mastered partial core technologies for hydrogen energy infrastructures and fuel cell-related core technologies, formulated and introduced 86 national standards. It's expected that the future hydrogen energy industry in China will speed up its growth.

The broad new energy market in the future provides a solid market base for the implementation of this project.

(II) Smart City Key Platform and System Development Project

1. Necessity of implementation of the project

(1) To follow the trend of developing smart cities, and promote the development of digital economy

Smart city represents that the urban system and services are interconnected and integrated by all information technologies or innovative ideas for the purpose of strengthening the efficiency of urban resource application, optimizing urban management and services so as to improve life quality of citizens. Smart political affairs, smart transportation, etc. are the significant components of smart city. The implementation of the project is conductive for the Company to follow the trend of developing smart city, improving the Company's ability to research and develop and provide system platform related to smart city, which, through export of high-quality and convenient system solutions, help the relevant governmental institutions and rail transit operational institution to better utilize digital technology to optimize their business process, optimize theirs organization and management, and further promote the development of digital economy.

(2) To achieve breakthroughs in key and core technologies, and strengthen technology reserve and industry transformation capabilities

With the promotion of technologies such as the Internet of Things, cloud computing and big data, the above technologies have been widely applied in business areas such as administration and transportation. In the field of administration, "digital government" was redefined. Under the leadership of new generation of information technology, the precision and intelligence of social management will be effectively driven by the governmental data governance. In the field of urban rail transportation, automation technology and information systems are integrated to effectively improve station information management and operation and decision-making. With the implementation of this project, the Company will increase input in the research and development of its central platforms and cloud platforms, further increase the Company's technology reserve, improve its research and development and innovation capacity, and build core supporting capabilities for its digital business, so as to ensure its products as well as services in the field of smart city to maintain their industrial leading position in the future.

(3) To achieve diversified business development, and create new profit growth points

The project will apply big data, cloud computing, AI and other digital technologies to the business scenarios of relevant vertical areas in smart administration and smart transportation, to establish three-dimensional business service system based on integration of intelligent data analysis and cloud service products, which will facilitate the diversified development of the Company's businesses, thus developing new profit growth points.

2. Feasibility of implementation of the project

(1) The support of national industrial policy provides a sound policy environment for project implementation

Chinese government attaches great importance to the development of the field relevant to smart city, and has successively introduced a series of industrial policies related to cloud computing, enterprise cloudification, electronic administration, rail traffic and other factors to promote the digital transformation and upgrading of industrial construction. In 2016, the NDRC and Ministry of Transport jointly issued the Implementation Measure on Promotion of "Internet +" Convenient Transportation for Further Development of Intelligent Transportation (《推進"互聯網+"便捷交通促進智慧交通發展的實施方案》), requesting the realisation of intelligent transportation by application of internet technologies. In 2020, the Certain Opinions on Further Acceleration of Smart City Construction (《關於進一步加快智慧城市建設的若干意見》) introduced by Shanghai municipal government, specifies that the promotion of the "unified management through one network" ("一網統管") of city operation has sped up, and by 2022, Shanghai will be built as a vanguard of new smart cities in the world. The introduction and implementation of relevant policies are conducive to the sustainable and rapid development of the relevant smart city industry on an ongoing basis, providing a sound policy environment for the implementation of the project.

(2) *Technical reserve provides technical guarantee for project implementation*

After years of independent research and development, Automation Institute, the implementation subject of this project, has accumulated various core technologies regarding the development of front-end operation platform software and back-end user software. The Company keeps its focus on the development of cutting-edge technologies in the field of smart city, keeps abreast of the development trend of industrial technology, invests huge research and development resources in cloud computing, big data and other aspects and occupies a certain technical reserve. Automation Institute has over 40% employees with senior and intermediate technological titles and a number of technology leaders. The sound technical reserves provide a technical guarantee for project implementation.

(3) *The industry has a broad market prospect, providing a sound market base for project implementation*

In recent years, the Chinese government has successively launched and promoted smart city pilot work, constantly released bonus policies related to smart city and the relevant market scale is expanding. According to the relevant data released by Markets and Markets, the market research institution, the market scale of smart city in China is expected to increase to UD$59.9 billion in 2023 from US$30.4 billion in 2018.

In the field of rail transit service, with the continuous increase in the mileage of operating lines and vehicle population, there is a large rigid demand on guaranteeing the operation security, improving service quality and reducing operation costs in the domestic rail traffic industry. The smart traffic system integrated with cloud computing, big data and other advanced technologies allows the realisation of the intelligent operation and maintenance of urban rail, so as to lower the operational risks and effectively improve the effectiveness of operation and maintenance. According to the relevant information of Leadleo Academy (頭豹研究院), the market scale of the national intelligent urban rail traffic was RMB22.65 billion and is expected to reach RMB44.25 billion in 2023.

The main application areas of smart city have broad market development potential, which provides a sound market base for project implementation.

(III) SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project

1. Necessity of implementation of the project

(1) To respond to national industrial policy, and promote the technological innovation in the industrial internet industry

With the implementation of this project, the Company will respond to the national industrial policies, continue to input resources into research and development, establish industrial internet platform ecology, fully improve the production management and control level, supply chain collaboration level and products' distant service capabilities of its subordinate enterprises, promote the Group's transformation from traditional manufacturing to manufacturing service, and drive the technological innovation and the iteration of products in industrial internet industry.

(2) To deepen the integration and application of industrial internet technology and products, and help to enhance the integration and collaboration level of the corporate

At present, the industrial internet technology has been widely applied in various industries and fields, giving rise to new models and new business forms such as networked collaboration, service-oriented manufacturing and scale customisation, helping enterprises to achieve quality and efficiency improvements and speeding up the process of digital transformation of relevant industries. In the future, the depth of integration and inclusive level of the industrial internet in various application fields will continue to improve, and its role in driving and supporting the national economy will become increasingly prominent. The businesses of Shanghai Electric covers three business fields of energy equipment, industrial equipment and integrated service. The implementation of the project will deepen the integration and application of industrial internet technology in all business fields in the Group, achieving the refinement management and intelligent management for the production process of relevant units, accelerating product upgrading and intelligent manufacturing application, and enhancing the integration and collaboration level of the corporate.

(3) To Strengthen the development of the Company's principal business and enhance its overall competitiveness

This project, being highly related to the Company's principal business, will help the Company to develop its advantageous business areas to a deeper level, and continue to strengthen its competitive edge in the market. The implementation of this project will export products and services with better quality in the future to meet the diversified and customized needs of customers, thereby further enhancing its profitability and building its comprehensive competitiveness.

2. Feasibility of implementation of the project

(1) As a guidance, national policy providing a good policy environment for project implementation

The government and regulatory authorities in China have promulgated a series of policies to accelerate the establishment of a generic technology system for industrial internet, and comprehensively support the building of China into a stronger country through manufacturing industry and national cyber development strategy. In March 2020, the MIIT issued the Notice on Promoting the Accelerated Development of Industrial Internet (《關於推動工業互聯網加快發展的通知》), proposing to promote the integration and innovation of industrial internet in a wider scope, to a greater degree and at a higher level, and enhance the core capabilities of the industrial internet platforms. In January 2021, the MIIT issued Action Plan for Innovation and Development of Industrial Internet (2021–2023) (《工業互聯網創新發展行動計劃(2021–2013年)》), proposing to preliminarily construct an industrial internet network infrastructure covering all regions and all industries and a characteristic industrial internet platform for key industries and areas by 2023. The intensive introduction of supportive industrial policies has provided a good policy environment for the smooth implementation of this project.

(2) Continuous release of market demand providing a good market environment for project implementation

At present, the market demand for industrial internet in China continues to unleash and the scale of the industry continues to expand. According to the data issued by the State Statistics Bureau, the existing scale of industrial internet platform and industrial software industry in China increased to RMB248.6 billion in 2019 from RMB149 billion in 2017 with a compound annual growth rate of 29.20%. With the development of relevant technologies and the lead of industrial needs, deepening the in-depth application of industrial internet in all industrial fields, improving the implementation effect and inclusive level of the application, and expanding the application scope of industrial internet, will be the main driving factors for the market expansion of the future industrial internet. Each industrial internet product produced by this project will effectively meet the enterprise demands and has a broad application space, and there is a good market environment for project implementation.

(3) The Company gathered various high-quality resources, laying a solid foundation for project implementation

Shanghai Electric has extensive technical reserves and rich experience in the field of industrial internet. With over a decade of accumulation, Digital Technology Company has established an information platform at group level for supporting the complete process management including R&D design, production and manufacturing, purchase and storage, product sales and after-sales service, and built a core IT team of about 100 staff with rich experience in information, AI, big data and cloud computing. The Company accumulates years of experiences in industrial application as well as platform construction and integrates high-quality resources in multiple factors, laying a solid technical foundation for the implementation of this project.

(IV) Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical

1. Necessity of implementation of the project

(1) Implementation of the project helping to improve the undertaking capability of the Company for chemical engineering EPC projects

With Shanghai Boiler Works as an important platform for carrying out the chemical segment construction, Shanghai Electric fully integrates the available equipment and technology supporting resources, so as to comprehensively strengthen the system solution capability of chemical project integrating "consulting + technology + equipment + design + installment + debugging + service". The implementation of the project helps Shanghai Boiler Works to further accumulate the implementation experience of chemical engineering EPC general contracting project, improve the capability to undertake the large-scale project, and further enhance the comprehensive competitiveness of the Company in terms of chemical business segment.

(2) Implementation of the project helping to expand the market influence of the Company in the field of chemical engineering

This project is one of the ten projects for transformation and upgrading of Yan'an City and the first demonstration project of comprehensive utilisation of multi-generation and recycling of low-rank coal in Yan'an, and the milestone project for Shanghai Electric to step into the market of large-scale chemical engineering project. Undertaking the project helps to expand the market influence of the Company in the field of large-scale chemical engineering.

(3) *Strengthening the Company's capital strength and enhancing the comprehensive competitiveness in chemical engineering business segment*

Chemical engineering belongs to capital and technology intensive industry, the features in long cycle of production and payment collection and large resource occupancy, etc. for its complete production process and needs a relatively large and long-term capital scale. As EPC general contracting model requests for a stronger capital strength of general contractor, the market subject with strong capital strength plays a more obvious competitive advantage while undertaking the large-scale projects. Therefore, it is necessary for the Company to strengthen capital strength by way of equity financing, providing a sufficient capital guarantee for the Company in the sustainable development of chemical engineering segment.

2. *Feasibility of implementation of the project*

(1) *Well-established project owner*

The controlling shareholder of Yan'an Energy and Chemical Group Zichang Chemical Co., Ltd. (延安能源化工(集團)子長化工有限責任公司), the owner of the project, is Yan'an Energy and Chemical Group Co., Ltd. Yan'an Energy and Chemical Group Co., Ltd. is a key leading state-owned enterprise in Yan'an, and has complete industrial layout and scientific development strategy, with clear shareholding structure, sound financial position and good profitability, debt servicing capability, operation capability and development capability, which will provide sufficient safeguarding for the successful implementation of this project.

(2) *Strong comprehensive profitability upon the completion of the project*

In recent years, with the rebound of international oil price, the coal chemical industrial product industry encounters an economical turning point accordingly. Demonstration EPC project of comprehensive utilisation of multi-generation and recycling of coal middlings of one million tonnes per annum of Yan'an Energy and Chemical is established in the major domestic coal production regions and will form a complete recycling production chain upon the completion of the project, which can effectively reduce the production cost. In the meantime, the large demand in the downward market of the product and a strong profitability provide a sufficient safeguarding for the payment collection of EPF project.

(V) Necessity of Replenishment of Working Capital

1. To strengthen capital base strength of the Company and support the Company's principal business for sustainable development

In view of the wide development space of the Company in the future, the business scale of the Company is expected to maintain sustainable growth, and the demand on the working capital of the Company increases accordingly. At present, the demand on the working capital of the Company is satisfied by the bank loan and other debt financing ways. As the Company's business scale is increasing, it is necessary to replenish working capital through equity financing for raising funds, so as to support the Company's principal business for sustainable development and accommodate the needs as a result of the expanding business scale of the Company.

2. To reduce the financial risks and optimize financial structure of the Company

As at 31 December 2020, the total assets, total liabilities and gearing ratio on a consolidated basis of the Company were RMB315,402,734,000, RMB208,553,392,000 and 66.12%, respectively. The proceeds raised under the Non-public Issuance of A Shares is conductive to optimizing financial structure and reducing financial risks of the Company, thus guaranteeing the robust operation and sustainable development of the Company.

IV. REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE

In order to safeguard the interests of investors, secure the effective utilisation of the proceeds from the Non-public Issuance, prevent the risks of dilution of immediate returns, and enhance the return to shareholders of the Company, the Company proposes to implement the development strategies of the Company in a proactive manner, enhance operational management and internal control, strenuously foster technological advancements to lower costs and improve efficiency to further enhance the Company's overall competitiveness and risk resistance capabilities, proactively foster innovations in management to improve the operational management capability and profitability of the Company, strengthen the management of the proceeds raised to ensure the reasonable and well-regulated use of the proceeds, continue to improve the corporate governance level of the Company in order to provide institutional safeguards for the development of the Company, strengthen the control and management of the Group and boost vitality for development, stringently implement the Company's dividend policies and measures to protect the interests of shareholders, and to enhance the Company's ability to generate returns in future.

(I) Strengthening the Promotion of the Investment Projects to Complete the Construction of the Projects As Soon As Possible

The proceeds from the Non-public Issuance of the Company not more than RMB5 billion, after deduction of issue cost, will be fully used for Non-carbon Energy Power Technology Research and Development Project, Smart City Key Platform and System Development Project, SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project, Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical and replenishment of working capital. The Board has fully demonstrated the feasibility of investment projects to be funded by the proceeds from the Non-public Issuance of A Shares, and the relevant projects are in line with the national industrial policies, industry development trend and the future overall strategic development direction of the Company, with promising market prospect and profitability. Upon the receipt of the proceeds, the Company will expedite the implementation of the investment projects to be funded by the proceeds, proactively allocate resources, coordinate and reasonably arrange the investment and construction progress of the projects, strive to complete the investment projects to be funded by the proceeds as soon as possible the construction of, so that the diluted immediate returns of the Company can be replenished as soon as possible.

(II) Proactively Implement the Development Strategies of the Company and Grasping the Development Opportunities

The proceeds from the Non-public Issuance will further enhance the capital strengths of the Company, and improve the risk resistance capabilities and overall competitiveness of the Company. Meanwhile, the Company will further strengthen its existing advantages in segment markets, increase volume and improve efficiency, and cultivate stronger centres of profit growth, thereby improving the industry competitiveness of the Company and improving the return to shareholders.

(III) Regulating Internal Control and Proactively Enhancing the Core Competitiveness of the Company

The Company is committed to further consolidating and improving its core competitive strengths and will seek enhancement in both its revenue level and profitability. The Company will continually strengthen its internal control, improve the effectiveness of its talents and operational governance, control operational and management risks comprehensively and effectively, and enhance its operational efficiency and profitability.

(IV) Continual Improvement of Corporate Governance Level of the Company to Provide Institutional Safeguard to the Development of the Company

In strict compliance with laws, regulations and other regulatory documents including the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China, the Company will continually improve its corporate governance structure, ensure that shareholders can fully exercise their rights, ensure that the board of directors can exercise its rights and discharge its duties according to laws, regulations and the Articles of Association of Shanghai Electric Group Company Limited to make scientific, prompt and prudent decisions, ensure that independent directors can perform their duties conscientiously, safeguard the overall interests of the Company especially the legitimate interests of small and medium shareholders, and provide scientific and effective corporate structure and institutional safeguard to sustainable and steady development of the Company.

(V) Strengthening the Management and Control of the Company to Boost Vitality for Development

The Company will strengthen management and control and enhance its operations quality, to continually strengthen the synergy of the Company. Meanwhile, it will make ongoing improvements to the approaches of its performance appraisal, step up efforts in performance appraisal, improve its remuneration and incentive mechanism, establish a scientific and reasonable mechanism of talent recruitment and training that caters to actual needs, establish a market-oriented talent operation model, and improve its talent development strategy, with a view to boost vitality for development of the Company.

V. UNDERTAKINGS BY RELEVANT PERSONS OF THE COMPANY REGARDING REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS

(I) Undertakings by the Directors and Senior Management of the Company

In accordance with the relevant requirements of the CSRC, the following undertakings are made by the directors and senior management of the Company to ensure that the remedial measures taken by the Company to counteract the dilution of immediate returns upon the Non-public Issuance will be fully implemented:

"1. I/We will not transfer any benefits of the Company to other entities or individuals with no consideration or under unfair terms and shall not damage the Company's interests in any other ways;

2. I/We will restrict the duty-related consumption activities of myself/ourselves;

3. I/We will not utilise any assets of the Company for any investments or consumption activities unrelated to the performance of my/our duties;

4. I/We will procure the remuneration system formulated by the board of directors or the remuneration committee thereunder of the board to be correlated to the execution of remedial measures of the Company within the scope of my/our own duties and authorities.

5. If the Company is to adopt an equity incentive plan in the future, I/we will procure, on a best-effort basis, the exercise conditions for equity incentive to be announced by the listed company to be correlated to the execution of remedial measures of the listed company within the scope of my/our own duties and authorities.

6. After the CSRC and the Shanghai Stock Exchange otherwise issue the remedial measures to counteract the dilution of immediate returns and the relevant opinions and detailed implementation rules undertaken by them, in the event of any discrepancy between the relevant systems and undertakings of Shanghai Electric and such provisions, I/we will promptly make supplementary undertakings in accordance with the provisions of the CSRC and the Shanghai Stock Exchange, and facilitate amendments to relevant rules by Shanghai Electric to meet the requirements of the CSRC and the Shanghai Stock Exchange.

7. I/we will strictly perform the foregoing undertakings to ensure that the remedial measures of the Company can be effectively performed. If the covenantor breaches such undertakings or declines to perform such undertakings, he/she shall perform the obligations to explain and apologise for the breach as well as other obligations under the Guiding Opinions on Matters relating to the Dilution of Immediate Returns in Initial Public Offering, Refinancing and Major Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) issued by the CSRC, and agree on the regulatory measures or self-disciplinary regulatory measures made by the CSRC, Shanghai Stock Exchange and China Association for Public Companies in accordance with the law. For any loss caused to the Company or shareholders, the covenantor is willing to bear the responsibility for indemnifying for such loss in accordance with the law."

(II) Undertakings by the Controlling Shareholder

In accordance with relevant requirements of the CSRC, to ensure that the remedial measures to counteract the dilution of immediate returns can be fully implemented, the following undertakings are made by the controlling shareholder of the Company:

"1. I/We will not to act ultra vires to intervene the operation and management activities of the Company or unlawfully encroach on the Company's interests;

2. From the date of making these undertakings until the completion of the Non-public Issuance, if CSRC and/or the Shanghai Stock Exchange impose other new regulatory requirements in relation to the remedial measures and the above undertakings no longer satisfy such requirements of the CSRC and/or the Shanghai Stock Exchange, I/we undertake to make supplementary undertakings at that time according to the latest requirements of the CSRC and/or the Shanghai Stock Exchange;

3. I/We will effectively implement the remedial measures set by the Company and all of my/our undertakings relating to the remedial measures. If I/we breach such undertakings and cause losses to the Company or its investors, I am/we are willing to bear the responsibility for indemnifying to the Company or its investors in accordance with the laws.

As one of the relevant responsible persons in respect of the remedial measures, if I/we breach such undertakings or decline to perform such undertakings, I/we agree that securities regulatory institutions including the CSRC and the Shanghai Stock Exchange may impose relevant penalties on me/us or take relevant regulatory actions against me/us according to the respective rules or regulations issued or promulgated by them."

VI. THE PROCEDURES FOR CONSIDERING THE REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS AND THE UNDERTAKINGS

The analysis relating to the dilution of immediate returns upon the Non-public Issuance, the remedial measures to counteract the dilution of immediate returns, and relevant undertakings by the relevant persons have been considered and approved by the board of directors, and will be submitted to the general meeting of the Company for consideration.

The Company will, in its regular reports, make continuing disclosures on the completion of the remedial measures to counteract the dilution of immediate returns and the fulfilment of the undertakings made by the relevant persons.

PLAN ON SHAREHOLDERS' RETURN FOR THE UPCOMING THREE YEARS (2021-2023) OF SHANGHAI ELECTRIC GROUP COMPANY LIMITED

To establish a sound shareholders' return mechanism, enhance the transparency and operability of decision-making mechanism of the profit distribution policy of Shanghai Electric Group Company Limited (the "**Company**"), make positive return to investors and effectively protect the legal rights and interests of minority shareholders, the Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) of Shanghai Electric Group Company Limited (the "**Plan**" or "**Plan on Shareholders' Return**") has been formulated by the Company pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution by Listed Companies (《上市公司監管指引第3號–上市公司現金分紅》) (CSRC Announcement [2013] No. 43) issued by China Securities Regulatory Commission (the "**CSRC**") and other regulations, as well as the provisions of the Articles of Association of Shanghai Electric Group Company Limited, and taking into account the Company's actual circumstances. The details of the Plan are as follows:

I. PRINCIPLES OF FORMULATING THE PLAN ON SHAREHOLDERS' RETURN

(i) To make positive return to investors while taking into account of the sustainable development of the Company;

(ii) To further enhance the transparency of the Company's profit distribution especially regarding cash dividends to help investors to form stable expectation of return;

(iii) To maintain the continuity and stability of the profit distribution policy;

(iv) To strictly comply with relevant requirements of profit distribution under relevant laws, regulations and the Articles of Association of Shanghai Electric Group Company Limited.

II. CONSIDERATIONS IN FORMULATING THE PLAN ON SHAREHOLDERS' RETURN

The Plan on Shareholders' Return is an arrangement for profit distribution formulated on the basis of the comprehensive analysis of shareholders' demands and wishes regarding returns, the Company's developmental stage and plan, profitability, social capital cost and external financing environment, and giving full consideration to conditions such as the Company's current and future profitability scales, cash flows and capital needs of investment projects, capital structure and financing abilities, with the hope to balancing reasonable investment return to shareholders and capital needs for the Company's sustainable development.

III. CYCLE OF FORMULATING THE PLAN

The Company will review the Plan on Shareholders' Return every three years, and make proper and necessary amendments to its then effective dividend distribution policy based on the opinions of the shareholders (especially the minority shareholders), independent directors and supervisors, and determine the Plan on Shareholders' Return for such period. The board of directors of the Company (the "**Board**") will formulate annual and interim dividend proposal based on specific operating information after fully considered the Company's then profitability, cash flows, developmental stage, ordinary working capital requirements and foreseeable substantial capital expenditures. The independent directors may seek the opinions of the minority shareholders, prepare a dividend distribution proposal accordingly and present it directly to the Board for consideration. When the profit distribution plan is considered at the general meeting, a variety of channels shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and whose questions and concerns shall be responded in a timely manner.

IV. DETAILS OF THE COMPANY'S PLAN ON SHAREHOLDERS' RETURN FOR THE UPCOMING THREE YEARS (2021 – 2023)

The Company shall carry out an ongoing and stable profit distribution policy. The distribution of profit of the Company shall be focused on providing reasonable investment returns to investors and take into account the Company's sustainable development.

(I) Method and interval of profit distribution:

The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company shall first adopt cash dividends to distribute profit. Subject to the satisfaction of the conditions for profit distribution, the Company shall distribute profit on an annual basis. The Company may carry out an interim profit distribution if conditions permit.

(II) Conditions and proportion of cash dividends distribution

Save for special conditions, the Company shall adopt cash dividends when there are positive accumulated and undistributed profits in a profitable year. The accumulated distribution of cash dividends over the last three years shall not be less than 30% of the average annual distributable profits for the last three years in principle.

Subject to the satisfaction of conditions of cash dividends distribution, in the case where the Company is at the mature stage of development and has no arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 80% of such distribution; in the case where the Company is at the mature stage of development and has an arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 40% of such distribution; in the case where the Company is at the growing stage of development and has an arrangement for significant capital outlay, the proportion of cash dividends in the profit distribution shall account for at least 20% of such distribution. The Board shall determine the Company's stage of development for the purpose of cash dividends distribution with reference to the actual situation. Where the Company's stage of development is difficult to be ascertained but an arrangement for significant capital outlay exists, the profit distribution shall be handled pursuant to the aforesaid rules.

Special conditions refer to: (1) the auditors have not provided a standard unqualified opinion in their audit report in respect of the Company's financial statements for that year; (2) the Company has a material investment plan or an arrangement for significant capital outlay (excluding a fund raising event). A material investment plan or an arrangement for significant capital outlay refers to the accumulated expenditures for transactions such as external investments, assets acquisitions and investments in fixed assets of the Company in the next 12 months having reached or exceeded 30% of the latest audited net assets; (3) the balance of cash, excluding cash raised from capital markets and cash within special funding for special purposes or special account management funding such as a government special financial funds (including bank deposits and bonds with high liquidity), is not sufficient to pay the cash dividends; (4) the net operating cash flow of the Company for that year is negative; (5) a material change in the external operating environment occurs, which has a material effect on the production and operations of the Company; (6) other events materially affecting the production and operations and the funding of the Company have occurred or are expected to occur during the next 12 months.

Where the Company fails to determine a profit distribution proposal of that year in accordance with the above cash dividends policy in the event of special conditions, the Company shall disclose in the regular report such information as the specific reasons, the exact purpose for retention of the undistributed profit and the expected return for such purpose. Independent directors of the Company shall express an independent opinion in this regard.

(III) Conditions of dividend distribution in the form of shares

Where the Company's share capital size and equity structure are reasonable and its share capital increases in line with its growth in operating results, the Company may distribute its profit in the form of shares. The profit distribution in the form of shares by the Company shall be made on the premise of giving reasonable cash dividends return to shareholders and maintaining proper share capital size, while taking into full consideration of factors including the growth of the Company and the dilution to net asset value per share.

(IV) Consideration and deliberation procedures and decision-making mechanism for profit distribution proposal

In the event of profit distribution by the Company, the Board shall formulate the distribution proposal and submit the proposal to the Shareholders' meeting of the Company for approval. The Board shall carefully study and deliberate such matters including the timing, conditions and minimum proportion, conditions of adjustment and the requirements of the decision-making process for cash dividend distribution of the Company in formulating the detailed proposal of cash dividends distribution, and independent directors shall expressly give their opinions. The independent directors may gather views from minority shareholders and propose a distribution proposal which will be submitted directly to the Board for its approval. Prior to the consideration of the detailed proposal of cash dividends distribution at the general meeting, the Company shall actively communicate and exchange views with the shareholders, in particular the minority shareholders, through various channels, such that the opinions and requests of the minority shareholders can be fully heard, and their concerns can be responded in a timely manner.

(V) Amendment of profit distribution policy

The profit distribution policy of the Company shall not be amended randomly. The profit distribution policy can be amended where there is a material change in the production and operations of the Company, the need for an investment plan or a long-term development of the Company, changes in the external operating environment or changes in policies and regulations, the profit distribution policy may be amended after detailed discussion and upon the satisfaction of conditions stipulated by the Articles of Association of Shanghai Electric Group Company Limited. Independent directors shall expressly give their opinions regarding the amendments of profit distribution policy. The amended profit distribution policy shall not violate the relevant provisions of the regulatory authorities. The relevant proposal to amend the profit distribution policy shall first be approved by the Board of the Company and then submitted by the Board of the Company for consideration at a shareholders' general meeting. Such proposal should be passed by an affirmative vote of more than two-thirds of the Company's total voting shares being held by the shareholders who are present at the general meeting.

V. IMPLEMENTATION OF THE PLAN ON SHAREHOLDERS' RETURN

Any matters not covered in the Plan on Shareholders' Return shall be governed by the relevant laws, regulations, regulatory documents and the Articles of Association of Shanghai Electric Group Company Limited. The Board of the Company is responsible for interpreting the Plan on Shareholders' Return. The Plan shall come into force on the date of its approval at the general meeting.

Board of Directors of Shanghai Electric Group Company Limited

26 March 2021

上海电气*
SHANGHAI ELECTRIC

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Shanghai Electric Group Company Limited (the "**Company**") will be held at 9:00 a.m. on Tuesday, 20 April 2021 at Fulin Hall, 9th Floor, Shanghai Bund Yujinxiang Xinya Hotel, 422 Tiantong Road, Shanghai, the PRC for the purpose of considering and, if thought fit, approving the following resolution:

SPECIAL RESOLUTION:

1. To consider and approve the resolution of the amendments to the Articles of Association of the Company.

By order of the Board
Shanghai Electric Group Company Limited
ZHENG Jianhua
Chairman of the Board

Shanghai, the PRC, 5 March 2021

As at the date of this notice, 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*

Notes to Notice of EGM:

1. The voting at the EGM shall be conducted by way of poll.

2. The holders of A Shares and H Shares will vote as one class of shareholders. The Company's register of members for the H Shares will be closed from Saturday, 20 March to Tuesday, 20 April 2021, both days inclusive, during which period no transfer of H Shares will be effected. The holders of H Shares whose names appear on the Company's register of members on Tuesday, 20 April 2021 are entitled to attend the EGM. In order to qualify for attending the EGM, the holders of H Shares whose transfers have not been registered must deposit transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 19 March 2021. The address of Computershare Hong Kong Investor Services Limited is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

3. Each Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a Shareholder. Each Shareholder who wishes to appoint one or more proxies should first review the Circular in respect of the EGM.

4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

5. In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) signed by the authorised person or notarially certified power of attorney must be deposited to Computershare Hong Kong Investor Services Limited for holders of H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if he/she so wishes.

6. Shareholders who intend to attend the EGM in person or by proxy should return the reply slip to Computershare Hong Kong Investor Services Limited for holders of H Shares on or before Wednesday, 31 March 2021. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

7. The EGM is expected to last for no more than one day. Shareholders (or their proxies) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders (or their proxies) attending the meeting shall produce their identity documents.

8. Please refer to the circular of the Company in relation to the EGM to be published on or before 31 March 2021 for details of the resolution to be proposed at the EGM for consideration and approval.

上海电气* SHANGHAI ELECTRIC

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)

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Shanghai Electric Group Company Limited (the "**Company**") will be held at 9 a.m. on Tuesday, 20 April 2021 at Fulin Hall, 9th Floor, Shanghai Bund Yujinxiang Xinya Hotel, 422 Tiantong Road, Shanghai, the PRC to consider and, if thought fit, to pass the following resolutions in addition to the special resolution set out in the previous notice of the EGM of the Company dated 5 March 2021.

SPECIAL RESOLUTIONS

2. To consider and approve the grant of the General Mandate to issue Shares to the Board. (Note 5)

3. To consider and approve the resolution on the Company's compliance with the conditions of Non-public Issuance of A Shares.

4. To consider and approve the Issuance Proposal for the proposed Non-public Issuance of A Shares:

   4.1 class and par value of Shares to be issued;

   4.2 method and time of issuance;

   4.3 target subscribers and subscription method;

   4.4 Pricing Benchmark Date, issue price and pricing;

   4.5 number of Shares to be issued;

   4.6 lock-up period arrangement;

   4.7 place of listing of the new A Shares to be issued;

   4.8 arrangement of accumulated undistributed profits;

* *For identification purpose only*

4.9 validity of the resolutions in respect of the Non-public Issuance of A Shares; and

4.10 use of proceeds.

5. To consider and approve the resolution on the Plan for the Non-public Issuance of A Shares.

6. To consider and approve the resolution on the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares.

7. To consider and approve the resolution on the report on the use of previously raised proceeds of the Company as of 31 December 2020.

8. To consider and approve the resolution on the remedial measures for the dilution of immediate returns upon the Non-public Issuance of A Shares and undertakings by the relevant persons.

9. To consider and approve the resolution on the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021–2023).

10. To consider and approve the resolution on the authorisation to the Board and its authorised person(s) to deal with matters relevant to the Non-public Issuance of A Shares.

By order of the Board
Shanghai Electric Group Company Limited
Zheng Jianhua
Chairman of the Board

Shanghai, the PRC, 26 March 2021

As at the date of this notice, 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.

Notes:

1. Please refer to the circular of the Company in relation to the EGM to be published on 26 March 2021 for details of the above resolutions.

2. A supplemental form of proxy is enclosed with this supplemental notice of the EGM.

3. Please refer to the notice dated 5 March 2021 for details of the other resolution to be considered at the EGM, closure of register of members and eligibility for attending the EGM and other relevant matters.

4. Shareholders who intend to appoint a proxy shall complete and return the enclosed supplemental form of proxy in accordance with the instructions printed thereon and return it no later than 24 hours before the time appointed to hold the EGM or any adjourned meeting.

5. Resolutions numbered 3 to 10 as set out in this EGM notice are conditional upon the passing of the resolution numbered 2 in this EGM notice by way of special resolution.