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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

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

(Stock Code: 02727)

CONNECTED TRANSACTION

DISPOSAL OF 80.59% EQUITY INTEREST IN SEIET

INTRODUCTION

The Board is pleased to announce that, on 17 August 2021, the Board considered and approved the Relevant Resolution, pursuant to which, the Company was granted approval to transfer the 80.59% equity interest it held in SEIET to SEC, at a consideration of RMB1,957,467,106.08, which is subject to the final equity valuation result filed with state-owned assets authorities.

LISTING RULES IMPLICATION

As at the date of this announcement, SEC is the controlling shareholder of the Company, holding approximately 54.55% equity interest in the total issued share capital of the Company. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

INTRODUCTION

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THE PROPOSED EQUITY TRANSFER AGREEMENT

Parties:

The Company (Vendor); and

SEC (Purchaser).

Consideration:

The total consideration for the Equity Transfer is RMB1,957,467,106.08.

Major content:

1. Equity Transfer

Both parties agreed that the Company shall transfer 80.59% equity interest in SEIET to SEC in accordance with the terms and conditions as agreed herein by way of non-public agreement.

2. Transfer consideration and payment

The transfer consideration for the equity interest to be transferred is RMB1,957,467,106.08. Both parties to the Equity Transfer confirmed that the aforesaid transfer consideration was determined through negotiation between both parties based on the appraisal value of the equity interest of SEIET as at 30 June 2021, the valuation benchmark date, which is fair and reasonable.

Both parties agreed that RMB978,733,553.04 (accounting for 50% of the transfer consideration) shall be paid by SEC on the date when this agreement comes into effect, and the remaining RMB978,733,553.04 shall be paid into the bank account designated by the Company within ten working days after the completion of the industrial and commercial registration changes.

Profit and loss of SEIET arising from during the period from the valuation benchmark date to the completion date of the transaction shall be borne by SEC.

3. Conditions precedent for transfer agreement to take effect

The agreement will take effect only when all the following conditions precedent have been satisfied:

- 1) the agreement having been signed by the legal representatives or authorized representatives of both parties or affixed with the common seal by both parties;
- 2) the parties having completed all internal decision-making procedures for approval of this transaction in accordance with the relevant laws and regulations, their respective articles of association and other internal documents;
- 3) this transaction having received necessary approval for the transfer under agreement.

BASIC INFORMATION OF THE TARGET COMPANY

SEIET was established in 1995, and its registered capital as at the date of this announcement is RMB434,300,800. The shareholders and shareholding structure of SEIET immediately prior to the Equity Transfer are as follows:

Name of shareholder	Amount of capital contribution (RMB 0'000)	Proportion of capital contribution
Shanghai Electric Group Company Limited	35,000.00	80.59%
ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司)	4,215.04	9.705%
BOCOM Financial Asset Investment Company Limited (交銀金融資產投資有限公司)	4,215.04	9.705%
Total	43,430.08	100.00%

ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) and BOCOM Financial Asset Investment Co., Ltd., both being shareholders of SEIET, have agreed to waive the pre-emptive rights for the equity interests in SEIET to be transferred.

After the completion of the Equity Transfer, SEIET will cease to be a subsidiary of the Company. As at the date of this announcement, the Company has held 80.59% equity interest in SEIET for more than 12 months.

FINANCIAL INFORMATION AND VALUATION OF THE TARGET COMPANY AND THE PRICING OF THE EQUITY TRANSFER

As audited by Baker Tilly International Certified Public Accountants (Special General Partnership), the financial indicators of SEIET for the most recent one year and a period are as follows:

Unit: RMB 0'000

Particulars	As at 30 June 2021 (audited)	As at 31 December 2020 (audited)
Total assets	633,507.24	663,536.71
Net assets	148,897.04	338,862.23
	For the six months end 30 June 2021 (audited)	For the year ended 31 December 2020 (audited)
Operating revenue	204,632.99	299,679.37
Net profit	-5,339.98	19,371.00
Net profit after deduction of non-recurring profit and loss (unaudited)	-6,802.64	16,457.91

Immediately before the Equity Transfer, SEIET's net profit before tax and net profit after tax for the two fiscal years ended 31 December 2020 of SEIET are as follows:

Unit: RMB 0'000

Particulars	For the year ended 31 December 2019 (audited)	For the year ended 31 December 2020 (audited)
Net profit before tax	14,441.14	19,620.32
Net profit after tax	14,924.57	19,371.00

As of 30 June 2021, SEIET has made external investment in a total of 5 enterprises, details of which are as follows:

No.	Name of invested enterprise	Shareholding of SEIET	Invested or controlled by SEIET
1	Shanghai SMEC Enterprise Co., Ltd.(上海斯邁克實業有限公司)	85%	Controlled
2	Shanghai-Fanuc Robotics Co., Ltd. (上海發那科機器人有限公司)	50%	Invested
3	Shanghai-Fanuc International Trading Co., Ltd. (上海發那科國際貿易有限公司)	25%	Invested
4	Shanghai CNTC Tendering Co., Ltd. (上海中招招標有限公司)	50%	Invested
5	Shanghai Electric Japan Co., Ltd. (上海電氣日本有限公司)	50%	Invested

The Company commissioned Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) to conduct an asset valuation for the disposal of 80.59% equity interest in SEIET. The asset-based method was adopted for the valuation and the valuation benchmark date was 30 June 2021. The appraisal value of 100% equity interest in SEIET was RMB2,428,920,600 approximately. Accordingly, the consideration for the 80.59% equity interest in SEIET is RMB1,957,467,106.08, and the price of the Equity Transfer is subject to the final equity valuation result filed with state-owned assets authorities.

Summary of the Valuation Results

Valuation benchmark date: 30 June 2021

Unit: RMB 0'000

Particulars	Book value	Appraisal value	Appreciation in value	Value appreciation rate (%)
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Current assets	373,320.25	373,327.86	7.61	0.002%
Cash and bank balance	49,967.36	49,967.36	0.00	0.00%
Trade receivables	31,240.03	31,240.03	0.00	0.00%
Prepayments	283,891.61	283,891.61	0.00	0.00%
Inventories	2,084.50	2,092.11	7.61	0.37%
Non-current assets	247,373.95	341,660.47	94,286.52	38.11%
Long-term receivables	61,465.20	61,465.20	0.00	0.00%
Long-term equity investments	174,475.42	268,621.85	94,146.42	53.96%
Total assets:	620,694.20	714,988.33	94,294.13	15.19%
Current liabilities:	468,363.63	468,363.63	0.00	0.00%
Notes payable	207,919.07	207,919.07	0.00	0.00%
Other payables	203,852.86	203,852.86	0.00	0.00%
Non-current liabilities:	3,732.64	3,732.64	0.00	0.00%
Total liabilities:	472,096.27	472,096.27	0.00	0.00%
Equity interest:	148,597.93	242,892.06	94,294.13	63.46%

USE OF PROCEEDS FROM THE EQUITY TRANSFER AND FINANCIAL IMPACT OF THE EQUITY TRANSFER

The proceeds from the Equity Transfer will be used to replenish the Company's working capital and provide support for its sustainable development.

Immediately upon completion of the Equity Transfer, the Company will no longer hold any equity interest in SEIET. SEC will obtain 80.59% equity interest in SEIET, and enjoy and assume the corresponding rights and obligations as the shareholder.

The Equity Transfer is expected to result in a gain of RMB568,000,000 (unaudited) for the Company, equivalent to 15.11% of the net profit attributable to shareholders of the Company for 2020.

REASONS FOR AND BENEFITS FROM THE EQUITY TRANSFER

By virtue of the Equity Transfer, the Company will further accelerate the adjustment of its industrial structure by focusing on its main business and building on its three major segments, i.e. the energy equipment segment, the industrial equipment segment and the integrated services segment thus enhancing its core competitiveness in the industry. The Equity Transfer will help supplement the working capital necessary for the Company's daily operation, provide

support for technology research and development for its main business investment and ensure sustainable development of its core business.

OPINION FROM THE BOARD

8 Directors were eligible for attending and 7 Directors attended the Board meeting held for consideration of the resolution in relation to the Equity Transfer. Mr. Gan Pin, a Director, holds directorship or act as senior management in SEC Group and its associates and thus has material interests in the Equity Transfer. He has therefore abstained from voting on the Relevant Resolution. Save as disclosed above, none of the Directors who have attended the Board meeting has material interests in the Equity Transfer.

The Directors (including the independent non-executive Directors) consider that the Equity Transfer was determined by both parties after arm's length negotiations and the Equity Transfer thereunder is on normal commercial terms in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and all its shareholders.

LISTING RULES IMPLICATION

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GENERAL INFORMATION

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

SEC is an enterprise wholly owned by Shanghai State-owned Assets Supervision and Administration Commission and is one of the largest comprehensive equipment manufacturing conglomerates in the PRC. The main business of SEC is the management and investment of state-owned assets.

The business scope of SEIET includes import and export of cargoes; import and export of technologies; importation and exportation agency; various engineering and construction activities; road cargo transport (excluding dangerous cargoes); international liner transport; food operations; dangerous chemicals operations (for projects subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities, with specific operating projects subject to the approval or permits from the relevant authorities). Its general projects include: industrial investment, business registration agency, foreign contracted projects, property management; international freight forwarding; domestic freight forwarding; international shipping assistance; sales of edible agricultural products, chemical products (excluding licensed chemicals), lubricating oil, non-ferrous metals, metal materials and products, Class II medical devices, automobiles, automobile components and spare parts, computer software and hardware and auxiliary equipment, mechanical equipment, instruments and apparatus, communication equipment, electronic products and equipment, hardware and electrical appliance, metal materials, construction materials, coal and coal products, oil products (excluding dangerous chemicals); technology development, consulting, services and transfer in the field of oil and energy; counter trade, entrepot trade; trading broker (except for projects subject to approval in accordance with the laws, it can independently carry out various operating activities according to laws with its business license).

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Shanghai Electric Group Company Limited, a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on The Stock Exchange of Hong Kong Limited under stock code 02727 and the A Shares of which are listed on the Shanghai Stock Exchange under stock code 601727;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s) ”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Equity Transfer”	the proposed transfer of the 80.59% equity interest in SEIET by the Company to SEC at a consideration of RMB1,957,467,106.08;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

“Relevant Resolution”	the Resolution on Transfer of 80.59% Equity Interest in Shanghai Electric International Economic and Trade Co., Ltd. by the Company to Shanghai Electric (Group) Corporation, which was submitted to the Board meeting for consideration on 17 August 2021;
“RMB”	Renminbi, the lawful currency of the PRC ;
“SEC”	Shanghai Electric (Group) Corporation (上海電氣 (集團)總公司), the controlling shareholder (as defined in the Listing Rules) of the Company holding 54.55% equity interest in the total issued share capital of the Company as at the date of this announcement;
“SEC Group”	SEC, its subsidiaries and its associates, but excluding the Group;
“SEIET”	Shanghai Electric International Economic and Trade Co., Ltd. (上海電氣國際經濟貿易有限公司), a company incorporated in PRC with limited liability on 30 August 1995, which is a subsidiary of the Company before the Equity Transfer;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“%”	Percentage.

By order of the Board

Shanghai Electric Group Company Limited

Li Chung Kwong Andrew

Company Secretary

Shanghai, the PRC, 17 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. ZHENG Jianhua and Mr. ZHU Zhaokai; the non-executive directors of the Company are Mr. GAN Pin, 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*