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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 15.24% SHARES IN THVOW TECHNOLOGY**

##### **INTRODUCTION**

In the past two years, due to the impact of the COVID-19 pandemic, rising procurement and construction costs and other factors, Thvow Technology was facing difficulties in operation. In order to improve the sustainable operation capability and profitability of Thvow Technology, the Company originally intended to improve the asset quality of Thvow Technology by injecting 100% equity interest in Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) into Thvow Technology. However, due to the recent changes in the external market environment, it is highly uncertain to continue to promote the above transaction. After prudent research and analysis and negotiation between the parties to the Transaction, the Company proposed to terminate the asset reorganisation. As the indirect controlling shareholder of Thvow Technology, and to further support the development of Thvow Technology by relying on the resources of SEGC, SEGC plans to acquire the Company's shares in Thvow Technology after due negotiation between the parties.

The Board is pleased to announce that, on 20 June 2022, the Board agreed to terminate the issuance of shares by Suzhou Thvow Technology Co., Ltd. to purchase 100% equity of Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) and to raise supporting funds and approved the Company to transfer 132,458,814 shares it held in Thvow Technology to SEGC by way of non-public agreement transfer, at a consideration of RMB4.26 per share, totaling RMB564,274,547.64. On 20 June 2022, the Company and SEGC entered into the Share Transfer Agreement with conditions precedent regarding the Transaction. The Transaction is subject to the fulfillment of the relevant procedures of state-owned assets supervision and administration and the consideration and approval at the EGM of the Company.

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

As at the date of this announcement, SEGC, the subscriber of the share transfer in the Transaction, is the controlling shareholder of the Company, holding approximately 54.82% equity interest in the total issued share capital of the Company. Therefore, SEGC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) for such connected transactions is more than 5%, and therefore such connected transaction is subject to the reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **GENERAL**

An independent board committee comprising all independent non-executive Directors will be formed by the Company to advise the independent shareholders on the transactions contemplated under the Share Transfer Agreement.

The EGM will be convened and held for the shareholders to consider and, if thought fit, approve the transactions contemplated under the Share Transfer Agreement. In accordance with Rule 14A.36 of the Listing Rules, SEGC and its relevant associates will abstain from voting at the EGM.

A circular containing, among other things, a circular regarding (i) details of the Transaction; (ii) a letter of recommendation from the independent board committee to the independent shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee and the independent shareholders in relation to the Transaction; and (iv) the convening of the EGM, is being prepared and is expected to be dispatched to the shareholders before 15 days of the convening of the EGM.

### **TRANSACTION BACKGROUND AND OVERVIEW**

#### **(I) Basic Information on the Transaction**

The Board is pleased to announce that, on 20 June 2022, the Board of the Company considered and approved the resolution in relation to the termination of the issuance of shares by Suzhou Thvow Technology Co., Ltd. to purchase 100% equity of Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) and to raise supporting funds and the resolution in relation to the connected transaction regarding Shanghai Electric Group Company Limited transferring 15.24% shares of Suzhou Thvow Technology Co., Ltd. to Shanghai Electric Holding Group Co., Ltd., approving the Company to transfer 132,458,814 shares it held in Thvow Technology to SEGC by way of non-public agreement transfer, at a consideration of RMB4.26 per share, totaling RMB564,274,547.64. On 20 June 2022, the Company and SEGC entered into the Share Transfer Agreement with conditions precedent regarding the Transaction.

The Transaction is subject to the fulfillment of the relevant procedures of state-owned assets supervision and administration and the consideration and approval at the EGM of the Company, and there are certain uncertainties in the subsequent implementation of the Transaction.

### **SHARE TRANSFER AGREEMENT**

On 20 June 2022, the Company and SEGC entered into the Share Transfer Agreement with conditions precedent. The main contents of the Share Transfer Agreement are as follows:

#### **(I) Transfer of Shares**

The Company agreed to transfer the target shares held by it and all equity of shareholders derived therefrom to SEGC in accordance with the terms and conditions of the Share Transfer Agreement, and SEGC agreed to acquire the target shares in accordance with the terms and conditions of the Share Transfer Agreement.

## (II) Payment of Transfer Price and Transfer of Shares

1. Both parties agree that the transfer price per share of the target shares shall be determined at the higher of:
  - (1) 90% of the closing price of the shares of the target company on the trading day immediately preceding the date of entering into the Share Transfer Agreement;
  - (2) the arithmetic average of the daily weighted average price of the target company for the 30 trading days prior to the indicative announcement date of the Transaction;
  - (3) The audited net asset value per share of the target company for the latest accounting year.
2. Based on the above pricing principle, both parties agreed that the price of the shares to be transferred shall be RMB4.26 per share, and the total transfer price shall be RMB564,274,547.64.
3. Both parties agree that SEGC shall pay 30% of the transfer price as deposit to the Company within five working days from the date of entering into the Share Transfer Agreement, and the remaining transfer price shall be paid to the bank account designated by the Company within 10 working days after the Share Transfer Agreement becomes effective. If the Share Transfer Agreement does not become effective due to the non-fulfilment of any of the conditions precedent set out in article 3 of the Share Transfer Agreement, the Company shall return the deposit to SEGC within five working days from the date on which the conditions precedent are confirmed to be not fulfilled.
4. Both parties agree that both parties shall actively cooperate to complete the registration procedures for the transfer of the shares to be transferred after the transfer price of the target shares has been fully paid.

## (III) Conditions Precedent to the Share Transfer Agreement Becoming Effective

The Share Transfer Agreement shall become effective upon the satisfaction of all of the following conditions precedent:

1. The Share Transfer Agreement has been signed and sealed by the Company and SEGC and its legal representatives or authorised representatives;
2. Both parties and the target company have completed their internal decision-making procedures to approve the Transaction in accordance with the relevant laws and regulations, their respective articles of association and other internal organisational documents;
3. The Transaction has fulfilled the relevant procedures of state-owned assets supervision and administration.

## (IV) Special Provisions

In respect of a series of guarantee measures provided by the Company for the target company, both parties agreed that the Company will continue to perform the original guarantee contract within the validity period provided that the counter-guarantee is obtained. Upon expiry of the validity period of each guarantee, the Company will not continue to provide guarantee for the target company, and SEGC, as the state-owned shareholder of the target company, will provide relevant support to the target company in accordance with the laws and regulations and after performing relevant procedures.

## (V) Tax Sharing

1. The taxes and fees charged by the competent government authorities involved in the Transaction shall be borne by both parties in accordance with the laws and regulations of the PRC and the existing specific requirements of the relevant authorities. Where there are no or unclear provisions in the laws, regulations and relevant authorities, they shall be resolved by the parties through negotiation.
2. The share transfer registration fees incurred during the transaction of the target shares under the

contract shall be paid by both parties in accordance with relevant regulations.

(VI) Effectiveness of the Agreement

The Share Transfer Agreement shall be established from the date of signing by both parties and shall become effective from the date of satisfaction of all conditions precedent under the Share Transfer Agreement.

**BASIC INFORMATION OF SEGC**

Name of company	Shanghai Electric Holding Group Co., Ltd.
Date of establishment	14 January 1985
Registered address	No. 110 Sichuan Middle Road, Huangpu District, Shanghai
Principal office address	No. 110 Sichuan Middle Road, Huangpu District, Shanghai
Legal representative	Leng Weiqing
Registered capital	RMB9,930,366,000
Unified social credit code	913100001322128733
Type of enterprise	Limited liability company (wholly state-owned)
Controlling shareholder	100% owned by Shanghai State-owned Assets Supervision and Administration Commission
Main business scope	Licensed items: production of Class II medical devices; production of Class III medical devices; operation of Class III medical devices; import and export of goods; import and export of technologies. (For projects subject to approval in accordance with the law, business activities can only be carried out after approval by the relevant authorities, and the specific business projects shall be subject to the approval documents or licences of the relevant authorities) General projects: general contracting of power engineering projects, general contracting of complete sets of equipment or sub-contracting, outsourcing labour services, industrial investment, manufacturing and sales of mechanical and electrical products and equipment in related industries, providing relevant technical consultation and training for domestic and export projects, operation and management of state-owned assets within the scope authorised by the Municipal SASAC, domestic trade (except for special regulations), design, production and agency distribution of various advertisements; production of Class I medical devices; sales of Class I medical devices; sales of Class II medical devices; medical equipment leasing; Engineering and technology research and experimental

	development; Software development; research and development of machinery and equipment. (Except for projects subject to approval in accordance with the law, business activities shall be carried out independently according to the law with business license)
Term of operation	1998-05-28 to non-fixed term

The key financial data of SEGC for the latest year and period are as follows:

Unit: RMB 0' 000

Item	31 March 2022	31 December 2021 (Audited)
Total assets	38,125,256.29	38,155,572.11
Total liabilities	27,309,843.16	27,618,321.73
Owners' equity	10,815,413.13	10,537,250.38
Item	January to March 2022	2021 (Audited)
Total operating revenue	3,403,833.11	16,349,525.62
Net profit	37,536.83	-1,330,388.48

The above financial information of SEGC for the year of 2021 has been audited by Baker Tilly China Certified Public Accountants.

## BASIC INFORMATION OF THVOW TECHNOLOGY

The transaction target is 15.24% shares in Thvow Technology by way of agreement transfer, which belongs to the category of connected transactions in which the Company sells assets.

Prior to the Transaction, the Company held 132,458,814 shares of Thvow Technology, representing 15.24% of the total share capital of Thvow Technology. The Company held the voting rights of 131,290,074 shares of Thvow Technology through voting right proxy, representing 15.10% of the total share capital of Thvow Technology. The total number of voting shares accounted for 30.34% of the total share capital of Thvow Technology, and the Company was the controlling shareholder of Thvow Technology.

After the transaction, the Company will no longer be the controlling shareholder of Thvow Technology and would only hold the voting rights of 131,290,074 shares of Thvow Technology by voting rights proxy.

Name of Company	Suzhou Thvow Technology Co., Ltd.
Date of establishment	31 March 2001

Registered address	No. 1 Linjiang Road, Changshan Village, Jingang Town, Zhangjiagang City, Jiangsu Province
Principal business address	B103-104, No. 1737 Zhongshan North Road, Putuo District, Shanghai
Legal representative	Yu Zhengqing
Registered capital	RMB869,375,282
Unified social credit code	91320500703676365K
Type of enterprise	Joint stock limited company (listed)
Main business scope	Design and manufacturing: class A1 high pressure vessels, class A2 type III low and medium pressure vessels; manufacturing of class A boiler components (steam drum only). General business items: manufacture and maintenance of petroleum, chemical, medical, textile, chemical fibre and food machinery; purchase and sale of machinery accessories; installation and sale of tank trucks; design and manufacture of marine engineering equipment; self-operation and agency of import and export of various commodities and technologies. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant authorities) Permitted projects: construction project survey; various engineering construction activities; construction engineering design; installation, repair and testing of power facilities (for projects subject to approval in accordance with the law, operation activities can only be carried out after approval by relevant authorities, and specific operation projects are subject to the approval results) General projects: engineering management services; overseas contracting projects; power generation technology services; Technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; biomass energy technology services; sales of power facilities and equipment; leasing of machinery and equipment (Except for projects subject to approval in accordance with the law, operating activities independently with business licences)
Term of operation	31 March 2001 to 30 March 2051

On 20 April 2022, as considered and approved at the 43rd meeting of the fourth session of the board of directors of Thvow Technology, Thvow Technology intended to cancel the remaining portion of the shares repurchased in 2019 which had not been cancelled so far, the number of shares to be cancelled was 10,470,805 shares. Upon completion of the cancellation of the repurchased shares, the total share capital of Thvow Technology will decrease from 869,375,282 shares to 858,904,477 shares. As at the date of this announcement, Thvow Technology was in the process of fulfilling the creditors' notification procedures for the share cancellation.

The ownership of the 15.24% shares of Thvow Technology to be transferred this time is clear. There is no mortgage, pledge and any other restrictions on the transfer, no litigation, arbitration matters, or judicial measures such as seizure and freezing are involved, and there are no other obstacles to the transfer of ownership.

The key financial data of Thvow Technology for the latest year and period is as follows:

Unit: RMB 0' 000

Item	31 March 2022	31 December 2021 (Audited)
Total assets	2,783,706.79	2,847,235.54
Total liabilities	2,559,464.01	2,623,509.49
Owners' equity	224,242.77	223,726.06
Item	January to March 2022	2021 (Audited)
Total operating revenue	138,076.50	680,679.12
Net profit after taxation	495.02	-82,324.35

The net profit before and after taxation of Thvow Technology for the two financial years ended 31 December 2021 is prepared in accordance with the Accounting Standards for Business Enterprises of the PRC is as follows:

Unit: RMB 0' 000

Item	2021 (Audited)	2020 (Audited)
Net profit before taxation	-85,798.26	-167,484.01
Net profit after taxation	-82,324.35	-140,192.05

The above financial information of Thvow Technology for the years of 2020 and 2021 has been audited by Zhonghua Certified Public Accountants LLP.

## TRANSACTION PRICE

Given that Thvow Technology is a company listed on the main board of the SZSE, according to the relevant business rules of the SZSE, the agreed transfer of shares of a company listed on the main board of the SZSE shall be based on the closing price of the transferred shares in the secondary market on the trading day preceding the date of entering into the agreement. The lower end of the transfer price range shall be subject to the provisions of block trading. The agreed transfer price of shares of a company listed on the main board of the SZSE shall not be lower than 90% of the closing price of the shares of the company on the trading day preceding the date of entering into the agreement (where ST and \*ST are subject to special treatment, the transfer price shall not be lower than 95% of the closing price of the shares of the company on the trading day preceding the date of entering into the agreement), unless otherwise provided by laws, administrative regulations, departmental rules, regulatory documents and business rules of the SZSE.

According to the relevant provisions of the Measures for the Supervision and Administration of State-owned Equities of Listed Companies, the price for non-public agreement transfer of shares

of listed companies by state-owned shareholders shall not be lower than the higher of the following: the arithmetic average of the daily weighted average price for the 30 trading days prior to the indicative announcement date or the audited net asset value per share of listed companies for the latest accounting year.

According to the above provisions, after negotiation between the parties to the Transaction, the transfer price per share of the target shares shall be determined at the higher of:

- (1) 90% of the closing price of the shares of the target company on the trading day immediately preceding the date of entering into the Share Transfer Agreement;
- (2) the arithmetic average of the daily weighted average price of the target company for the 30 trading days prior to the indicative announcement date of the Transaction;
- (3) the audited net asset value per share of the target company for the latest accounting year.

According to the above provisions, the transfer price of the target shares is RMB4.26 per share, and the total transfer price of shares is RMB564,274,547.64.

## **GUARANTEE ARRANGEMENT**

As at the date of this announcement, the aggregate amount of guarantee contracts provided by the Company to Thvow Technology and its controlled subsidiaries which were in the term of the guarantees was RMB4,614 million, (among which the amount due within 1 year is RMB 3,494 million, the amount due between 1-2 years is RMB 1,020 million, and the amount due over 2 years is RMB 100 million), for the purposes of their loans from connected (related) parties and various types of financing applications from various financial institutions. In order to ensure the fairness and equality of the guarantee, Thvow Technology and its designated third parties will provide the Company with counter-guarantee including but not limited to equity interests in subsidiaries, credit guarantees, assets pledge, etc. as the counter-guarantee. As the controlling shareholder, SEGC will endeavour to protect the Company from the above-mentioned guarantee risks. After the completion of the Transaction and subject to obtaining the counter-guarantee, the Company will continue to perform the existing guarantee contracts within the validity period. Upon the expiry of the validity period of each guarantee, the Company will no longer provide guarantee for Thvow Technology and its controlled subsidiaries.

## **LOAN EXTENSION AGREEMENT**

On 28 January 2022, the Company and Thvow Technology entered into the Loan Extension Agreement of RMB1.3 billion and the Loan Extension Agreement of RMB0.7 billion, respectively, pursuant to which the Company agreed to extend the above loans totaling RMB2 billion to Thvow Technology for 12 months by 21 February 2023 and 28 February 2023, respectively, and the loan interest rate during the extension period is 3.85% per annum. Before the completion of the Transaction, the Company will negotiate with Thvow Technology, and terminate the above Loan Extension Agreement in an appropriate manner subject to compliance with relevant laws and regulations. Thvow Technology will repay the loan principal together with relevant interests to the Company.

## **REASONS FOR AND BENEFITS FROM THE TRANSACTION**

In the past two years, due to the impact of the COVID-19 pandemic, rising procurement and construction costs and other factors, Thvow Technology was facing difficulties in operation. In order to improve the sustainable operation capability and profitability of Thvow Technology, the Company originally intended to improve the asset quality of Thvow Technology by injecting 100% equity interest in Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) into Thvow Technology. However, due to the recent changes in the external market environment, it is highly uncertain to continue to promote the above transaction. After prudent research and analysis and negotiation between the parties



to the Transaction, the Company proposed to terminate the asset reorganisation. As the indirect controlling shareholder of Thvow Technology, and to further support the development of Thvow Technology by relying on the resources of SEGC, SEGC plans to acquire the Company's shares in Thvow Technology after due negotiation between the parties .

The share transfer is expected to generate a net gain of approximately RMB139 million for the Company (which is estimated by the management and the final amount is subject to the audited figures). The proceeds from the Transaction can be used to replenish the daily working capital of the Company supporting the healthy development of the main business.

## **IMPACTS OF THE TRANSACTION**

Upon completion of the Transaction, Thvow Technology will become a subsidiary of SEGC and become a connected person of the Company. The Transaction will result in the subsequent daily operational transactions between the Company and its controlled subsidiaries and Thvow Technology and its controlled subsidiaries in the areas of procurement, sales and financial services becoming connected transactions between the Company and SEGC. The Company will determine the prices of the connected transactions in accordance with the principles of openness, impartiality, fairness and justice, and strictly perform the decision-making procedures and information disclosure obligations of the connected transactions in accordance with the provisions of relevant laws and regulations to ensure the fairness of the connected transactions.

Before the Transaction, the Company issued relevant undertakings to avoid horizontal competition in August 2018 and December 2019, respectively, as the controlling shareholder of Thvow Technology making arrangements on avoiding horizontal competition regarding the field of new energy power engineering general contracting by relying on the differentiated competitive advantages of both parties. Upon completion of the Transaction, the Company will continue to fulfil the relevant undertakings, and will finally resolve the issue of horizontal competition with Thvow Technology through negotiation with SEGC.

## **OPINION FROM THE BOARD**

On 20 June 2022, resolution in relation to the termination of the issuance of shares by Suzhou Thvow Technology Co., Ltd. to purchase 100% equity of Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) and to raise supporting funds and the resolution in relation to the connected transaction regarding Shanghai Electric Group Company Limited transferring 15.24% shares of Suzhou Thvow Technology Co., Ltd. to Shanghai Electric Holding Group Co., Ltd. were considered and approved at the 70th meeting of the fifth session of the Board of the Company. The resolutions have been approved by the independent Directors of the Company in advance and was approved to be submitted to the Board of the Company for consideration. The connected Directors of the Company, namely Ms. Leng Weiqing, Mr. Gan Pin, Mr. Liu Ping and Mr. Zhu Zhaokai, abstained from voting. All other Directors present at the Meeting approved these resolutions. Voting results: 5 votes in favour, 0 vote against and 0 abstaining vote.

The independent Directors of the Company are of the view that we have reviewed the resolutions and are not aware of any violation of regulations or damage to the interests of the shareholders of the Company. The pricing of the share transfer is determined after negotiation between the parties to the Transaction in accordance with the Measures for the Supervision and Administration of State-owned Equities of Listed Companies and the relevant business rules of the SZSE, and is fair and reasonable and in the interests of the Company and its shareholders as a whole. At the same time, the Company will continue to perform the existing guarantee contracts provided to Thvow Technology and its controlled subsidiaries which are in the validity period subject to obtaining the counter-guarantee, which is in line with the practical needs and not prejudicial to the interests of the shareholders of the Company. When considering the resolutions, the connected Directors, namely Ms. Leng Weiqing, Mr.

Gan Pin, Mr. Liu Ping and Mr. Zhu Zhaokai, abstained from voting. Other Directors attending the Meeting voted for the resolutions. The procedures of consideration and voting at the meeting comply with the laws, administrative regulations, rules of the stock exchanges where the shares of the Company are listed and relevant provisions of the articles of association of the Company.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, SEGC, the transferee of the share transfer in the Transaction, is the controlling shareholder of the Company, holding approximately 54.82% equity interest in the total issued share capital of the Company. Therefore, SEGC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) for such connected transactions is more than 5%, and therefore such connected transactions are subject to the reporting, announcement, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION**

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

As at the date of this announcement, Thvow Technology is a controlled subsidiary of the Company and the principal business consists of three segments, namely energy engineering services, manufacturing of high-end equipment and military-civilian integration. The ultimate beneficial owner of Thvow Technology is Shanghai State-owned Assets Supervision and Administration Commission.

As at the date of this announcement, SEGC is the controlling shareholder of the Company holding approximately 54.82% of equity interest in the total issued share capital of the Company. The principal business of SEGC is the management of state-owned assets and investment activities. SEGC 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 China.

## 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;
“CSRC”	China Securities Regulatory Commission;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to consider and approve the connected transaction regarding Shanghai Electric Group Company Limited transferring 15.24% shares of Suzhou Thvow Technology Co., Ltd. to Shanghai Electric Holding Group Co., Ltd.;
“Group”	the Company and its subsidiaries from time to time;
“Guarantee Arrangement”	After the completion of the Transaction and subject to obtaining the counter-guarantee, the Company will continue to fulfill the total amount of RMB 4,614 million during the validity period (among which the amount due within 1 year is RMB 3,494 million, the amount due between 1-2 years is RMB 1,020 million, and the amount due over 2 years is RMB 100 million), which will be used for Thvow Technology and its controlling subsidiaries to borrow from connected (related) parties, and to apply for various financing from various financial institutions. The company will no longer provide guarantees for Thvow Technology and its controlled subsidiaries after the expiration of the validity period of each guarantee;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Lixin”	Shanghai Lixin Industrial Co., Ltd., a limited liability company established in the PRC and a consolidated 100% owned subsidiary of SEGC as at the date of this announcement;
“Share transfer Agreement”	the execution of the Share Transfer Agreement with precedent conditions between the Company and SEGC on 20 June 2022 in relation to the Transaction;
“SEGC”	Shanghai Electric Holding Group Co., Ltd. (former name “Shanghai Electric (Group) Corporation”) completed the industrial and commercial change registration on 28 January 2022. The controlling shareholder (as defined in the Listing Rules) of the Company holds 54.82% of the total issued share capital of the Company as at the date of this announcement. On 15 November 2021, SEGC entered into the Agreement on the Gratuitous Transfer of 5% shares of Shanghai Electric Group Company Limited from Shanghai Electric (Group) Corporation to Shanghai State-owned Capital Investment Co., Ltd. with Shanghai State-owned Capital Investment Co., Ltd., to gratuitously transfer 785,298,555 A shares (representing 5% of the Company's total share capital of 15,705,971,092 shares) to Shanghai State-owned Capital Investment Co., Ltd. At present, the share transfer registration is still in process;
“SZSE”	the Shenzhen Stock Exchange;

“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“Transaction”	The Company transferred 132,458,814 shares it held in Thvow Technology to SEGC at a consideration of RMB4.26 per share, totaling RMB564,274,547.64 by way of non-public agreement transfer;
“Thvow Technology”	Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司), a joint stock limited company established in the PRC on 31 March 2001, the A Shares of which are listed on the SZSE under stock code 002564 and a subsidiary of the Company, as of the date of this announcement; and
“%”	Percentage.

By order of the Board

**Shanghai Electric Group  
Company Limited**

*Chairlady of the Board*

**Leng Weiqing**

Shanghai, the PRC, 20 June 2022

*As at the date of this announcement, the executive directors of the Company are Ms. LENG Weiqing, Mr. LIU Ping 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*