

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS

AND

MAJOR TRANSACTIONS

Continuing Connected Transactions and Major Transactions of Financial Services

On 19 October 2022, SE Finance, a subsidiary of the Company, entered into the Financial Services Framework Agreement with SEGC to provide SEGC Group with deposit services, loan and bill discounting services and intermediary services.

SEGC is a controlling shareholder holding approximately 49.78% equity interest in the total issued share capital of the Company as at the date of this announcement. Therefore, SEGC is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Given the respective highest applicable percentage ratios for proposed caps for the daily maximum balance of deposit services, loan and bill discounting services under Financial Services Framework Agreement are more than 5% as set out under Chapter 14A of the Listing Rules, these continuing connected transactions are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The respective highest applicable percentage ratio for the transactions of deposit services, loan and bill discounting services under the Financial Services Framework Agreement is more than 25% but less than 75%, and therefore, such transactions fall under the major transactions as defined in Chapter 14 of the Listing Rules, which are subject to reporting, announcement, circular and Shareholders' approval requirements. The respective highest applicable percentage ratio for intermediary business services under the Financial Services Framework Agreement is less than 0.1%, and therefore, such transactions are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions of Purchase, Sales, the Provision and Acceptance of Comprehensive Services

On 19 October 2022, the Company entered into the Purchase Framework Agreement with SEGC in relation to the purchase of certain component parts, such as automatic instruments, other mechanical equipment and raw materials, from SEGC Group by the Group; the Company entered into the Sales Framework Agreement with SEGC in relation to the provision of electrical engineering, mechanical products and other related services to SEGC Group by the Group; the Company entered into the Provision of Comprehensive Services Framework Agreement with SEGC in relation to the provision of informationization, professional consultation, entrusted management, house leasing and other services to SEGC Group by the Company; the Company entered into the Acceptance of Comprehensive Services Framework Agreement with SEGC in relation to the acceptance of provision of property management, house leasing, training services and other service by SEGC Group.

SEGC is a connected person of the Company as defined under Chapter 14A of the Listing Rules. As the respective highest applicable percentage ratios of these transactions under the Purchase Framework Agreement, the Sales Framework Agreement, the Provision of Comprehensive Services Framework Agreement and Acceptance of Comprehensive Services Framework Agreement are expected to be more than 0.1 % but less than 5% as set out under Chapter 14A of the Listing Rules, these continuing connected transactions are subject to reporting, announcement and annual review requirements as set out in Chapter 14A of the Listing Rules but exempted from Independent Shareholders' approval requirements.

General

The Independent Board Committee, comprising all of the independent non-executive Directors, will be established by the Company to advise the Independent Shareholders in respect of, among others, the continuing connected transactions contemplated under the Financial Services Framework Agreement regarding the provision of deposit services and loan and bill discounting services by SE Finance to the SEGC Group. The Company will appoint an independent financial adviser to advise the Independent Board Committee and Independent Shareholders on, among other things, the continuing connected transactions contemplated under the Financial Services Framework Agreement regarding the provision of deposit services and loan and bill discounting services by SE Finance to the SEGC Group.

The Continuing Connected Transactions under the Financial Services Framework Agreement and the Continuing Connected Transactions under the Purchase Framework Agreement, Sales Framework Agreement, Provision of Comprehensive Services Framework Agreement and the Acceptance of Comprehensive Services Framework Agreement are subject to the approval of the general meeting of the Company pursuant to the listing rules of the Shanghai Stock Exchange.

Circular

A circular containing a letter from the Board setting out the details of the Continuing Connected Transactions, a letter from the Independent Board Committee and a letter of advice from the independent financial adviser is expected to be published 15 days before the general meeting of the Company.

I. INTRODUCTION

The Group's core businesses are design, manufacture, and sales of a wide range of products and services in the new energy equipment, industrial equipment and integration services. Historically, the Group has always been transacting with SEGC Group for products, component parts and services which complement the products and services offered by the Company. In order to continue and ensure the operation and development of the Company in the future, the Group intends to continue various continuing connected transactions with SEGC Group.

II. CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS OF FINANCIAL SERVICES

References are made to the announcement of the Company dated 29 October 2019, the circular of the Company dated 6 December 2019 and the poll results announcement of the extraordinary general meeting of the Company dated 27 December 2019, in relation to, among other things, the entering into a deposit framework agreement and a loan framework agreement for the years 2020, 2021 and 2022 between the SE Finance and SEGC. These agreements were approved by the extraordinary general meeting on 27 December 2019 and have been executed continuously. As these agreements will expire on December 31, 2022, on 19 October 2022, SE Finance entered into an agreement with SEGC for the provision of deposit services, loan and bill discounting services and intermediary business services by SE Finance to the SEGC Group, namely the Financial Services Framework Agreement. Based on the forecasted transaction amounts of the financial services, these transactions under deposit services and loan and bill discounting services will comprise the continuing connected transactions subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for the years 2023, 2024 and

2025.

The Continuing Connected Transactions under the Financial Services Framework Agreement are subject to the approval of the general meeting of the Company pursuant to the listing rules of the Shanghai Stock Exchange.

Financial Services Framework Agreement Summary

Date of agreement	19 October 2022
Parties	<ul style="list-style-type: none">• SE Finance• SEGC
Subject Matter	<p>(1) deposit services</p> <p>SEGC and its associates shall open deposit account in the SE Finance and deposit funds in such account based on the principle of free access to the funds. The deposit can be in the form of current deposit, fixed term deposit, call deposit, agreement deposit or others.</p> <p>(2) loan and bill discounting services</p> <p>In compliance with the relevant PRC's laws and regulations, SE Finance provides SEGC and its associates with loan and bill discount business services according to the business and development needs of SEGC and its associates.</p> <p>(3) intermediary business services</p> <p>In compliance with the relevant PRC's laws and regulations, SE Finance provides SEGC and its associates with intermediary business services, including but not limited to agency business, foreign exchange business, bill acceptance business, online clearing business, consulting business, etc. in accordance with the business and development needs of SEGC and its associates</p>
Term	three years effective from 1 January 2023, renewable at the option of SE Finance for a term of three years by giving notice three months prior to the expiry of the term

According to Rule 14A.52 of the Listing Rules, the term for the agreement must not exceed three years. The Company will re-comply with Chapter 14A of the Listing Rules prior to the Company's exercise of the option to renew the agreements after the three years period for another three years.

The performance of the agreement in relation to these transactions is conditional upon the precedent to obtaining approval at the Company's general meeting and compliance with the Listing Rules and relevant regulations of the place where the Company's shares are listed.

In the event that the aggregate amount of connected transactions may exceed the maximum daily balance of financial business for the year approved by the Company in the general meeting, the parties agree that the Company shall comply with the relevant procedures to apply for a revision of the annual caps of the continuing connected transactions. Before completing the relevant procedures, the parties guarantee that the relevant transactions are limited to the financial business annual caps for that year.

Annual caps and basis of determination

The table below sets out the actual amount of historical maximum balance of deposits, loans and bill discounting and intermediary business services fee of SEGC Group with SE Finance for the years 2020, 2021 and nine months ended 30 September 2022, and the proposed annual cap, for the three years ending 31 December 2023, 2024 and 2025, under the Financial Services Framework Agreement:

	Actual amount of maximum daily balance as of 31 December		Actual amount of maximum daily balance for the nine months ended 30 September	Proposed caps of maximum daily balance for the year ending 31 December		
	2020	2021	2022	2023	2024	2025
	(RMB million)					
Maximum daily balance of deposits of SEGC Group	6,969	7,033	6,942	15,000	15,000	15,000
Maximum daily balance of loans and bill discounting of the SEGC Group	7,389	7,413	7,400	15,000	15,000	15,000

	Actual amount of fee revenue for the year ended 31 December		Actual amount of fee revenue for the nine months ended 30 September	Proposed caps for fee revenue for the year ending 31 December		
	2020	2021	2022	2023	2024	2025
	(RMB million)					
Intermediary business services fee	6	3	2	20	20	20

In arriving at the proposed annual caps, the following factors have been considered by the Directors:

Deposit Services

The proposed annual caps for deposit services were determined after considering the factors below:

Based on the business planning and funding situation of SE Finance, SE Finance will increase the deposit centralization scale of SEGC Group. By leveraging the treasury function within the Group, the working capital efficiency is improved and funds are allocated to interbank loans and deposits business which provides

higher yields, obtaining additional spread income. The proposed annual caps for deposit services are based on SEGC Group's plan to further increase its deposit concentration in SE Finance, taking into account the potential substantial capital inflow needs of SEGC Group over the next three years, as well as the circumstances of deposit inflows peak from SEGC Group.

Loan services

The proposed annual caps for loan services were determined by reference to the factors below:

Based on the business planning and funding situation of SE Finance, SE Finance will expand the loan and bill discounting service business to SEGC Group, effectively allocating the financial resources and increase the return on capital, which in turn increase the interest income. The proposed annual caps for the loan and bill discounting services are based on SE Finance's understanding of the credit demand of member companies of SEGC Group as well as SE Finance's own sound liquidity. SE Finance has formulated adequate and effective risk assessment and control measures to ensure that the related risks are effectively controlled while increasing the loan business and raising the interest income.

Intermediary Business Services

The annual caps for intermediary business services were determined by reference to the factors below:

In the past years, the scale of SE Finance's intermediary business provided to SEGC Group was relatively small. After years of capacity building and business development, SE Finance's financial services capabilities have been continuously enhanced. SE Finance plans to develop more businesses, such as consultation services and agency services, among others, in the next three years, so as to provide more diverse financial services to SEGC Group.

Pricing Basis

Subject to SE Finance obtaining the scope of business approved by the CBIRC, SE Finance will provide financial services business such as deposit services, loan and bill discounting services and intermediary business to SEGC Group, and pay corresponding deposit interest to SEGC Group with reference to the interest rates for similar deposits of the same period published by the People's Bank of China; SEGC Group are charged interest on loans with reference to the quoted market rates for loans published by the National Interbank Offered Rate Center authorized by the People's Bank of China; SEGC Group are charged for intermediary business services with reference to the general commercial market rates and/or the rates charged by third party financial institutions for similar intermediary business for the same period.

Deposit services

Interest rates set by SE Finance for deposits by SEGC Group will be subject to the relevant guidelines and regulations of the PBOC set out on the website of the PBOC. SE Finance will set its interest rates with reference to the relevant savings rates set by the PBOC from time to time as well as the rates set by the major commercial banks in the PRC. The current interest rates offered to SEGC Group by SE Finance in respect of RMB deposits, which range from 0.35% to 2.31% per annum depending on amount and terms of deposits (0.35% for demand deposits, 1.75% to 1.95% for six-month term deposits, 2.1% to 2.25% for one-year term deposits, 2.31% for two-year term deposits and 1.38% to 1.5985% for agreement deposits) (the "Current Deposit Interest Rates"), are with reference to the prevailing interest rates set and updated by the PBOC as at the date of 24 October 2015 and are in line with the market rates and are subject to adjustment as per regulations and requirements of the PBOC on the interest rates. The rate of the annual interest rates set by SE Finance for demand deposits and agreement deposits to the PBOC benchmark rates is 100% to 139%, the annual interest rates set by SE Finance for deposits with a term of two-year or shorter represent 110% to 150% of the PBOC benchmark rates. The current interest rates for deposits are not fixed and is subject to adjustment. SE Finance will consider the size, term and time of deposits and funding needs of SE Finance at the time of taking deposits for each individual case, and offer interest rates higher than the benchmark rates set by the PBOC if the factors mentioned above are favourable to SE Finance. The Directors considered the higher interest rates than the benchmark rates set by the PBOC is still fair and reasonable based on (i) the interest rates offered by SE Finance is within the range of deposit interest rates offered by the major commercial banks in the PRC; and (ii) SE Finance applies the same factors above to all kinds of its clients

and offers no preferential treatment to members of SEGC Group.

The Company adopts the following procedures to ensure that the pricing basis disclosed above is complied with: (1) The finance department of SE Finance will check the deposit interest rates published by the major commercial banks in the PRC monthly and review the rates offered to SEGC Group by SE Finance accordingly; (2) SE Finance will hold a meeting of the General Manager Office to determine and adjust the interest rates to be offered for deposits; and (3) The audit committee of the Company will review the relevant deposit service between SE Finance and SEGC Group quarterly.

Interest for deposits (other than term deposits) is usually payable by SE Finance to SEGC Group on a quarterly basis. Interest for term deposits is usually payable by SE Finance to SEGC Group on the maturity date.

Loan services

Interest rates set by SE Finance for all loan and bill discounting services provided to SEGC Group will be subject to the relevant guidelines and regulations of the PBOC set out on the website of the PBOC. SE Finance determines the relevant interest rates for loans based on the loan prime rate announced by the National Inter-bank Funding Center. Currently, SE Finance provides RMB loans to SEGC Group, the current interest rates of which range from 3.1% to 4.1% per annum (3.1% to 4.1% for term of one year or below, 3.10% to 4.1% for term of one year or above to three years). Such interest rates are in line with the market rates and are subject to adjustment in accordance with the regulations and requirements of the PBOC on the relevant loan rates from time to time.

Similar to the major commercial banks on the market, SE Finance sets different loan interest rates for different customers after considering major factors including the PBOC benchmark interest rates for each type of loans, the loan prime rate, the credit status of the customer and the amount of funds available for loans. In the meantime, SE Finance also makes reference to the loan interest rates obtained by members of SEGC Group from the major commercial banks in the market before determining the loan interest rate applicable to members of SEGC Group. SE Finance will also make reference to the interest rates of the loan agreements entered into between members of the SEGC Group and its major commercial banks, so as to ensure that the interest rates of the loans provided by SE Finance are not lower than those provided by other commercial banks.

The Company adopts the following procedures to ensure that the pricing basis disclosed above is complied with: (1) the amount of the total facilities for financing to SEGC Group and the relevant terms will be reviewed and approved by the credit approval committee of SE Finance; (2) each grant of loan to SEGC Group will be approved by the senior management of SE Finance; and (3) the audit committee of the Company will review the loan and bill discounting services between SE Finance and SEGC Group on a quarterly basis. There is no common directors between the Company and SEGC Group which would be involved in reviewing and approving the loan services including the loan terms.

Interest for loans provided to SEGC Group will usually be charged by SE Finance on a quarterly basis.

Intermediary business services

The handling fees set by SE Finance for SEGC Group's intermediary business services will be subject to the relevant guidelines and regulations of the PBOC, CBIRC and NDRC as published on the websites of the PBOC, CBIRC and NDRC. SE Finance charges the SEGC Group for intermediary business services with reference to the normal commercial market rates and/or the rates charged by third party financial institutions for similar intermediary business for the same period.

The intermediary business provided by SE Finance mainly includes agency business, foreign exchange business, bill acceptance business, online clearing business and consulting and advisory business. Currently, the guidance price for the agency business provided by SE Finance is no less than 0.1% per annum; the guidance price for foreign exchange business is calculated by applying the cost-plus principle on the basis of the market flat rate to arrive at the client's settlement price; the guidance price for bill acceptance business is 5/10,000 of the par value of drafts; the guidance price for online clearing business is based on the actual amount advanced by SE Finance or with reference to the contractual agreement; the guidance price for

consulting and advisory services are based on the average daily labor cost of SE Finance and the length of time spent on projects, and is charged according to the contractual requirements by project type.

Reasons and benefits for entering into the Financial Services Framework Agreement

By providing deposit services to SEGC Group, SE Finance is able to pool the deposits of SEGC Group, improve the efficiency of capital operations by leveraging the treasury function within the Group and allocate the capital to higher yielding loans and deposits in the interbank business, which can provide additional carry income to SE Finance. The interest rates on deposits offered by SE Finance to SEGC Group are in line with the interest rate policy promulgated by the People's Bank of China from time to time and the transaction is in the interest of the Company and the shareholders as a whole.

As the Group's centralized capital management platform, in order to effectively utilize SE Finance's liquidity and deploy financial resources more efficiently, SE Finance provides loans and bill discounting services to SEGC Group on a priority basis to meet the credit needs of the Group, thereby enhancing the return on capital and thereby increasing SE Finance's interest income. The interest rates on loans and bill discounting provided by SE Finance to SEGC Group are in line with the interest rate policy promulgated by the People's Bank of China from time to time and the transaction is in the interest of the Company and the Shareholders as a whole.

The intermediary business services provided by SE Finance mainly include agency business, foreign exchange business, bill acceptance business, online clearing business and consulting business, etc. The provision of intermediary business services by SE Finance to SEGC Group is beneficial to SE Finance in enhancing its financial services. The provision of intermediary business services by SE Finance to SEGC Group will be beneficial to SE Finance in enhancing its financial services capabilities and increasing SE Finance's revenue. The transaction is in the interest of the Company and the Shareholders as a whole.

III. CONTINUING CONNECTED TRANSACTION OF PURCHASE, SALES THE PROVISION AND ACCEPTANCE OF COMPREHENSIVE SERVICES

On 19 October 2022, the Company entered into the Purchase Framework Agreement with SEGC in relation to the purchase of certain component parts, such as automatic instruments, other mechanical equipment and raw materials from SEGC Group by the Group; the Company entered into the Sales Framework Agreement with SEGC in relation to the provision of electrical engineering, mechanical products and other related services to SEGC Group by the Group; the Company entered into the Provision of Comprehensive Services Framework Agreement with SEGC in relation to the provision of informationization, professional consultation, entrusted management, house leasing and other services to SEGC Group by the Group; the Company entered into the Acceptance of Comprehensive Services Framework Agreement with SEGC in relation to the acceptance of provision of property management, house leasing, training services and other service by SEGC Group. Based on the forecasted transaction amounts, these transactions will comprise continuing connected transactions subject to reporting, announcement and annual review requirements but exempted from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules for the years 2023, 2024 and 2025.

The Continuing Connected Transactions under the Purchase Framework Agreement, Sales Framework Agreement, Provision of Comprehensive Services Framework Agreement and the Acceptance of Comprehensive Services Framework Agreement are subject to the approval of the general meeting of the Company pursuant to the listing rules of the Shanghai Stock Exchange.

1. Summary of the Purchase Framework Agreement

Date of agreement	:	19 October 2022
Parties	:	<ul style="list-style-type: none">• the Company• SEGC

Subject Matter	:	purchase framework agreement in relation to the purchase of component parts such as automatic instruments, other mechanical equipment and raw materials from SEGC Group by the Group
Term	:	three years effective from 1 January 2023, renewable at the option of the Company for a term of three years by giving notice three months prior to the expiry of the term

According to Rule 14A.52 of the Listing Rules, the term for the agreement must not exceed three years. In the event that the Group decides to continue with the relevant transactions with SEGC after the expiry of the term of the Agreement, the Company will re-comply with Chapter 14A of the Listing Rules.

Annual caps and basis of determination

The table below sets out the historical amounts of purchases by the Group from SEGC Group for the years 2020, 2021 and six months ended 30 June 2022, and the proposed annual cap, for the three years ending 31 December 2023, 2024 and 2025, under the SEGC Purchase Framework Agreement:

	Historical amount for the year ended 31 December		Historical amount for the period ended 30 June	Proposed annual caps for the year ending 31 December		
	2020	2021	2022	2023	2024	2025
	(RMB million)					
Purchases from SEGC Group	228	96	36	500	500	500

The proposed annual caps for 2023, 2024 and 2025 have been worked out by reference to the business development plans of the core business of the Group and the expected demand of the products in various business divisions of the Group.

Pricing Basis

The various types of services under the Purchase Framework Agreement shall be priced according to the following general principles in sequential order: where there is government (including local government) prescribed price, such price shall apply; where there is no such government prescribed price, the price shall fall within the band of government guidance price; where there is no such government guidance price, the market price shall apply; where there is no government prescribed price, government guidance price or market price available, the price as agreed among both parties shall apply. Both parties agree that if there is any material change in the market conditions which affects product cost, they shall, subject to compliance with the requirements of the pricing principles as signed between them, amend or cancel the relevant provisions of the agreement through negotiations and enter into a new agreement.

Reasons and benefits for entering into the Purchase Framework Agreement

The Group has a long-established business relationship with SEGC Group and has been purchasing certain components such as automatic instruments, other mechanical equipment and raw materials from SEGC Group over the years. SEGC Group can promptly provide products to meet the needs of the Group, and the prices and payment terms offered by SEGC Group for the products are fair and reasonable.

2. Summary of the Sales Framework Agreement

Date of agreement	:	19 October 2022
Parties	:	<ul style="list-style-type: none">• the Company• SEGC
Subject Matter	:	Sales Framework Agreement in relation to the provision of electrical engineering products and services, electrical equipment and component parts and other related services to SEGC Group by the Group
Term	:	three years effective from 1 January 2023, renewable at the option of the Company for a term of three years by giving notice three months prior to the expiry of the term

According to Rule 14A.52 of the Listing Rules, the term for the agreement must not exceed three years. The Company will re-comply with Chapter 14A of the Listing Rules prior to the Company's exercise of the option to renew the agreements after the three years term for another three years.

Annual caps and basis of determination

The table below sets out the historical amounts of sales by the Group to SEGC Group for the years 2020, 2021 and six months ended 30 June 2022, and the proposed annual cap, for the three years ending 31 December 2023, 2024 and 2025, under the Sales Framework Agreement:

	Historical amount for the year ended 31 December		Historical amount for the period ended 30 June	Proposed annual caps for the year ending 31 December		
	2020	2021	2022	2023	2024	2025
	(RMB million)					
Sales to SEGC Group	369	234	143	700	700	700

The proposed annual caps for 2023, 2024 and 2025 have been worked out by reference to the historical

business condition and the latest business development plans of the Group and SEGC Group and the expected demand of the products in various business divisions of SEGC Group.

Pricing Basis

The various types of services under the Sales Framework Agreement shall be priced according to the following general principles in sequential order: where there is government (including local government) prescribed price, such price shall apply; where there is no such government prescribed price, the price shall fall within the band of government guidance price; where there is no such government guidance price, the market price shall apply; where there is no government prescribed price, government guidance price or market price available, the price as agreed among both parties shall apply. Both parties agree that if there is any material change in the market conditions which affects product cost, they shall, subject to compliance with the requirements of the pricing principles as signed between them, amend or cancel the relevant provisions of the agreement through negotiations and enter into a new agreement. Reasons and benefits for entering into the Sales Framework Agreement.

Reasons and benefits for entering into the Sales Framework Agreement

The Group has a long-established business relationship with SEGC Group and has been selling electrical engineering, mechanical products and other related services to SEGC Group over the years. The Group is familiar with the product requirements of SEGC Group and is able to provide products in a cost-effective manner in accordance with its requirements, and the prices and payment terms of the products offered by the Group to SEGC Group are fair and reasonable.

3. Summary of the Provision of Comprehensive Services Framework Agreement

Date of agreement	19 October 2022
Parties	<ul style="list-style-type: none">• the Company• SEGC
Subject Matter	The comprehensive services framework agreement in relation to the provision of informationization, professional consultation, entrusted management, house leasing and other services to SEGC Group by the Group
Term	three years effective from 1 January 2023, renewable at the option of the Company for a term of three years by giving notice three months prior to the expiry of the term

According to Rule 14A.52 of the Listing Rules, the term for the agreement must not exceed three years. The Company will re-comply with Chapter 14A of the Listing Rules prior to the Company's exercise of the option to renew the agreements after the three years term for another three years.

Annual caps and basis of determination

The table below sets out the historical amounts of comprehensive services provided by the Group to SEGC Group for the years 2020, 2021 and six months ended 30 June 2022, and the estimated amount, as proposed annual cap, for the three years ending 31 December 2023, 2024 and 2025, under the Provision of Comprehensive Services Framework Agreement :

	Historical amount for the year ended 31 December		Historical amount for the period ended 30 June	Proposed annual caps for the year ending 31 December		
	2020	2021	2022	2023	2024	2025
	(RMB million)					
Amount of comprehensive services provided to SEGC Group	134	200	103	400	400	400

The proposed annual caps for 2023, 2024 and 2025 have been worked out by reference to the historical business condition and the business development plans of the Group and SEGC Group, and the expected demand in various business divisions of SEGC Group. The proposed annual caps for 2023, 2024 and 2025 represent an increase as compared to historical transaction amounts as the Company anticipates an increase in demand for the SEGC Group's comprehensive services business in the coming years.

Pricing Basis

The various types of services under the Provision of Comprehensive Services Framework Agreement shall be priced according to the following general principles in sequential order: where there is government (including local government) prescribed price, such price shall apply; where there is no such government prescribed price, the price shall fall within the band of government guidance price; where there is no such government guidance price, the market price shall apply; where there is no government prescribed price, government guidance price or market price available, the price as agreed among both parties shall apply. Both parties agree that if there is any material change in the market conditions which affects product cost, they shall, subject to compliance with the requirements of the pricing principles as signed between them, amend or cancel the relevant provisions of the agreement through negotiations and enter into a new agreement.

Reasons and benefits for entering into the Provision of Comprehensive Services Framework Agreement

The Group provides SEGC Group with certain comprehensive services including but not limited to informationization, professional consultation, entrusted management and house leasing, and the Group charge reasonable fees for the provision of services that SEGC Group needs. Moreover, the prices and payment terms for the services provided by the Group to SEGC Group are fair and reasonable.

4. Summary of Acceptance of Comprehensive Services Framework Agreement

Date of agreement : 19 October 2022

Parties :

- the Company
- SEGC

Subject Matter	:	The Group accepts the comprehensive services provided by SEGC Group, including but not limited to property management, house leasing, training services, etc.
Term	:	three years effective from 1 January 2023, renewable at the option of the Company for a term of three years by giving notice three months prior to the expiry of the term

According to Rule 14A.52 of the Listing Rules, the term for the agreement must not exceed three years. The Company will re-comply with Chapter 14A of the Listing Rules prior to the Company's exercise of the option to renew the agreements after the three years term for another three years.

Annual caps and basis of determination

The table below sets out the historical transaction amounts of the acceptance of the Integrated Services from SEGC Group by the Group for the year 2021 and the six months ended 30 June 2021 and the proposed annual caps for the three years ending 31 December 2023, 2024 and 2025 under the Acceptance of Comprehensive Services Framework Agreement:

	Historical transaction amounts for the year ended 31 December	Historical transaction amounts for the six months ended 30 June	Proposed annual caps for the year ending 31 December		
	2021	2022	2023	2024	2025
	(RMB million)				
Amount of comprehensive services received from SEGC Group	49	14	200	200	200

The Group is expected to accept property management, training services, house leasing and other service provided by SEGC Group in 2023, 2024 and 2025, in order to meet normal production and operation needs. The proposed annual caps are determined with reference to the Group's relevant business development plans and the expected demand of services from various business segments.

Pricing Basis

The various types of services under the Acceptance of Comprehensive Services Framework Agreement shall be priced according to the following general principles in sequential order: where there is government (including local government) prescribed price, such price shall apply; where there is no such government prescribed price, the price shall fall within the band of government guidance price; where there is no such government guidance price, the market price shall apply; where there is no government prescribed price, government guidance price or market price available, the price as agreed among both parties shall apply. Both parties agree that if there is any material change in the market conditions which affects product cost, they shall, subject to compliance with the requirements of the pricing principles as signed between them,

amend or cancel the relevant provisions of the agreement through negotiations and enter into a new agreement.

Reasons and benefits for entering into the Provision of Comprehensive Services Framework Agreement

The Group accepts the comprehensive services including but not limited to property management, training services and housing leasing provided by SEGC Group in order to meet the needs of the Group's normal production and operation, and the prices and payment terms of the services offered by SEGC Group are fair and reasonable.

IV. LISTING RULES IMPLICATIONS

SEGC is a controlling shareholder holding approximately 49.78% equity interest in the total issued share capital of the Company as at the date of this announcement. Therefore, SEGC is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Given the respective highest applicable percentage ratios for deposit services, loan and bill discounting services under Financial Services Framework Agreement are more than 5% as set out under Chapter 14A of the Listing Rules, these continuing connected transactions are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The respective highest applicable percentage ratio for proposed caps for the daily maximum balance of deposit services, loan and bill discounting services under the Financial Services Framework Agreement is expected to be more than 25% but less than 75%, and therefore, such transactions fall under the major transactions as defined in Chapter 14 of the Listing Rules, which are subject to reporting, announcement, circular and Shareholders' approval requirements. The respective highest applicable percentage ratio for intermediary business services under the Financial Services Framework Agreement is less than 0.1%, and therefore, such transactions are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratios of these transactions under the Purchase Framework Agreement, the Sales Framework Agreement, the Provision of Comprehensive Services Framework Agreement and Acceptance of Comprehensive Services Framework Agreement are more than 0.1% but less than 5% as set out under Chapter 14A of the Listing Rules, these continuing connected transactions are subject to reporting, announcement and annual review requirements as set out in Chapter 14A of the Listing Rules but exempted from Independent Shareholders' approval requirements.

V. OPINIONS OF THE BOARD OF DIRECTORS

Ms. LENG Weiqing, Mr. LIU Ping and Mr. ZHU Zhaokai, all being Directors of the Company, hold directorship(s) in SEGC and thus have material interests in the Continuing Connected Transactions of Integrated Services and Continuing Connected Transactions of Financial Services. They have therefore abstained from voting on the relevant board resolutions approving such matters. Other than as disclosed above, none of the other Directors has material interests in these transactions.

The Directors (including the independent non-executive directors) are of the opinion that the Continuing Connected Transactions are entered into after arm's length negotiations, are on normal commercial terms and conducted in the ordinary and usual course of business and the terms and respective annual caps of the Continuing Connected Transactions are fair and reasonable, no less favourable than other third party providers to the Company or appropriate mechanisms provided by the Company to third parties, and are in the interests of the Company and its Shareholders as a whole.

VI. 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 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.; industrial internet services; financial services, covering financing leases and insurance brokerage; property management services based on industrial real estate 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, SEGC is the controlling shareholder of the Company holding approximately 49.78% 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.

SE Finance is a subsidiary of the Company in which the Company holds 90.25% equity interest as at the date of this announcement. SEGC holds 9.75% equity interest in SE Finance as at the date of this announcement. SE Finance was set up in 1995 pursuant to the approval granted by People's Bank of China under “The Regulations Governing Finance Companies of Conglomerates” to provide financial services to the Group and SEGC Group. SE Finance has obtained all approvals, permits and licenses necessary for its operations. Currently, the governing body for financial institutions in the PRC (including SE Finance) is the China Banking Regulatory Commission. Under the relevant PRC regulations, SE Finance, as a non-bank finance company, is allowed to provide treasury services to, in addition to the Group, companies where SEGC holds at least 20% shareholding or in which SEGC has a control.

The Independent Board Committee, comprising all of the independent non-executive Directors, will be established by the Company to advise the Independent Shareholders in respect of, among others, the deposit services and loan and bill discounting services continuing connected transactions contemplated under the Financial Services Framework Agreements regarding the provision of deposit services and loan and bill discounting services by SE Finance to the SEGC Group. The Company will appoint an independent financial adviser to advise the Independent Board Committee and Independent Shareholders on, among other things, the deposit services and loan and bill discounting services continuing connected transactions contemplated under the Financial Services Framework Agreements regarding the provision of deposit services and loan and bill discounting services by SE Finance to the SEGC Group.

The Continuing Connected Transactions under the Financial Services Framework Agreement and the Continuing Connected Transactions under the Purchase Framework Agreement, Sales Framework Agreement, Provision of Comprehensive Services Framework Agreement and the Acceptance of Comprehensive Services Framework Agreement are subject to review and consideration by the general meeting pursuant to the listing rules of the Shanghai Stock Exchange.

A circular containing a letter from the Board setting out the details of the Continuing Connected Transactions, a letter from the Independent Board Committee and a letter of advice from the independent financial adviser is expected to be published 15 days before the general meeting of the Company.

DEFINITIONS

In this Announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“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;
“Continuing Connected Transaction(s)”	the continuing connected transactions between the Group and SEGC, further details of which are set out in the sections headed “II. Continuing Connected Transactions of Financial Services” and “III. Continuing Connected Transactions of Purchase, Sales, the Provision and Acceptance of Comprehensive Services” in this announcement;
“controlling shareholder”	has the meaning ascribed to it by the Listing Rules;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“Director(s)”	the directors of the Company;
“Financial Services Framework Agreement”	the agreement between SE Finance and SEGC dated 19 October 2022 for provision of deposit services, loan and bill discounting services and intermediary business services;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely, Dr. XI Juntong, Dr. XU Jianxin and Dr. LIU Yunhong formed to consider, among others, the terms of the Continuing Connected Transactions of Financial Services;
“Independent Non-executive Director”	the independent non-executive directors of the Company;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Continuing Connected Transactions of Financial Services”	the continuing connected transactions between the Group and SEGC, details of which are set out in the section headed “II. Continuing Connected Transactions of Financial Services” in this announcement;
“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;
“SE Finance”	Shanghai Electric Group Finance Co., Ltd., (上海電氣集團財務有限責任公司), a subsidiary of the Company owned as to 90.25% as at the date of this announcement and a limited company incorporated in the PRC;
“SEGC”	Shanghai Electric Holding Group Co., Ltd. (formerly known as "Shanghai Electric (Group) Corporation"), completed the industrial and commercial change registration on 28 January 2022. The controlling shareholder of the Company (as defined in the Listing Rules) holding 49.78% equity interest in the total issued share capital of the Company as at the date of this announcement;
“SEGC Group”	SEGC and its subsidiaries and associates, but excluding the Group;
“Provision of Comprehensive Services Framework Agreement”	the comprehensive services framework agreement between the Company and SEGC dated 19 October 2022 for provision of informationization, professional consultation, entrusted management, house leasing and other services to SEGC Group by the Company;
“Acceptance of Comprehensive Services Framework Agreement”	the comprehensive services framework agreement between the Company and SEGC dated 19 October 2022 for the acceptance of provision of property management, house leasing, training services and other comprehensive service by SEGC Group to the Company;
“Purchase Framework Agreement”	the purchase framework agreement between the Company and SEGC dated 19 October 2022 for purchasing of certain component parts, such as automatic instruments, other mechanical equipment and raw materials from SEGC Group by the Group;
“Sales Framework Agreement”	the sales framework agreement between the Company and SEGC dated 19 October 2022 for the provision of electrical engineering, mechanical products and other related services to SEGC Group by the Group;
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of both A share(s) and H share(s) of the Company;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules; and

“0%”

percent.

By order of the Board

Shanghai Electric Group Company Limited

LENG Weiqing

Chairlady of the Board

Shanghai, the PRC, 19 October 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 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*