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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)

CONTINUING CONNECTED TRANSACTIONS

On 19 October 2022, SMEC, a subsidiary of the Company, entered into a MESMEE purchase framework agreement with MESMEE, pursuant to which, SMEC will purchase elevator products and related services from MESMEE.

MESMEE is a connected person of the Company under Chapter 14A of the Listing Rules, therefore the MESMEE Purchase Framework Agreement and the transactions contemplated under it constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The highest applicable percentage ratio of the transactions under MESMEE Purchase Framework Agreement is expected to be more than 5% as set out under Chapter 14A of the Listing Rules, while considering the transactions under the MESMEE Purchase Framework Agreement are transactions between the Group and a connected person at the subsidiary level on normal commercial terms or better, these transactions are therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements, if approved by the Board and confirmed by the independent non-executive directors as required under Rule 14A.101(1) and (2) of the Listing Rules, but are subject to annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

On 19 October 2022, the Board (including the independent non-executive Directors) approved the MESMEE Purchase Framework Agreement and transactions contemplated under the MESMEE Purchase Framework Agreement and the independent non-executive Directors confirmed that the terms of the transactions are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

According to the Listing Rules of the Shanghai Stock Exchange, the transactions under the MESMEE Purchase Framework Agreement are subject to the approval of the Shareholders of the Company.

I. CONTINUING CONNECTED TRANSACTIONS

MESMEE, a sino-foreign equity joint venture established in the PRC, is held as to 40% by Shanghai Mechanical & Electrical Industry Co., Ltd., a 48.81% owned subsidiary of the Company, 40% by Mitsubishi Electric and 20% by Mitsubishi Electric Building Technoservice Co., Ltd., a wholly-owned subsidiary of Mitsubishi Electric, respectively, as at the date of this announcement.

SMEC entered into the MESMEE Purchase Framework Agreement with MESMEE on 19 October 2022 for a term of three years in relation to SMEC's purchase of elevator products and related services provided by MESMEE in the future three years.

Summary of the MESMEE Framework Purchase Agreement

Date of agreement	:	19 October 2022
Parties	:	<ul style="list-style-type: none"> • SMEC • MESMEE
Subject matter	:	the purchase of elevator products and related services from MESMEE by SMEC
Term	:	three years commencing 1 January 2023

According to Rule 14A.52 of the Listing Rules, the period for the agreement must not exceed three years. The Company will re-comply with Chapter 14A of the Listing Rules upon expiry of the term of the agreement should SMEC decides to continue with such transactions with MESMEE.

Annual caps and basis of determination

The table below sets out SMEC's historical purchase amounts from MESMEE for the two years ended 31 December 2021 and the six months ended 30 June 2022, and the proposed annual caps for the three years ending 31 December 2025:

	Historical amounts for the year ended 31 December		Historical amounts for the six months ended 30 June	Proposed annual caps for the year ending 31 December		
	2020	2021	2022	2023	2024	2025
	(RMB in 100 millions)					
Aggregate purchases from MESMEE	21.81	21.24	12.79	30	30	30

In arriving at the above proposed annual caps for the purchases from MESMEE, the Directors have taken into account, among others, the prediction of high-end elevator market in the next three years with the maximum amount of transaction estimate in the previous years.

Pricing Policy

The pricing of the products under the MESMEE Purchase Framework Agreement shall be determined in accordance with the following general principles and order: where a government (including local government) pricing is available, the government price will be implemented; where such government pricing is not available, the price will be agreed within the range of the government guided price; where such government guided price is not available, market price will be implemented; if none of the above three, the negotiated price will be implemented.

Both parties agreed that if there is material change in the market that affects the cost of the products, both parties shall, conditional upon abiding the related requirement of the MESMEE Purchase Framework Agreement, amend the related provisions, or cancel the MESMEE Purchase Framework Agreement by negotiation and enter into a new Agreement.

Reasons and Benefits for the Continuing Connected Transactions

MESMEE principally operates design, manufacturing and sales of high-end elevators and elevator components. MESMEE sold the whole set of high-end elevators it produced to SMEC. Leveraging on the sales network as well as the installation and maintenance management system of SMEC, the existing resources will be reasonably and fully utilised. The self-owned brand products of SMEC and the foreign-invested brand products of MESMEE aim at the requirement of different target customers and realizes differentiation competition, formulate mutual cooperation and successful landscape, and help to consolidate the competitive strengths of the Group in the elevator field.

Listing Rules Implications

Mitsubishi Electric, a substantial shareholder of SMEC, directly and indirectly holds aggregate 40% of the equity interest of SMEC, a subsidiary of the Company, as at the date of this announcement. Therefore, Mitsubishi Electric and its associates are each regarded as a connected person of the Company as defined under the Listing Rules. As at the date of this announcement, Mitsubishi Electric directly and indirectly holds 60% of the equity interest of MESMEE. MESMEE is therefore Mitsubishi Electric's associate and is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, thus the MESMEE Purchase Framework Agreement and the transactions contemplated under it constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio of the transactions under the MESMEE Purchase Framework Agreement is expected to be more than 5% as set out under Chapter 14A of the Listing Rules, while considering these transactions are transactions between the Group and a connected person at the subsidiary level on normal commercial terms or better, these transactions are therefore exempt from the circular (including independent financial advice) and shareholders' approval requirements, if approved by the Board and confirmed by the independent non-executive directors as required under Rule 14A.101(1) and (2) of the Listing Rules, but are subject to annual review and all disclosure requirements under the Listing Rules.

II. OPINIONS OF THE BOARD OF DIRECTORS

Ms. LENG Weiqing, being Director of the Company, acts as the director in MESMEE and thus has material interests in the continuing connected transactions contemplated under the MESMEE Framework Purchase Agreement. She has therefore abstained from voting on the board resolutions approving such matters

(including proposed annual cap). Other than disclosed above, none of the other Directors has a material interest in the continuing connected transactions contemplated under the MESMEE Framework Purchase Agreement.

Having made due and reasonable inquiries, the Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions under the MESMEE Purchase Framework Agreement are necessary for the operation of SMEC, and are in accordance with the normal commercial terms, at arm's length and on the basis of Framework Agreement and relevant specific transaction agreements, and entered into after arm's length negotiations, are on normal commercial terms and conducted in the ordinary and usual course of business and are in the interest of the Company and the shareholders of the Company as a whole, and that the terms and the proposed annual caps of the MESMEE Purchase Framework Agreement are fair and reasonable. On 19 October 2022, the Board (including the independent non-executive directors) approved the MESMEE Purchase Framework Agreement and transactions contemplated under the MESMEE Framework Purchase Agreement.

III. 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: including 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: including elevators, large and medium-size electric motors, intelligent manufacturing equipment, industrial basic parts and construction industrialization equipment; and (iii) the integrated services segment: including 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 mainly based on industrial real estate and etc. The ultimate beneficial owner of the Group is Shanghai State-owned Assets Supervision and Administration Commission.

SMEC is mainly engaged in the following activities: manufacture and sale of elevators, escalators, building automation management and provision of related services.

MESMEE is mainly engaged in the design, manufacture and sales of the high-end elevators and elevator components and the provision of ancillary services.

According to the Listing Rules of the Shanghai Stock Exchange, the transactions under the MESMEE Purchase Framework Agreement are subject to the approval of the Shareholders 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;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“MESMEE”	Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co. Ltd. (三菱電機上海機電電梯有限公司), a sino-foreign equity joint venture established in the PRC, as at the date of this announcement, 40% of which is owned by Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司), a 48.81% owned subsidiary of the Company, 40% of which is owned by Mitsubishi Electric and 20% of which is owned by Mitsubishi Electric Building Techno-service Co., Ltd. (三菱電機大樓技術服務株式會社), a wholly-owned subsidiary of Mitsubishi Electric;
“MESMEE Purchase Framework Agreement”	the purchase framework agreement between SMEC and MESMEE dated 19 October 2022 in relation to the purchase of elevator product and related services from MESMEE by the Group;
“Mitsubishi Electric”	Mitsubishi Electric Corporation (三菱電機株式會社), a substantial shareholder of MESMEE, which directly and indirectly holds altogether 60% of the equity interest of MESMEE and 40% of the equity interest of SMEC as at the date of 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;

“SMEC”	Shanghai Mitsubishi Elevator Co. Ltd. (上海三菱電梯有限公司), a 52% owned subsidiary of Shanghai Mechanical & Electrical Industry Co. Ltd. (上海機電股份有限公司), which is a 48.81% owned subsidiary of the Company, as at the date of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“%”	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*