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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)

**PROPOSED ALIGNMENT IN THE PREPARATION OF FINANCIAL
STATEMENTS IN ACCORDANCE WITH THE CHINA ACCOUNTING
STANDARDS FOR BUSINESS ENTERPRISES**

AND

**PROPOSED CESSATION OF APPOINTMENT OF THE INTERNATIONAL
AUDITOR**

The board of directors (the “**Board**”) of Shanghai Electric Group Company Limited (the “**Company**”) hereby announced that the Company intended to prepare all of its financial statements in accordance with the PRC Accounting Standards for Business Enterprises from 2020 onwards and cease to appoint PricewaterhouseCoopers as the international auditor of the Company at the same time. The relevant resolutions shall be subject to the consideration and approval at the general meeting of the Company.

I. Alignment in the Preparation of Financial Statements in Accordance with the PRC Accounting Standards for Business Enterprises

The Company’s H shares were issued and listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in April 2005, and the Company’s A shares were issued and listed on Shanghai Stock Exchange (the “**SSE**”) in December 2008. Up to 31 December 2019, the Company prepared the financial statements for its H share annual and interim reports by adopting Hong Kong Financial Reporting Standards and prepared the financial statements for its A share annual and interim reports by adopting the PRC Accounting Standards for Business Enterprises at the same time.

According to the relevant regulations of the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, the PRC incorporated issuers listed on the Stock Exchange have been approved to prepare their financial statements by adopting the PRC Accounting Standards for Business Enterprises as from 15 December 2010, and the PRC audit firms approved by the Ministry of Finance of the PRC (the “**MOF**”) and the China Securities Regulatory Commission (the “**CSRC**”) were approved to provide auditing services for PRC incorporated issuers listed in Hong Kong by adopting the relevant PRC auditing standards.

In order to improve efficiency and save compliance costs and audit fees, the Company proposed to prepare all of its financial statements and publish corresponding financial reports in accordance with the PRC Accounting Standards for Business Enterprises, and continue to appoint PricewaterhouseCoopers Zhong Tian LLP as the Company's PRC auditor to provide auditing services for the Company's financial reports for the year 2020 prepared in accordance with the PRC Accounting Standards for Business Enterprises. The proposal shall be subject to the consideration and approval at the general meeting of the Company. Upon the approval of the general meeting, all of the financial statements of the Company shall be prepared in accordance with the PRC Accounting Standards for Business Enterprises in future.

The Company is of the view that the preparation of all of its financial statements in accordance with the PRC Accounting Standards for Business Enterprises will not have a significant impact on the financial position, operating results and cash flows of the Company in 2020 and in the future.

II. Cessation of Appointment of the International Auditor

PricewaterhouseCoopers is the international auditor of the Company and responsible for auditing the financial statements prepared by the Company in accordance with Hong Kong Financial Reporting Standards. As the Board resolved to prepare all financial statements in accordance with the PRC Accounting Standards for Business Enterprises in future, the Board recommended to cease the appointment of PricewaterhouseCoopers as the international auditor of the Company. The proposal shall be subject to the consideration and approval at the general meeting of the Company.

III. Opinions of Independent Non-executive Directors and Supervisory Committee

The independent non-executive directors of the Company are of the view that the preparation of all financial statements of the Company in accordance with the PRC Accounting Standards for Business Enterprises could reflect the Company's financial position and operating results in an objective and fair manner. The decision-making procedure for the alignment in the preparation of financial statements in accordance with the PRC Accounting Standards for Business Enterprises is in compliance with the relevant laws and regulations. There is no damage to the interests of shareholders, in particular, the minority shareholders. Meanwhile, it can improve efficiency, and save compliance costs and audit fees. The independent non-executive directors of the Company have agreed that the Company prepares all of its financial statements in accordance with the PRC Accounting Standards for Business Enterprises in future, ceases to appoint international auditors and terminates the appointment relationship with PricewaterhouseCoopers.

The supervisory committee of the Company is of the view that the preparation of all of the financial statements of the Company in accordance with the PRC Accounting Standards for Business Enterprises and the cessation of appointment of international auditor are in compliance with the relevant regulations of the MOF, the CSRC, the SSE and the Stock Exchange, and could reflect the Company's financial position and operating results in an objective and fair manner. The decision-making procedure for the alignment in the preparation of financial statements in accordance with the PRC Accounting Standards for Business Enterprises is in compliance with the relevant laws and regulations. There is no damage to the interests of shareholders, in particular the minority shareholders. Meanwhile, it could improve efficiency, and save compliance costs and audit fees. The supervisory committee of the Company has agreed that the Company prepares all of its financial statements in accordance with the PRC Accounting Standards for Business Enterprises in future, ceases to appoint

international auditors and terminates the appointment relationship with PricewaterhouseCoopers.

By order of the Board
Shanghai Electric Group Company Limited

ZHENG Jianhua

Chairman of the Board

Shanghai, the PRC, 15 April 2020

As at the date of this announcement, the executive directors of the Company are Mr. ZHENG Jianhua, Mr. HUANG Ou, Mr. ZHU Zhaokai and Mr. ZHU Bin; the non-executive directors of the Company are Ms. YAO Minfang and Ms. LI An; and the independent non-executive directors of the Company are Dr. CHU Junhao, Dr. XI Juntong and Dr. XU Jianxin.

** For identification purpose only*