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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)**

### **DISCLOSEABLE TRANSACTIONS SHARE PURCHASE AGREEMENT AND VOTING RIGHTS ENTRUSTMENT AGREEMENT**

On 3 August 2018, Shanghai Electric Group Company Limited (the "**Company**") entered into the Share Purchase Agreement with Mr. Chen Yuzhong and Ms. Qian Fengzhu and the Voting Rights Entrustment Agreement with Mr. Chen Yuzhong. Pursuant to the Share Purchase Agreement, the Company agreed to acquire 43,763,300 shares of Suzhou Thvow Technology Co., Ltd. ("**Thvow Technology**" or the "**Target Company**") held by Mr. Chen Yuzhong and 7,514,196 shares of Thvow Technology held by Ms. Qian Fengzhu, the spouse of Mr. Chen Yuzhong, 51,277,496 shares in total and representing 5.81% of the total share capital of Thvow Technology for a consideration of RMB350,225,297.68. At the same time, the Company will be entitled to exercise voting rights associated with 131,290,074 shares of Thvow Technology held by Mr. Chen Yuzhong, representing 14.87% of the total share capital of Thvow Technology (the aforementioned transactions are hereinafter as the "**Transactions**"). Upon completion of the Transactions, the Company will hold shares with voting rights attached in 263,748,931 shares of Thvow Technology, representing approximately 29.87% of the total share capital of Thvow Technology, and will become the largest shareholder of Thvow Technology.

#### **Listing Rules Implications**

As the highest applicable percentage ratios in respect of the Transactions contemplated under the Share Purchase Agreement and the Voting Rights Entrustment Agreement exceed 5% but are less than 25%, such Transactions constitute discloseable transactions under Chapter 14 of the Rules Governing the

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Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

The coming into effect and completion of the Equity Transfer Agreement and the Voting Rights Entrustment Agreement are subject to satisfaction of several conditions precedent and investors are advised to be cautious when dealing in securities of the Company.

## **I. OVERVIEW OF THE TRANSACTIONS**

1. On 3 August 2018, the Company entered into the Share Purchase Agreement with Mr. Chen Yuzhong and Ms. Qian Fengzhu, the spouse of Mr. Chen Yuzhong, pursuant to which, the Company agreed to acquire 43,763,300 shares of Thvow Technology held by Mr. Chen Yuzhong and 7,514,196 shares of Thvow Technology held by Ms. Qian Fengzhu, representing 5.81% of the total share capital of Thvow Technology in aggregate, and the aggregate transfer price of the underlying shares amounts to RMB350,225,297.68.

On 3 August 2018, the Company and Mr. Chen Yuzhong entered into the Voting Rights Entrustment Agreement, pursuant to which the Company will be entitled to exercise the voting rights associated with 131,290,074 shares of Thvow Technology held by Mr. Chen Yuzhong, representing 14.87% of the total share capital of Thvow Technology.

In May 2018, the Company subscribed for 81,181,318 shares, representing 9.19% of the total share capital of Thvow Technology, under a non-public shares issuance of Thvow Technology. Upon completion of the Transactions, the Company will directly hold an aggregate of 132,458,814 shares of Thvow Technology, representing 15.00% of the total share capital of Thvow Technology, and will hold the voting rights of 131,290,074 shares of Thvow Technology, representing 14.87% of the total share capital of Thvow Technology, by way of voting rights entrustment. The total number of shares of Thvow Technology with voting rights attached being held by the Company will be 263,748,888, representing 29.87% of the total share capital of Thvow Technology. Accordingly, the Company will become the single largest shareholder of Thvow Technology and Thvow Technology will become a subsidiary of the Company.

Since the Company will become the single largest shareholder of Thvow Technology by way of share transfer and voting rights entrustment and Thvow Technology will become a subsidiary of the Company, in order to support the future business development of Thvow Technology, the Company agrees to offer a loan in the amount of RMB2 billion to Thvow Technology for its manufacturing operation.

Provided that Thvow Technology and its subsidiary or third parties provide to the Company mortgage of assets or pledge of shares of sufficient value and to the satisfaction of the Company as security measures, the Company will release a RMB2 billion loan to Thvow Technology, with a term of 6 months and at an interest rate of 5.85% per annum.

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## II. BASIC INFORMATION ON THE COUNTERPARTITES

### 1. Mr. Chen Yuzhong

Mr. Chen Yuzhong, chairman of Thvow Technology, male, Chinese, does not have the right of permanent overseas residence. Since March 1998, he has successively served as the secretary of the Party committee, chairman, general manager, etc. of Thvow Technology. Mr. Chen Yuzhong has no relationship with the Company, its shareholders holding over 5% equity interests, de facto controller, directors, supervisors and senior management of the Company.

### 2. Ms. Qian Fengzhu

Ms. Qian Fengzhu, the spouse of and a person acting in concert with Mr. Chen Yuzhong, female, Chinese, does not have the right of permanent overseas residence, and is retired. Ms. Qian Fengzhu has no relationship with the Company, its shareholders holding over 5% equity interests, de facto controller, directors, supervisors and senior management of the Company.

To the best of the knowledge, information and belief of the directors after making all reasonable enquiries, Mr. Chen Yuzhong and Ms. Qian Fengzhu are third parties independent of the Company and its connected persons.

As of 31 July 2018, the basic information on the core enterprises controlled by Mr. Chen Yuzhong and Ms. Qian Fengzhu is as follows:

Company Name	Registered Capital (RMB'000)	Total Shareholding	Principal business
Shenzhen Ruiwo Equity Investment Fund Partnership (limited partnership) (深圳睿沃股權投資基金企業(有限合伙))	280,000	71.43%	Equity investment in enterprises; consulting services in respect of equity investment and listing of enterprises; investment advisory, investment management and finance advisory; business of enterprise mergers and acquisitions.
Zhangjiagang Feiteng Aluminum-plastic Composite Panel Co., Ltd. (張家港飛騰鋁塑板股份有限公司)	50,000	91.39%	Manufacturing, processing, and sale of aluminium-plastic composite panel; purchase and sale of metal materials and products, plastic products, chemical products and electronic products; import and export of various commodities and technologies of its own and on agency basis. (Items subject to approval according to law shall only be carried out after approval by relevant departments)

Zhangjiagang Zhonggang Recycling Resources Co., Ltd. (張家港中港再生資源有限公司)	11,770	99%	Recycling of waste materials (scrap steel, scrap iron, scrap copper, scrap aluminum, scrap stainless steel, scrap zinc, scrap lead and scrap tin); purchase and sale of metal materials, machinery and equipment and parts, building materials, auto parts and electronic products; import and export of various commodities and technologies of its own and on agency basis (other than commodities and technologies which are restricted for business operation or prohibited for import or export by the State). (Items subject to approval according to law shall only be carried out after approval by relevant departments)
Suzhou Fujia Youhao Environmental Protection Technology Co., Ltd. (蘇州富甲友好環保科技有限公司)	290,000	97%	Technological development, technical consulting, technology transfer and technical services in the fields of environmental protection, energy and chemical industry; operation, management and services in relation to environmental protection industrial projects. Technological research & development of new materials in the fields of environmental protection and new chemical industry, sale of chemical products (excluding hazardous chemicals), import and export of various commodities and technologies of its own and on agency basis (other than commodities and technologies which are restricted for operation or prohibited for import or export by the State). (Items subject to approval according to law shall only be carried out after approval by relevant departments)
Jiangsu Thvow Investment Holdings Co., Ltd. (江蘇天沃投資控股有限公司)	300,000	81.31%	Investment and management in the fields of real estate, energy and industries. (Items subject to approval according to law shall only be carried out after approval by relevant departments)

Shanghai Fanchuang New Materials and Technology Co., Ltd. (上海梵創新材料科技有限公司)	100,000	70%	Technological development, technical consulting, technical services and technology transfer in the fields of new materials and technologies, import and export of commodities and technologies. (Items subject to approval according to law shall only be carried out after approval by relevant departments)
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As of the date of this announcement, Mr. Chen Yuzhong has pledged 160,000,000 shares held in Thvow Technology to the Company, apart from which, neither Mr. Chen Yuzhong nor Ms. Qian Fengzhu has any relationship with the Company in terms of other property rights, business, assets, creditor's rights and debts and staff of the Company.

### III. BASIC INFORMATION ON THE TARGET COMPANY

#### 1. Overview of the Target Company

Company name	Suzhou Thvow Technology Co., Ltd.
Date of establishment	31 March 2001
Legal representative	Chen Yuzhong
Registered capital	RMB882,914,400
Registered address	No. 1 Linjiang Road, Changshan Village, Jingang Town, Zhangjiagang City, Jiangsu Province
Type of company	A joint stock company with limited liability
Place of listing	Shenzhen Stock Exchange
Stock abbreviation	Thvow Technology
Stock code	002564
Unified social credit code	91320500703676365K
Scope of business	Designing and manufacturing of: class A1 high pressure vessels, class A2 type III low and medium pressure vessels; manufacturing of: class A boiler components (steam drum only). General operating items: manufacturing and repair of petroleum, chemical, medical, textile, chemical fiber, food machinery; purchase and sale of machine parts; installation and sale of tank trucks; design and manufacturing of marine engineering equipment; import and export of various commodities and technologies of its own and on agency basis. (Items subject to approval according to law shall only be carried out after approval by relevant departments)

#### 2. Shareholding Structure of the Target Company

As at the date of this announcement, the total share capital of Thvow Technology is 882,914,400 shares. Mr. Chen Yuzhong holds 175,053,374 shares of Thvow

Technology, representing 19.83% of the total share capital, Ms. Qian Fengzhu, the spouse of Mr. Chen Yuzhong, holds 7,514,196 shares of Thvow Technology and Qian Runqi, the son of Ms. Qian Fengzhu and Mr. Chen Yuzhong, holds 911,500 shares of Thvow Technology. Mr. Chen Yuzhong, Ms. Qian Fengzhu and Mr. Qian Runqi, acting in concert with each other, collectively hold 183,479,070 shares, representing 20.78% of the total share capital. Mr. Chen Yuzhong is the de facto controller of Thvow Technology. Before this transaction, the Company subscribed for 81,181,318 shares, representing 9.19% of the total share capital of Thvow Technology, pursuant to a non-public shares issuance of Thvow Technology. Upon completion of the transaction, the Company will directly hold an aggregate of 132,458,814 shares of Thvow Technology, representing 15.00% of the total share capital of Thvow Technology, and will hold the voting rights of 131,290,074 shares of Thvow Technology, representing 14.87% of the total share capital of Thvow Technology, by way of voting rights entrustment. The total number of shares of Thvow Technology with voting rights attached being held by the Company will be 263,748,888, representing 29.87% of the total share capital of Thvow Technology. Accordingly, Thvow Technology will constitute a subsidiary of the Company.

### 3. Principal Business of the Target Company

Thvow Technology, formerly known as Zhangjiagang Chemical Machinery Plant (張家港市化工機械廠), is a domestic famous professional manufacturer engaged in the design and manufacturing of pressure vessels and non-standard equipment in the fields of petrochemical industry, coal chemical industry, chemical industry, non-ferrous metal, etc. In 2016, Thvow Technology acquired 80% equity interests in China Sinogy Electric Engineering Co., Ltd.\* (中機國能電力工程有限公司), making it a domestic leading enterprise in respect of general contracting and service of power and new energy engineering and resulting in a diversified industrial pattern which mainly consists of new energy engineering services based on manufacturing of high-end equipment and aims at industrial breakthrough in respect of military-civilian integration.

Currently, the principal business of Thvow Technology consists of three segments, namely energy engineering services, manufacturing of high-end equipment and military-civilian integration:

	<b>Business segments</b>	<b>Main scope of business</b>
1	Energy engineering services	CSEEC, a controlled subsidiary of Thvow Technology, is primarily engaged in the EPC contracting, power engineering design and consulting and other services in the power industry. CSEEC possesses several grade A qualifications in the electrical engineering industry including grade A qualification certificate for engineering design, grade A qualification certificate for engineering consulting and grade A qualification certificate for engineering survey. It is one of the major enterprises engaged in EPC of power engineering in the PRC and its scope of service covers regional power plants, captive power plants, cogeneration projects, transmission

		and transformation networks, photovoltaic power stations, and wind power, solar-thermal and other new energy power stations.
2	Manufacturing of high-end equipment	ZCM, a wholly-owned subsidiary of Thvow Technology, is a key enterprise engaged in the manufacturing of high-end equipment. Its major products include heat exchangers, separators, reaction tanks, storage tanks, towers, filters, steam generators and other products of various materials and specifications and are mainly applied in the fields of refining and chemical industry, chemical industry, coal chemical industry, etc.
3	Military-civilian integration	Wuxi Hongqi Shipyard Co., Ltd. (無錫紅旗船廠有限公司), a subsidiary of Thvow Technology, is one of the first factories to set its presence in the field of scientific research and manufacturing of military products in the PRC. Its products mainly include river crossing equipment including amphibious pontoon bridge, special pontoon bridge, pavement, military auxiliary ship, sightseeing boat, azimuth stern drive tug, and numerous special equipment for military use and for military and civil use and military equipment maintenance services; at the same time, it has strong R&D capability and production capacity in the fields of civil ship, offshore living quarters, steel structure, grid structure construction, etc. Moreover, it provides after-sales services, repair and technical services and consulting services for the abovementioned products.

#### 4. Financial Position of the Target Company

Key financial data of Thvow Technology for the year ended 31 December 2017 and the six months ended 30 June 2018 is set out in the table below:

Unit: RMB0'000

	As at 30 June 2018	As at 31 December 2017
Total assets	2,654,043.12	2,258,671.74
Total liabilities	2,219,580.60	1,942,688.91
Equity interest attributable to the owner of the parent company	434,462.53	271,209.00
	For the six months ended 30 June 2018	For the year ended 31 December 2017
Revenue	397,968.55	1,040,368.36
Total profit	15,935.84	26,720.14
Net profit attributable to the owner of the parent company	10,299.31	22,514.56

Note: the financial data of Thvow Technology for year ended 31 December 2017 has been audited by Zhonghua Certified Public Accountants LLP. The financial data for the six months ended 30 June 2018 is unaudited.

**Net profit before and after tax of Thvow Technology for the two years ended 31 December 2017 are as follows:**

Unit: RMB0'000

	For the year ended 31	For the year ended 31

	December 2017	December 2016
Net profit before tax	26,720.14	-34,335.68
Net profit after tax	32,051.66	-30,589.59

#### IV. MAJOR CONTENTS OF THE AGREEMENT

##### 1. Share Purchase Agreement

On 3 August 2018, Shanghai Electric entered into the Share Purchase Agreement with Mr. Chen Yuzhong and Ms. Qian Fengzhu, the principal terms are set out as follows:

##### (1) Parties

Party A1: Mr. Chen Yuzhong

Party A2: Ms. Qian Fengzhu

Party B: Shanghai Electric Group Company Limited

##### (2) Underlying Shares

Party A1 and Party A2 agree to transfer and Party B agrees to acquire 4.96% and 0.85% equity interest in Thvow Technology (which represents 43,763,300 shares held by Party A1 and 7,514,196 shares held by Party A2, totaling 51,277,496 shares (the "Underlying Shares") by way of a purchase agreement.

##### (3) Consideration

After negotiation, both parties agreed that the consideration for the Underlying Shares shall be RMB350,225,297.68 (the "Share Transfer Price") and the price per share shall be RMB6.83 (equivalent to the closing price of A shares of Thvow Technology on the day prior to the date of signing the agreement by both parties (the "Price Per Share").

During the period commencing from the date of the agreement to the date on which the Underlying Shares are transferred to Party B, if Thvow Technology distributes share dividends with accumulated undistributed profit or transfers capital reserve or surplus reserve to share capital, the number of Underlying Shares under the agreement shall be increased accordingly, upon of which the Underlying Shares shall be the sum of 51,277,496 shares held by Party A in Thvow Technology and the increased shares distributed to or held by Party A in respect of such shares; and the Price Per Share shall be subject to downward adjustment accordingly.

During the period from the date of the agreement to the date on which the Underlying Shares are transferred to Party B, if Thvow Technology distributes cash dividends to Party A with accumulated undistributed profit, the Share Transfer Price payable by Party B to Party A shall be deducted with the actual amount of cash dividends from the Underlying Shares.

##### (4) Conditions precedent for completion

The share transfer and the entrustment of voting rights are mutually conditional on each other and shall be implemented simultaneously; and Party B's obligation to pay the Share Transfer Price under this agreement and Party A's obligation to complete transfer of the Underlying Shares under this agreement shall be conditional upon satisfaction of the following conditions:



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1) This agreement and the Voting Rights Entrustment Agreement have come into effect;

2) The pledge on the Underlying Shares has been released and the Underlying Shares are not subject to other restrictions on rights including other pledges or judicial measures including sealing or being frozen;

3) The Shenzhen Stock Exchange has issued a letter of confirmation on the share transfer by agreement as required by the procedures for the transfer by agreement of the Underlying Shares in accordance with the Guidelines on Agreed Transfer of Shares of Listed Companies of the Shenzhen Stock Exchange (《深圳證券交易所上市公司股份協議轉讓業務辦理指引》), the Guidance on Agreed Transfer of Tradable Shares of Listed Companies of the Shenzhen Stock Exchange (《深圳證券交易所上市公司流通股協議轉讓業務辦理指南》), etc.

4) Since the shares held by Party A1 have been pledged to Party B in the course of previous business activities, Party B agrees that, within 10 working days after receipt of collaterals in a sufficient amount and as recognized by Party B from Party A1 or a third party (if registration is required for the collaterals, subject to the date on which the guarantor submits the registration document in relation to the collaterals to the relevant registration authority and the registration takes effect; the collaterals include but are not limited to real estate, inventory, machinery and equipment, and equity interests in subsidiaries), it shall complete the procedures for release of pledge of the Underlying Shares with the assistance of Party A1.

#### **(5) Payment of the Share Transfer Price**

**Initial payment:** within two working days after the date on which this agreement comes into effect and all the conditions precedent for completion of this agreement are satisfied, Party B agrees to unconditionally pay 20% of the total Share Transfer Price (i.e., RMB70,045,059.54) to the designated account of Party A in a sufficient amount.

**Payment of balance:** within two working days after both parties complete the transfer of the Underlying Shares at the Securities Depository and Clearing Corporation, Party B shall unconditionally pay the remaining 80% of the Share Transfer Price (i.e., RMB280,180,238.14) to the designated account of Party A in a sufficient amount.

#### **(6) Liability for breach of contract**

After this agreement comes into effect, if Party B fails to pay the transaction consideration as scheduled in a sufficient amount in accordance with this agreement, Party B shall pay 0.05% of the outstanding payable Share Transfer Price to Party A as overdue fine for each day of delay until the transaction consideration is paid off. However, the aforementioned overdue fine shall not exceed 10% of the Share Transfer Price for the share transfer. If the consideration is not paid off for over 60 days and the outstanding amount accounts for more than 50% of the transaction consideration of the share transfer, Party A is entitled to notify Party B of terminating this agreement, and Party A shall return all the payments received as well as the interests accrued over the period at the interest rate for bank deposits of the same term to Party B. Party B shall pay 10% of the Share Transfer Price for the share transfer to Party A as liquidated damages (in particular, Party A is entitled to deduct the liquidated damages from all the payments received in advance).

After this agreement comes into effect, if Party B has fulfilled the necessary cooperation obligations and Party A fails to complete the procedures for the transfer of the Underlying Shares as scheduled according to the agreement, Party A shall pay 0.05% of the Share Transfer Price for the share transfer to Party B as overdue fine for each day

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of delay until the date of completion of the transfer. However, the aforementioned overdue fine shall not exceed 10% of the Share Transfer Price for the share transfer. If the procedures for transfer of the Underlying Shares are not completed for over 60 days, Party B is entitled to notify Party A of terminating this agreement, and Party A shall return all the payments received as well as the interests accrued over the period at the interest rate for bank deposits of the same term to Party B. Party A shall pay 10% of the Share Transfer Price for the share transfer to Party B as liquidated damages.

Unless otherwise stipulated in this agreement, the failure of either party to this agreement to perform or fully perform or delay performing its obligations under this agreement, or either party's violation of any of its statements, representations, commitments or warranties under this agreement shall constitute a breach of contract. The default party shall assume the liability for breach of contract to the fulfilling party and be liable to compensate the fulfilling party for all the losses suffered therefrom (including but not limited to the interests paid or interest loss due to the breach of contract, litigation expenses, preservation fees, execution fees, legal fees, and reasonable travel and accommodation fees incurred for participation in litigation action in other places).

#### **(7) Coming into effect, modification, rescission and termination of the agreement**

Both parties agreed that this agreement shall become effective upon signing by both parties and satisfying all the following conditions:

- 1) Obtaining the approval in respect of concentration matters by the State Administration for Market Regulation (if required);
- 2) The share transfer and voting rights entrustment arrangements have been approved by the competent state-owned assets supervision and administration authority.

Both parties agreed that this agreement shall be rescinded and terminated in case of the following circumstances:

- 1) Written consent by both parties;
- 2) If the conditions for this agreement coming into effect or the conditions precedent referred to in the second paragraph for the completion herein is not fully satisfied by 31 October 2018 or other time as otherwise agreed by both parties through negotiation, both parties are entitled to rescind this agreement and not to be held liable to each other for breach of contract. However, if the conditions precedent for completion ("the pledge on the Underlying Shares has been released and the Underlying Shares are not subject to other restrictions on rights including other pledges or judicial measures including attachment or being frozen") cannot be satisfied prior to expiry of the abovementioned term due to the reasons caused by one party (the "**Liable Party**", Party A1 and Party A2 are deemed as the same party in this clause), the Liabile Party is not entitled to rescind this agreement, and the other party is entitled to rescind this agreement and hold the Liabile Party liable for breach of contract, including but not limited to requiring the Liabile Party to be responsible for liquidated damages of 10% of the Share Transfer Price for the share transfer;
- 3) The party with the right to rescind the agreement may inform the other party of rescinding the agreement according to the terms of liability for breach of contract or force majeure under the agreement.

If this agreement has been rescinded and terminated in accordance with the abovementioned terms, this agreement shall cease to be effective, while the validity of any terms which are expressly provided for in this agreement or presumed to be effective or continually effective at or after such termination should not be affected. In

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addition to any remedies owned by either party (e.g. accountability for breach of contract), both parties shall, as soon as reasonably practicable, take the necessary actions to withdraw any application submitted to the government agencies and restore the transaction contemplated under this agreement to the original state before the transfer of shares.

**(8) Arrangement for transition period**

1) The transition period commences on the date of the signing of the agreement to the closing date. During the transition period, the parties shall comply with the regulations in Chinese laws regarding the transferring party, shareholder and transferee party of the listed company and duly perform its obligations and responsibilities and shall not harm the rights and interests of the listed company and other shareholders.

2) During the transition period, Party A shall perform the shareholder rights and obligations regulated by Chinese laws and regulations, articles of association of the listed company and other internal rules and regulations of the listed company.

3) During the transition period, Party A undertakes that the listed company will operate the business activities normally and will abide by Chinese laws, articles of association of the listed company and other internal rules and regulations of the listed company.

4) The parties will satisfy the closing issues under the agreement in accordance with and in compliance of the requirements regulated by laws and regulations as soon as possible.

**(9) Party A's warranties and undertakings**

1) Party A's signature and performance of the agreement shall not violate laws, regulations and normative documents that are binding on or will affect Party A (including but not limited to the "Securities Law" (《證券法》), the "Companies Law" (《公司法》), "Regulations Governing the Sell-down of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies" (《上市公司股東、董監高減持股份的若干規定》) and "Implementation Measures of Shenzhen Stock Exchange on the Sell-down of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies" (《深圳證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》), etc.) or restrictive terms of the contract.

2) Party A guarantees that, as of the date of signing of the agreement, the Underlying Shares have not been sealed up, frozen and put on the pending list for freezing; Party A has full interests in the Underlying Shares from the date of signing of the agreement until the date that the Underlying Shares are finally transferred to Party B; Party A may not set any mortgage, pledge, lien, guarantee, right of pre-emption, interests granted to any third party, restrictions or security interest of any kind and preference of any kind on the Underlying Shares, except those disclosed in writing to Party B before the signing of the agreement, or publicly disclosed by listed companies, or with the prior written consent of Party B.

3) Party A guarantees that, as of the date of signing of the agreement, there are no contracts, agreements or similar legal documents between Party A and any third party that are still valid for the transfer or custody of the Underlying Shares.

4) Party A guarantees that, during the negotiation on the signing of the agreement, all the information provided by Party A to Party B is true, accurate and complete in all material aspects.

5) Party A guarantees that, it has not withheld any material information about

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Thvow Technology and its subsidiaries from Party B during the due diligence process.

6) Party A guarantees that, from the date of signing of the agreement until the date that the Underlying Shares are finally transferred to Party B, it will not transfer any interests of the Underlying Shares to others, nor caused Thvow Technology and its controlled subsidiary to accept major transactions that violate laws and regulations, articles of association of Thvow Technology, the requirements of securities regulatory authorities and the principle of fairness or legal decision procedure.

7) Party A undertakes that, after the signing of the agreement, Party A shall not engage in any act that goes against the purpose of the agreement.

8) Party A undertakes that, Party B shall have the same right to know about Thvow Technology and its controlled subsidiaries as Party A before the transfer of the Underlying Shares to Party B. If Party B considers it necessary, Party A shall provide Party B with relevant materials in time to guarantee Party B's information rights.

9) Party A jointly and severally undertakes that it will shoulder all the economic and legal liabilities arising from violation of the above-mentioned guarantees and undertakings and compensate Party B for any losses caused in accordance with the provisions of the agreement and the requirements of laws and regulations.

#### **(10) Party B's warranties and undertakings**

1) Party B's signature and performance of the agreement shall not violate laws, regulations and normative documents that are binding on or will affect Party B (including but not limited to the "Securities Law", the "Companies Law", "Regulations Governing the Sell-down of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies" and "Implementation Measures of Shenzhen Stock Exchange on the Sell-down of Shares by Shareholders, Directors, Supervisors and Senior Management of Listed Companies", etc.) or restrictive terms of the contract.

2) Party B guarantees that, during the negotiation on the signing of the agreement, all the information provided by Party B to Party A is true.

3) Party B undertakes that, after the agreement taking effect, Party B shall not engage in any act that goes against the purpose of the agreement.

4) Party B will shoulder all the economic and legal liabilities arising from violation of the above-mentioned guarantees and undertakings and compensate Party A for any losses caused in accordance with the provisions of the agreement and the requirements of laws and regulations.

## **2. Voting Rights Entrustment Agreement**

On 3 August 2018, Shanghai Electric entered into the Voting Rights Entrustment Agreement with Mr. Chen Yuzhong, the main contents of which are as follows:

### **(1) Parties**

Principal: Mr. Chen Yuzhong ("Party A")

Trustee: Shanghai Electric Group Company Limited ("Party B")

### **(2) Entrustment Arrangement**

Party A agreed to irrevocably entrust Party B to exercise all the voting rights (including all the voting rights of the adjusted entrusted shares in the case of placement of shares, bonus issue, transfer of capital reserve to share capital, share split and distribution of dividend of the Target Company) attached to 131,290,074 tradable shares (the "Entrusted Shares", representing 14.87% of the total share capital of the Target Company) held by Party A in the Target Company ("Thvow Technology") during

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the validity period of this agreement (the "Voting Rights Entrustment Arrangement"). Party B agreed to accept the above entrustment by Party A.

Both parties agreed that Party A (including persons acting in concert with Shanghai Electric subject to restriction by Party A. Persons acting in concert has the same meaning as provided in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》)) shall not increase its shareholding in the Target Company at his own initiative without the prior written consent of Party B during the validity period of this agreement. If Party A increases its shareholding in the Target Company after obtaining the prior written consent of Party B, the voting rights attached to the additional shares shall be automatically and irrevocably entrusted to Party B.

Both parties agree that the Voting Rights Entrustment Arrangement and the share transfer are mutually conditional on each other and shall be implemented simultaneously.

### **(3) Term of the entrustment**

The term of exercise of the entrusted voting rights under the agreement shall commence on the date on which the agreement becomes effective and the share transfer is completed (including that date) to the date (inclusive) on which Party A or Party A's affiliates (under this article, "affiliate" means the entities of which 50% of the total share capital (exclude this percentage) are held and controlled by Mr. Chen Yuzhong) no longer holds any Entrusted Shares, and the aforementioned period shall not be less than 12 months. Party A is entitled to transfer the Entrusted Shares upon receipt of Party B's written consent and Party B has the pre-emptive right.

If both parties agreed to release or terminate the voting rights entrustment and enter into a termination agreement in writing, the voting rights entrustment under the agreement may be subject to early termination.

If the agreement fails to take effect before 31 December 2019 or the share transfer is not completed, the no-default party is entitled to terminate the agreement unilaterally and is not liable for breach of contract.

### **(4) Scope of the entrustment**

Both parties agreed that Party A shall irrevocably authorize Party B as the sole and exclusive agent of the Entrusted Shares, while Party B is entitled to exercise the following shareholders' rights (the "Entrusted Rights") at its own discretion and according to relevant laws and regulations and the articles of association of the Target Company effective in due time within the validity period of the agreement, including but not limited to:

1) Convene, hold and attend the extraordinary general meeting or the general meeting of the Target Company;

2) Submit shareholder proposals or resolutions in respect of, including but not limited to, nomination, recommendation, election or removal of directors (candidates) and supervisors (candidates), and give other instructions;

3) Exercise the voting rights over all matters to be discussed and decided at the general meeting of shareholders in accordance with relevant laws, regulations and normative documents or the articles of association of the Target Company effective in due time;

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4) Exercise voting rights as a proxy, sign relevant documents and cast a vote over each matter to be considered and voted at the general meeting of shareholders, except for matters directly involving the disposal of the ownership of the shares held by Party A, including the transfer and pledge of the Entrusted Shares.

As the abovementioned Voting Rights Entrustment is discretionary entrustment, for the resolutions proposed at the general meeting of the Target Company, Party B can vote at its own discretion, and there is no need for Party A to issue a power of attorney for each specific voting matter. However, if required by regulatory authorities, Party A shall issue relevant documents to fulfill the purpose of entrusting Party B to exercise voting rights under the Voting Rights Entrustment Agreement according to the requirements of Party B, while Party B shall bear the relevant expenses incurred by Party A.

In case of any changes in the total number of the Entrusted Shares due to the placement of shares, bonus issue, transfer of capital reserve to share capital, share split and distribution of dividend of the Target Company, the number of the Entrusted Shares under the agreement shall be adjusted accordingly. In that case, the agreement shall be automatically applicable to the adjusted Entrusted Shares.

#### **(5) Exercise of the Entrusted Rights**

To ensure that Party B can effectively exercise the voting rights of the Entrusted Shares during the validity period of the agreement, Party A shall provide sufficient assistance to Party B in exercise of the entrusted rights, including signing relevant legal documents in time when necessary (e.g., to meet requirements including but not limited to, submission of necessary documents to government authorities for approval, registration and filing) or according to the instructions of Party B.

If, at any time during the term of the Agreement, the grant or exercise of the Entrusted Rights under the Agreement cannot be fulfilled due to any reason, the parties shall immediately seek for an alternative that is the nearest to the part of agreement that cannot be fulfilled and, if necessary, sign a supplemental agreement to modify or adjust the terms of the agreement, to ensure that the purposes under the agreement can be accomplished.

#### **(6) Liability for breach of contract**

Party A's violation of any of the stipulations under the agreement or failure to perform any of its obligations under the agreement shall constitute a breach of contract under the agreement, and Party B is entitled to request Party A to make corrections or take remedial measures immediately. If Party A fails to make corrections or take remedial measures within five (5) days after receipt of Party B's written notice and its proposing request for correction, Party B is entitled to choose one or more of the following remedies for each breach of contract by Party A at its own discretion:

- 1) terminate the agreement;
- 2) compel Party A to carry out its obligations under the Agreement;
- 3) request Party A to pay 20% of the total Share Transfer Price for the share transfer under the Share Purchase Agreement as liquidated damages;
- 4) request Party A to compensate Party B for all losses (including but not limited to litigation expenses, preservation fees, execution fees, legal fees, and reasonable travel and accommodation fees incurred for participation in litigation action in other

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places).

Party B's violation of any of the stipulations under this Agreement or failure to perform any of its obligations under the Agreement shall constitute a breach of contract under the agreement, and Party A is entitled to request Party B to make corrections or take remedial measures immediately. If Party B fails to make corrections or take remedial measures within five (5) days after receipt of Party A's written notice and its proposing request for correction, Party A is entitled to choose one or more of the following remedies for each breach of contract by Party B:

- 1) compel Party B to carry out its obligations under the agreement;
- 2) request Party B to compensate Party A for all losses (including but not limited to litigation expenses, preservation fees, execution fees, legal fees, and reasonable travel and accommodation fees incurred for participation in litigation action in other places).

Notwithstanding this agreement or other stipulations, the legal force of the terms in relation to liability for breach of contract under the agreement is not subject to the effect of suspension or termination of the agreement.

#### **(7) Coming into effect of the agreement**

This agreement shall become effective upon signing by both parties and satisfaction of all of the following conditions:

- 1) Pass the review of concentration of undertakings by the State Administration for Market Regulation (if required);
- 2) The Voting Rights Entrustment Arrangement and the share transfer have been approved by the competent state-owned assets supervision and administration authority.

If the agreement fails to take effect before 31 December 2019 or the share transfer is not completed, the non-fault party is entitled to unilaterally rescind the agreement and be held not liable for the breach of contract.

#### **(8) Party A's representations, warranties and undertakings**

1) It has full and independent legal status and legal capacity, has the right to sign the Agreement, and can act as a litigant party independently;

2) It is a registered shareholder of the Target Company when the Agreement takes effect. Save for the pledge disclosed by the Target Company, no other actual or potential pledge, seizure, freezing and other right restrictions that would result in restrictions on Party B's ability to exercise its entrusted rights are created for the Entrusted Shares; neither was there any actual or potential controversy or dispute, during the validity period of the agreement;

3) Party A shall not exercise voting rights on the Entrusted Shares during the validity period of the Agreement. Party B may exercise its full and complete entrusted rights in accordance with the Agreement and the then effective articles of association of the Target Company;

4) Party A did not entrust a third party other than the interested party of the Agreement for the Entrusted Shares to exercise the entrusted rights stipulated in the Agreement. During the validity period of the Agreement, Party A shall not entrust a third party to exercise the entrusted rights without the prior written consent of Party B.

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5) During the validity period of the Agreement, Party A shall not transfer or pledge the Entrusted Shares without the prior written consent of Party B, except for the share pledges that has existed when the Agreement becomes effective.

6) Unless otherwise agreed by the parties, Party A shall ensure that its legal successor (legal successor refers to a natural person, legal person or other organization that receives the Underlying Shares through purchase and sale, barter, inheritance, accepting gifts or any other legal form) unconditionally assumes the rights and obligations under the Agreement pertaining to the ancestor when succeeding to the Entrusted Shares, accepts the same voting rights entrustment arrangement as stipulated in the Agreement, and signs a voting rights entrustment agreement to the satisfaction of Party B at the request of Party B;

7) Party A shall work with Party B interactively to support the listed company in the convoking and convening of the extraordinary general meeting and meetings of the board of directors and the supervisory committee, and in the reorganization of the board of directors and the supervisory committee after the Agreement takes effects and following the completion date (inclusive) of the share transfer;

8) Party A does not have the right/power to terminate the Agreement unilaterally;

9) During the validity period of the Agreement, Party A shall abide by the provisions of securities regulatory laws and regulations and the requirements of the securities regulatory authorities.

**(9) Party B's representations, warranties and undertakings**

1) It has full and independent legal status and legal capacity, has obtained due authorization to execute and perform the Agreement, and can act as a litigant party independently;

2) The trustees undertake to exercise the entrusted rights in accordance with relevant laws and regulations, the then effective articles of association of the Target Company and the stipulations of the Agreement;

3) It shall not use the voting rights entrustment under the Agreement to engage in any act that will prejudice the interests of the Target Company and Party A or other unlawful and non-compliance behaviors that are against the articles of association of the Target Company;

4) During the validity period of the Agreement, Party B shall abide by the provisions of securities regulatory laws and regulations and the requirements of the securities regulatory authorities.



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## **V. PURPOSE OF THE TRANSACTIONS AND IMPACT THEREOF ON THE COMPANY**

### **1. The Transactions are conducive to the enhancement of the Company's overall strength**

The principal business of Thvow Technology includes three business segments, i.e. energy engineering services, manufacturing of high-end equipment and military-civilian integration. It is complementary with Shanghai Electric in terms of customer structure, product mix and design capability. Particularly, in respect of energy engineering service segment, Thvow Technology possesses grade A qualification certificate for engineering design, grade A qualification certificate for engineering consulting and grade A qualification certificate for engineering survey and is experienced in power engineering projects. Shanghai Electric focuses its core advantages on equipment manufacturing. Therefore, both parties are highly complementary with each other.

Through the Transactions, the Company and Thvow Technology will establish an all-round business relationship, which is conducive to giving full play to their respective advantages in terms of capabilities and resources to complement each other. At the same time, both parties will strengthen business information exchange, provide market opportunities to each other and promote the common development in terms of energy engineering and equipment manufacturing, thereby enhancing both parties' overall strength.

### **2. The Transactions fit into the Company's development direction and helps accelerate business upgrading and transformation**

Thvow Technology is a strong competitor in the energy engineering industry. In addition to the traditional thermal power project, it also vigorously develops new energy engineering services. At present, Thvow Technology is advancing the construction of Zheng Jia Sha Wo Molten Salt Tower 50MW Solar Thermal Power Project (鄭家沙窩熔鹽塔式 5 萬千瓦光熱發電項目) in Yumen, Gansu, which applies the advanced molten salt tower power generation technology based on secondary reflection concentration, and has gained experience in solar thermal power generation technology, engineering design and project management.

The Transactions are important measures for the Company to expand its business layout and improve power engineering services. It is in line with its business development direction and helpful for accelerating the business transformation and upgrading towards "manufacturing + service".

### **3. The Transactions mark a significant move in response to the reform of state-owned enterprises**

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Through the Transactions, the Company will become the largest shareholder of Thvow Technology, a private listed company with a leading role in the EPC industry and non-standard pressure vessel manufacturing industry, which will help the Company to expand its main businesses and facilitate the further adjustment and optimization of state-owned capital layout structure to ultimately vitalize state-owned enterprises.

The Transactions are major steps for implementing the guiding ideology on reform of state-owned enterprises against the backdrop of deepening reform of state-owned enterprises. It helps bring into full play to the role of capital operation platform of the listed company to realize the preservation and appreciation of state-owned assets and improve the vitality and operating efficiency of state-owned economy.

## **VI. INFORMATION ON THE PARTY**

The Company is one of the largest industrial equipment manufacturing conglomerates in China engaged in the following principal activities: (i) design, manufacturing and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components, and provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power station environment protection and distributed energy systems; (ii) design, manufacturing and sale of thermal power equipment products and auxiliary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products; (iii) design, manufacturing and sale of elevators, electric motors, machine tools, marine crankshafts and other integrated electromechanical equipment products; and (iv) provision of integrated engineering services for power station projects and other industries, financial products and services, and functional services including international trading services, financial lease and related consulting services, insurance brokerage services and other functional services.

## **VII. RISK WARNINGS FOR THE TRANSACTIONS**

1. The share transfer agreement and the voting rights entrustment shall come into effect upon the approval from the competent state-owned assets supervision and administrative authorities and the review of concentration of undertakings by the State Administration for Market Regulation (if required). After the transaction agreement takes effect, it is also required to proceed with relevant procedures in accordance with relevant requirements of the Shenzhen Stock Exchange on agreed transfer, and registration of share transfer with Shenzhen Branch of China Securities Depository and Clearing Corporation Limited; there are certain uncertainties with the agreed share transfer and voting rights entrustment;

2. The Transactions are exposed to the risk that the parties to the transactions may not fulfill their obligations according to the agreement;

3. The Target Company is mainly engaged in general contracting of energy engineering and manufacturing of high-end equipment for the industries including power, new energy, petrochemical industry, and coal chemical industry. It is closely related to the investment in fixed assets by downstream customers and greatly subject to the trend of macro economy and national industrial policies. Any material adverse changes in the trend of domestic macro economy and industrial policies for energy and chemical industries will have adverse effects on the operating results of the Target

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Company.

Considering the above risk factors to which the Transactions are exposed, investors are advised to be cautious when dealing in securities of the company.

## **VIII. LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio for the transactions contemplated under the Share Purchase Agreement and Voting Rights Entrustment Agreement is more than 5%, but less than 25%, such transactions constitute discloseable transactions under Chapter 14 of the Listing Rules and are subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

By order of the Board

**Shanghai Electric Group Company Limited**

**ZHENG Jianhua**

*Chairman of the Board*

Shanghai, the PRC, 3 August 2018

*As of the date of this announcement, the executive director of the Company is Mr. ZHENG Jianhua; the non-executive directors of the Company are Mr. LI Jianjin, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. CHU Junhao.*

*\* For identification purpose only*