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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02727)

CONNECTED TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST IN THVOW ENKE

INTRODUCTION

The Board is pleased to announce that, on 9 September 2020, the Board considered and approved the Relevant Resolution, pursuant to which, Thvow Technology, a controlled subsidiary of the Company was approved to transfer the 100% equity interest it held in Thvow Enke to Pacific Mechatronic, at an estimated consideration of RMB215,679,000, which is subject to the final equity valuation result filed with state-owned assets authorities.

LISTING RULES IMPLICATION

As at the date of this announcement, Pacific Mechatronic is a wholly-owned subsidiary of SEC, and SEC is the controlling shareholder of the Company, holding approximately 58.00% equity interest in the total issued share capital of the Company. Therefore, Pacific Mechatronic is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for the Transaction, aggregated with the applicable percentage ratios for the Previous Transactions according to Rule 14A.81 of the Listing Rules, is more than 0.1%, but all the percentage ratios are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

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THE PROPOSED EQUITY TRANSFER AGREEMENT

Parties

Thvow Technology (Vendor); and
Pacific Mechatronic (Purchaser).

Consideration

The estimated consideration for the proposed equity transfer is RMB215,679,000.

Major content

1. Both parties agreed and confirmed that Thvow Technology shall transfer 100% equity interest in Thvow Enke (including all other interests attached to the equity interest) to Pacific Mechatronic as agreed herein, and Pacific Mechatronic shall pay the consideration for the equity transfer to Thvow Technology.

2. As agreed by both parties, a valuation shall be conducted with respect to Thvow Enke with the date when the industrial and commercial change registration of the capital increase in Thvow Enke is completed as the valuation benchmark date, and the equity interest shall be transferred at the appraisal value and in the percentage of shareholding filed with and confirmed by state-owned assets authorities.

3. Both parties agreed that, according to the asset valuation report, the estimated equity transfer consideration that Pacific Mechatronic needs to pay to Thvow Technology for the purchase of the target equity is RMB215,679,000 (an estimated equity transfer consideration, and the final consideration shall be the filed appraisal value confirmed by state-owned assets authorities) , 40% of which shall be paid by Pacific Mechatronic to Thvow Technology within ten working days after the effective date of this agreement, 50% of which shall be paid within ten working days after the appraisal value filed with state-owned assets authorities is confirmed, and 10% of which shall be paid within ten working days after the industrial and commercial change registration procedures for the relevant equity transfer are completed.

4. Taxation

Both parties shall hold liable for their respective tax liabilities arising from the execution and performance of this agreement.

5. Effectiveness and Validity

This agreement will come into effect after being approved by the competent authorities of both parties and signed and sealed by both parties.

BASIC SITUATION OF THE TARGET COMPANY

Thvow Enke was established in 2015 with a registered capital of RMB100,070,000, and the shareholder and shareholding structure immediately prior to the Transaction are as follows:

Serial No.	Contributory	Subscribed capital (RMB 0'000)	Paid-in capital (RMB 0'000)	Proportion of capital contribution
1	Thvow Technology	10,007	1,200	100%
	Total	10,007	1,200	100%

Note: On 4 September 2020, at the meeting of the board of directors of Thvow Technology, the Resolution in Relation to Increase of Capital Contribution to a Wholly-owned Subsidiary was considered and approved, pursuant to which, Thvow Technology proposed to increase its capital contribution in Thvow Enke with the appraisal value of the property of the 7th floor, 8th floor and 9th floor of Shanghai Youzu Building located at No.717 Yishan Road, Shanghai in its possession amounting to RMB249,974,970 as at 30 June 2020. The proposed increase of the registered capital amounts to RMB249,975,000. The subscribed capital of Thvow Enke is RMB100,070,000 and the paid-in capital of Thvow Enke is RMB12,000,000 immediately before the capital increase. Upon the completion of the capital increase, the subscribed capital of Thvow Enke will increase to RMB350,045,000 from RMB100,070,000 and the paid-in capital of Thvow Enke will increase to RMB261,975,000 from RMB12,000,000. As at the date of this announcement, the industrial and commercial registration procedure for the aforesaid registered capital increase has yet been completed, and the final results shall be subject to the approval and registration of industrial and commercial authority.

As at the date of this announcement, Thvow Enke's legal representative is: Zheng Changbo. Thvow Enke's registered address is Room 101, Floor One, Management House of Dongsheng Eight Country Park, Haidian District, Beijing. Thvow Enke's scope of business is natural science research and experimental development; nuclear physics technology development, technical consulting, technical services, technology promotion, and technology transfer; deep-sea machinery and equipment technology development; investment management; commercial houses renting; conference services; organization of exhibitions and displays; hotel management; computer technology training (nationwide enrollment not allowed); advertisement design, production, agency and release; organization of cultural and artistic exchange activities (excluding commercial performances); business management; economic and trade consulting; corporate planning; film and television planning; market research; catering management; application software services; sales of handicrafts, daily necessities, machinery and equipment; professional contracting (the company shall independently select business projects and carry out business activities according to law; for the purpose of conducting businesses subject to approval according to law, approval from relevant authorities shall be obtained first; and the company shall not engage in business activities which are prohibited and fall within the category of "being restricted" by the city's industrial policies.)

After the completion of the equity transfer, Thvow Enke will not be a subsidiary of the Company and as at the date of this announcement, the Company has indirectly held 100% equity interest in Thvow Enke for more than 12 months.

FINANCIAL INFORMATION AND VALUATION OF THE TARGET COMPANY AND THE PRICING OF THE EQUITY TRANSFER

As audited by Zhonghua Certified Public Accountants LLP, a firm qualified to engage in audit services for securities and futures related business, the main financial information of Thvow Enke for the most recent one year and a period prepared under China Accounting Standards for Business Enterprises is as follows:

Unit: RMB 0'000

Particulars	For the year ended 31 December 2019 (audited)	For the six months ended 30 June 2020 (audited)
Operating revenue	0	0
Net profit	-179.19	-31.8
Particulars	As at 31 December 2019 (audited)	As at 30 June 2020 (audited)
Total assets	156.89	125.10
Net assets	-3,397.80	-3,429.60

Net profit before and after tax of Thvow Enke prepared in accordance with the China Accounting Standards for Business Enterprises for the two years ended 31 December 2019 are as follows:

Unit: RMB 0'000

Particulars	For the year ended 31 December 2018 (audited)	For the year ended 31 December 2019 (audited)
Net profit before tax	-2,459.51	-179.18
Net profit after tax	-2,459.55	-179.19

As at the date of this announcement, Thvow Technology will engage an appraisal institute to conduct valuation on the market value of the entire equity interests of shareholders of Thvow Enke with the date when the industrial and commercial change registration of the capital increase in Thvow Enke is completed as the valuation benchmark date. Based on the primary valuation results, the entire equity interest of shareholders of Thvow Enke is expected to be RMB215,679,000. The Company will disclose the valuation results upon the completion of the

valuation by such appraisal institute and the final valuation results shall be subject to the valuation results filed with state-owned assets authorities.

USE OF PROCEEDS FROM THE EQUITY TRANSFER AND FINANCIAL IMPACT OF THE EQUITY TRANSFER

The proceeds received under the Equity Transfer will be used to replenish Thvow Technology's working capital and provide support for its healthy and sustainable development.

Immediately upon completion of the Equity Transfer, the Company will no longer hold any equity interest in Thvow Enke. Pacific Mechatronic will obtain 100% equity interest in Thvow Enke, and enjoy and assume the corresponding rights and obligations as the shareholder.

The Equity Transfer is expected not to result in any gain or loss for Thvow Technology, which will have no material impact on the Company.

REASONS FOR AND BENEFITS FROM THE EQUITY TRANSFER

The Equity Transfer will help Thvow Technology to further focus on its main business, improve asset operation efficiency, optimize asset structure and resource allocation, revitalize idle assets, and replenish working capital for the development of Thvow Technology.

OPINION FROM THE BOARD

Mr. Zheng Jianhua and Mr. Zhu Bin, both being Directors, hold directorship(s) or act as senior management in the SEC Group and its associates and thus have material interests in the Transaction. They have therefore abstained from voting on the Relevant Resolutions. Save as disclosed above, none of the other Directors has material interests in the Transaction.

The Directors (including the independent non-executive Directors) consider that the consideration for the Equity Transfer was determined after arm's length negotiations and the transaction thereunder is on normal commercial terms in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, Pacific Mechatronic is a wholly-owned subsidiary of SEC, and SEC is the controlling shareholder of the Company, holding approximately 58.00% equity interest in the total issued share capital of the Company. Therefore, Pacific Mechatronic is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for the Transaction, aggregated with the applicable percentage ratios for the Previous Transactions according to Rule 14A.81 of the Listing Rules, is more than 0.1%, but all the percentage ratios are less than 5%, the Transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

Pacific Mechatronic's main business is textile machinery, textile equipment, garment machinery, mechanical and electrical products, environmental protection equipment, computer engineering, office automation, metal materials, building materials, textile materials, clothing accessories, equipment leasing, the import and export business approved by Foreign Economic and Trade Commission, technology development, technology transfer, technical consulting and technical services in the professional field of textile machinery, textile equipment, and mechatronic equipment, self-owned property lease, property management, parking lot (garage) management, business services, etiquette service, exhibition and services, corporate image planning, culture and art exchanges and planning. The ultimate beneficial owner of Pacific Mechatronic is Shanghai State-owned Assets Supervision and Administration Commission.

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 interest 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. The ultimate beneficial owner of Thvow Technology is Shanghai State-owned Assets Supervision and Administration Commission.

DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;

“Company”	Shanghai Electric Group Company Limited, a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on The Stock Exchange of Hong Kong Limited under stock code 02727 and the A Shares of which are listed on the Shanghai Stock Exchange under stock code 601727;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Equity Transfer”	the proposed transfer of the 100% equity interest in Thvow Enke by Thvow Technology to Pacific Mechatronic for the estimated consideration of RMB215,679,000;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Pacific Mechatronic”	Pacific Mechatronic (Group) Co., Ltd. (太平洋機電(集團)有限公司), a limited company established in the PRC and a wholly-owned subsidiary of SEC, 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;
“Previous Transactions”	the transactions under the equity transfer agreements entered into between Thvow Technology and Pacific Mechatronic in relation to the transfer of the 98% equity interest in Zhanghuaji Ili Heavy Equipment Manufacture Co., Ltd. and the transfer of the 65% equity interest in Xinjiang Hefeng Zhanghuaji New Energy Equipment Co., Ltd, details of which are set out in the relevant announcement published by the Company on 4 September 2020;
“Relevant Resolution”	the resolution on Transfer of 100% Equity Interest in Thvow Enke by Suzhou Thvow Technology Co.,

	Ltd. which was submitted to the Board for consideration on 9 September 2020;
“RMB”	Renminbi, the lawful currency of the PRC;
“SEC”	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司), the controlling shareholder (as defined in the Listing Rules) of the Company holding 58.00% equity interest in the total issued share capital of the Company as at the date of this announcement;
“SEC Group”	SEC, its subsidiaries and its associates, but excluding the Group;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“Transaction”	the proposed transaction under the equity transfer agreement to be entered into between Thvow Technology and Pacific Mechatronic in relation to the transfer of the 100% equity interest in Thvow Enke;
“Thvow Enke”	Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. (天沃恩科(北京)核物理研究院有限公司), a limited company established in the PRC on 21 July 2015 and a subsidiary of Thvow Technology before the completion of the Transaction;
“Thvow Technology”	Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司), a joint stock limited company established in the PRC on 31 March 2001, the A Shares of which are listed on the Shenzhen Stock Exchange under stock code 002564 and a subsidiary of the Company, as of the date of this announcement; and
“%”	Percentage.

By order of the Board

Shanghai Electric Group Company Limited

ZHENG Jianhua

Chairman of the Board

Shanghai, the PRC, 9 September 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*