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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)



上海集優
SHANGHAI PRIME
上海集優機械股份有限公司
Shanghai Prime Machinery Company Limited
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02345)

SHANGHAI PRIME MINGYU MACHINERY
TECHNOLOGY CO., LTD.*

上海集優銘宇機械科技有限公司
(a company incorporated in the People's Republic of China with limited liability)

JOINT ANNOUNCEMENT

- (1) PRE-CONDITIONAL PRIVATISATION PROPOSAL OF SPM BY THE OFFEROR BY WAY OF MERGER BY ABSORPTION
 - (2) PROPOSED WITHDRAWAL OF LISTING OF SPM
 - (3) CONNECTED TRANSACTION OF SEG
- AND
- (4) RESUMPTION OF TRADING OF SPM H SHARES

Financial Adviser to SEG and the Offeror



BNP PARIBAS

1. INTRODUCTION

SEG, the Offeror and SPM are pleased to jointly announce that, on 15 October 2020, the Offeror and SPM entered into the Merger Agreement, pursuant to which the Offeror and SPM agreed to implement the Merger on and subject to the terms and conditions of the Merger Agreement, including the Pre-Condition and the Conditions. Upon the completion of the Merger, SPM will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

2. PROPOSED MERGER

Pursuant to the Merger Agreement, conditional upon, amongst others, the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions set out below, the Offeror will pay the Cancellation Price in the amount of HK\$1.60 per SPM H Share to the SPM H Shareholders (other than SEGH and SEHC, as described below).

Upon the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of SPM, and SPM will be eventually deregistered and dissolved.

The Offeror shall, as soon as possible and in any event no later than seven (7) business days (as defined under the Takeovers Code) after the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions, pay the Cancellation Price to all SPM H Shareholders (other than SEGH and SEHC, as described below).

Upon the payment of consideration to the SPM H Shareholders by or on behalf of the Offeror, all rights attaching to such SPM H Shares will cease to have effect and the relevant SPM H Shares will be cancelled, and the share certificates for the SPM H Shares will cease to have effect as documents or evidence of title.

The payment of the Cancellation Price will be financed by internal resources and/or external financing of the SEG Group.

The Offeror will not increase the Cancellation Price as set out above, and the Offeror does not reserve the right to do so.

3. PROPOSED WITHDRAWAL OF LISTING OF SPM H SHARES

An application will be made by SPM to the Stock Exchange for voluntary withdrawal of the listing of the SPM H Shares from the Stock Exchange upon satisfaction of the Pre-Condition and the Conditions, pursuant to Rule 6.15(2) of the Listing Rules.

SPM will issue separate announcements notifying SPM H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in SPM H Shares on the Stock Exchange and when the formal delisting of the SPM H Shares will become effective.

The listing of the SPM H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or otherwise lapses or does not become unconditional.

4. SHAREHOLDING IN THE COMPANY

As at the date of this joint announcement, the issued share capital of SPM is comprised of 1,725,943,420 SPM Shares, of which there are 814,291,420 SPM Domestic Shares and 911,652,000 SPM H Shares.

As at the date of this joint announcement,

- (a) SEG owns 814,291,420 SPM Domestic Shares, representing approximately 47.18% of all the SPM Shares in issue;
- (b) SEHC, a wholly-owned subsidiary of SEG, owns 136,089,062 SPM H Shares, representing approximately 7.88% of all the SPM Shares in issue;
- (c) SEGH, a wholly-owned subsidiary of SEGC and a fellow subsidiary of SEG, owns 76,658,400 SPM H Shares, representing approximately 4.44% of all the SPM Shares in issue;
- (d) Incentive Scheme Trustee holds 22,244,170 SPM H Shares, representing approximately 1.29% of all the SPM Shares in issue; and
- (e) SEG, SEHC, SEGH and Incentive Scheme Trustee together hold an aggregate of approximately 60.79% of all the SPM Shares in issue.

As at the date of this joint announcement, there are no outstanding options, warrants or convertible securities issued by SPM, and SPM has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than the SPM Shares.

5. DESPATCH OF THE COMPOSITE DOCUMENT

Subject to the fulfilment of the Pre-Condition, SPM will convene the SPM EGM and the SPM H Shareholders' Class Meeting for the SPM Shareholders and the SPM H Shareholders respectively to consider, and if thought fit, approve, the Merger and matters relating to its implementation. The Composite Document containing, amongst others, (i) further details of the Merger and the Merger Agreement, and other matters in relation to the Merger; (ii) a letter of advice issued by the Independent Financial Adviser to the Independent Board Committee, and (iii) recommendations and advice from the Independent Board Committee, together with a notice of the SPM EGM, a notice of the SPM H Shareholders' Class Meeting and proxy forms are expected to be despatched subsequent to the satisfaction of the Pre-Condition. As additional time is required for the satisfaction of the Pre-Condition, the Offeror and SPM will apply to the Executive for an extension of time to despatch the Composite Document under Rule 8.2 of the Takeovers Code.

Further announcement(s) will be made in respect of the despatch of the Composite Document if and when appropriate in accordance with the Takeovers Code.

6. IMPLICATIONS UNDER THE LISTING RULES IN RESPECT OF SEG

As SEGH is a wholly-owned subsidiary of SEGC, the controlling shareholder of SEG, and is therefore a connected person of SEG under the Listing Rules, the cancellation of all the SPM H Shares held by SEGH and the issuance of registered share capital by the Offeror (being a subsidiary of SEG) to SEGH pursuant to the SEGH Transaction will constitute a connected transaction of SEG.

As the highest applicable percentage ratio in relation to the above connected transaction with SEGH is more than 0.1% but less than 5%, such transaction will be subject to the announcement and reporting requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the related party transactions (as defined under the SSE Listing Rules) constituted by the SEGH Transaction together with other related party transactions between SEGC and SEG in the past 12 months exceeded 5% of the audited net asset value as at 31 December 2019, approval of Independent SEG Shareholders is required under the SSE Listing Rules (as detailed in sub-paragraph (3) under the section headed "*PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to the Merger Agreement becoming effective*"). For details, please refer to the SSE Announcements.

Further, Mr. Zhou Zhiyan, the Chairman of SPM, who holds 156,800 SPM H Shares, is a connected person of SEG at subsidiary level under the Listing Rules. The cancellation of those SPM H Shares held by Mr. Zhou and the payment of the Cancellation Price to him under the Merger will also constitute a connected transaction of SEG.

As the highest applicable percentage ratio in relation to the above connected transaction with Mr. Zhou Zhiyan is less than 1%, such transaction is fully exempt from the requirements under Chapter 14A of the Listing Rules.

7. WARNING

The Pre-Condition and the Effectiveness Conditions must be satisfied before the Merger Agreement will become effective. The Merger Agreement becoming effective is therefore a possibility only. Further, even if the Merger Agreement becomes effective, the implementation of the Merger is subject to the Implementation Conditions set out in this joint announcement being satisfied (or waived, if applicable). Neither the Offeror, SEG nor SPM provides any assurance that any or all Pre-Condition or Conditions will be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, the Merger may or may not be implemented.

Shareholders and potential investors in the securities of SEG and SPM should therefore exercise caution when dealing in the securities of SEG or SPM. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

NOTICE TO U.S. HOLDERS OF SHARES

The Merger will involve the cancellation of the securities of a company incorporated in the PRC with limited liability by means of a merger by absorption provided for under the laws of the PRC. The Merger is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this joint announcement has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The receipt of cash pursuant to the Merger by a U.S. holder of SPM Shares as consideration for the cancellation of its SPM Shares pursuant to the Merger may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of SPM Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of the implementation of the Merger.

U.S. holders of SPM Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as the Offeror and SPM are located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of SPM Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of SPM Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

1. INTRODUCTION

SEG, the Offeror and SPM are pleased to jointly announce that, on 15 October 2020, the Offeror and SPM entered into the Merger Agreement, pursuant to which the Offeror and SPM agreed to implement the Merger on and subject to the terms and conditions of the Merger Agreement, including the Pre-Condition and the Conditions. Upon the completion of the Merger, SPM will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

2. PROPOSED MERGER

Pursuant to the Merger Agreement, conditional upon, amongst others, the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions set out below, the Offeror will pay the Cancellation Price in the amount of HK\$1.60 per SPM H Share to the SPM H Shareholders (other than SEGH and SEHC).

The Offeror will not increase the Cancellation Price as set out above, and the Offeror does not reserve the right to do so. SPM H Shareholders and potential investors of SPM should be aware that, following the making of this statement, the Offeror cannot choose to increase the Cancellation Price except in wholly exceptional circumstances.

On the basis of (i) the Cancellation Price of HK\$1.60 per SPM H Share; (ii) 698,904,538 SPM H Shares in issue as at the date of this joint announcement (excluding the SPM H Shares held by SEGH and SEHC); and (iii) assuming there is no change in the number of SPM Shares in issue from the date of this joint announcement up to the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions set out below, the aggregate amount of cash consideration required for the payment of the Cancellation Price to be made by the Offeror under the Merger Agreement is HK\$1,118,247,260.80.

Upon the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of SPM, and SPM will be eventually deregistered and dissolved.

The Offeror and SEG have appointed BNP Paribas as its financial adviser in connection with the Merger.

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement are summarised as follows:

Parties (1) the Offeror; and
(2) SPM.

Overview of the Merger Subject to the terms and conditions of the Merger Agreement, the Merger will be implemented by the Offeror merging SPM by way of merger by absorption.

Upon the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of SPM, and SPM will eventually be deregistered and dissolved.

Cancellation Price Pursuant to the Merger Agreement, conditional upon, amongst others, the satisfaction (or waiver, if applicable) of the Pre-Condition, the Effectiveness Conditions and the Implementation Conditions (see the paragraphs headed “Pre-Condition to the Merger Agreement”, “Conditions to Merger Agreement becoming effective” and “Conditions to implementation of the Merger” below), the Offeror will pay the Cancellation Price on the following basis:

For each SPM H Share……………HK\$1.60 in cash

The Cancellation Price will, subject to the same conditions as stated above, be paid to the SPM H Shareholders (other than SEGH and SEHC, whose SPM H Shares will be cancelled in consideration of the issuance to them of registered capital in the Offeror, as set out in the paragraph headed “SPM H Shares held by SEGH and SEHC” below) whose names appear on the register of SPM H Shareholders on a relevant record date to be announced.

**Pre-Condition to the
Merger Agreement**

The Merger Agreement is subject to the satisfaction of a pre-condition (the “**Pre-Condition**”), being the filing, registration or approval, as applicable, with PRC government and/or regulatory authorities including without limitation (1) the National Development and Reform Commission of the PRC; (2) the Ministry of Commerce of the PRC; and (3) the State Administration of Foreign Exchange of the PRC, or their respective local authorities or authorised entities, and such other applicable governmental approvals in respect of the Merger having been obtained or completed.

Save for the governmental approvals as stated in subparagraphs (1) to (3) above and, if applicable, subparagraph (4) under the paragraph headed “Conditions to the Merger Agreement becoming effective” below, as at the date of this joint announcement, the Offeror is not aware of any other applicable governmental approvals which are required in respect of the Merger.

The Pre-Condition is not waivable. If the Pre-Condition is not satisfied by the Pre-Condition Longstop Date, the Merger Agreement will not become effective and may be terminated by either party.

**Conditions to the Merger
Agreement becoming
effective**

Provided that the Pre-Condition has been satisfied by the Pre-Condition Longstop Date, the Merger Agreement will become effective upon the satisfaction of a number of conditions (the “**Effectiveness Conditions**”) which are set out as follows:

- (1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the SPM Shareholders present and voting in person or by proxy at the SPM EGM to approve the Merger under the Merger Agreement in accordance with the SPM Articles and the PRC Laws;

- (2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the SPM H Shareholders' Class Meeting to be convened for this purpose, provided that (a) approval is given by at least 75% of the votes attaching to the SPM H Shares held by the Independent SPM H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against such resolution(s) is not more than 10% of the votes attaching to all SPM H Shares held by the Independent SPM H Shareholders;
- (3) the passing of ordinary resolution(s) by way of poll by the Independent SEG Shareholders present and voting in person or by proxy at the SEG EGM to approve the related party transactions (within the meaning of the SSE Listing Rules) under the Merger Agreement in accordance with the PRC Laws and the SSE Listing Rules; and
- (4) if applicable, the filing, registration or approval, as applicable, with the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, or its local authorities or authorised entities, in respect of the Merger having been obtained or completed.

None of the Effectiveness Conditions is waivable. If the Effectiveness Conditions are not satisfied by the Conditions Longstop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed "Termination" in this section.

**Conditions to
implementation of the
Merger**

Provided that the Pre-Condition has been satisfied by the Pre-Condition Longstop Date and the Effectiveness Conditions have been satisfied by the Conditions Longstop Date, the implementation of the Merger will be subject to the satisfaction (or waiver, if applicable) of a number of conditions (the "**Implementation Conditions**"), which are set out as follows:

- (1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement which has a material adverse impact on the Merger;
- (2) there being no material breach of the representations, warranties or undertakings given by SPM in the Merger Agreement which has a material adverse impact on the Merger;
- (3) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Merger void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to, the Merger (other than such order(s) or decision(s) that would not have a material adverse effect on the legal ability of the Offeror to proceed with the Merger);
- (4) no event having occurred which would make the Merger void, unenforceable or illegal or which would prohibit the implementation of the Merger or impose any additional material conditions or obligations with respect to the Merger or any part thereof or otherwise on the SEG Group or the SPM Group (other than such event(s) that would not have a material adverse effect on the legal ability of the Offeror to proceed with the Merger); and
- (5) save in connection with the implementation of the Merger, the listing of the SPM H Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the SFC and/or the Stock Exchange, to the effect that the listing of the SPM H Shares on the Stock Exchange is or is likely to be withdrawn.

SPM will be entitled to waive the Implementation Condition in item (1) above and the Offeror will be entitled to waive the Implementation Condition in item (2) above. The Implementation Conditions in items (3), (4) and (5) are not waivable. If the Implementation Conditions are not satisfied (or waived, if applicable) by the Conditions Longstop Date, the Merger Agreement may be terminated by either party.

As at the date of this joint announcement, none of the Pre-Condition and the Conditions has been satisfied or, if applicable, waived.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Merger, or terminate the Merger Agreement in accordance with the paragraph headed “Termination” in this section as a basis for not proceeding with the Merger, if the circumstances which give rise to a right to invoke any such Condition or termination right are of material significance to the Offeror in the context of the Merger.

SPM Shares held by the trustee of the Incentive Scheme

The Incentive Scheme was adopted by SPM on 17 January 2014 and amended on 16 December 2016, pursuant to which SPM paid to the Incentive Scheme Trustee certain amounts in cash to purchase SPM Shares to be held by it on behalf of the eligible participants of the Incentive Scheme.

As at the date of this joint announcement:

- (1) the Incentive Scheme has expired, and no further share awards will be granted or vested under the Incentive Scheme. Accordingly, no further acquisition of SPM Shares by the Incentive Scheme Trustee will be required under the Incentive Scheme;

- (2) 22,244,170 SPM H Shares (representing approximately 2.44% of all the SPM H Shares in issue and 1.29% of all the SPM Shares in issue) are held by the Incentive Scheme Trustee, and such SPM H Shares remain unawarded.

As part of the Merger, conditional upon, amongst others, the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions, the SPM H Shares held by the Incentive Scheme Trustee will be cancelled and in consideration therefor the Offeror will pay to the Incentive Scheme Trustee the Cancellation Price for each SPM H Shares held by the Incentive Scheme Trustee as at the record date to be announced for ascertaining entitlements to the Cancellation Price for the Merger.

The SPM Board proposes to terminate the Incentive Scheme in accordance with the rules thereof upon completion of the Merger. Upon such termination and in accordance with the rules thereof, all residual cash and funds remaining to be held by the Incentive Scheme Trustee shall be returned to SPM or such other entity of the SPM Group as designated by SPM.

The Incentive Scheme Trustee, in its capacity as trustee of the Incentive Scheme, is a concert party of the Offeror. Accordingly, the Incentive Scheme Trustee is not an Independent SPM H Shareholder, and the SPM H Shares held by the Incentive Scheme Trustee will not be regarded as SPM H Shares held by the Independent SPM H Shareholders.

In addition, the rules of the Incentive Scheme prohibit the Incentive Scheme Trustee from exercising the voting rights attached to the SPM H Shares held by it under the Incentive Scheme. Accordingly, the Incentive Scheme Trustee will be required to abstain from voting at the SPM EGM and the SPM H Shareholders' Class Meeting.

**SPM H Shares held by
SEGH and SEHC**

Pursuant to the Merger Agreement, the SPM H Shares held by SEGH will be cancelled upon the completion of the Merger. In consideration for the cancellation of those shares, SEGH will be issued with such amount of registered capital denominated in RMB in the Offeror which is equivalent to the Cancellation Price for each SPM H Share based on the Payment Exchange Rate, multiplied by each SPM H Share so cancelled (the “**SEGH Transaction**”).

Further, pursuant to the Merger Agreement, the SPM H Shares held by SEHC will be cancelled upon the completion of the Merger. In consideration for the cancellation of those shares, SEHC will be issued with such amount of registered capital denominated in RMB in the Offeror which is equivalent to the Cancellation Price for each SPM H Share based on the Payment Exchange Rate, multiplied by each SPM H Share so cancelled (the “**SEHC Transaction**”).

The proposed cancellation of SPM H Shares under each of the SEGH Transaction and the SEHC Transaction is conditional upon the satisfaction of the Pre-Condition and the Conditions as stated above.

The original acquisition cost to SEGH of the SPM H Shares held by it amounted to HK\$92,297,114.19 in aggregate.

**SPM Domestic Shares
held by SEG**

Pursuant to the Merger Agreement, the SPM Domestic Shares held by SEG will be cancelled upon the completion of the Merger. In consideration for the cancellation of those shares, SEG will be issued with such amount of registered capital denominated in RMB in the Offeror which is equivalent to the Cancellation Price for each SPM H Share based on the Payment Exchange Rate, multiplied by each SPM Domestic Share so cancelled.

The proposed cancellation of the SPM Domestic Shares is conditional upon the satisfaction of the Pre-Condition and the Conditions as stated above.

Payment of consideration to the SPM H Shareholders (other than SEGH and SEHC) The Offeror shall, as soon as possible and in any event no later than seven (7) business days (as defined under the Takeovers Code) after the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions, pay the Cancellation Price to all SPM H Shareholders (other than SEGH and SEHC).

Upon the payment of consideration to the SPM H Shareholders by or on behalf of the Offeror, all rights attaching to such SPM H Shares will cease to have effect and the relevant SPM H Shares will be cancelled, and the share certificates for the SPM H Shares will cease to have effect as documents or evidence of title.

Dividend SPM shall not declare, make and/or pay any dividend or other distribution from the date of the Merger Agreement up to and including the date of the completion of the Merger or the termination of the Merger Agreement (as the case may be).

Right of Dissenting SPM Shareholders According to the SPM Articles and PRC Company Law, any Dissenting SPM Shareholder may, by written notice, request SPM and/or other SPM Shareholders who have approved the Merger (collectively, the “**Consenting SPM Shareholders**”), to acquire its SPM Shares at a “fair price”.

Under the Merger Agreement, if any Dissenting SPM Shareholder exercises such rights, the Offeror may, upon the request by SPM and/or the Consenting SPM Shareholders, assume the obligation which SPM and/or the Consenting SPM Shareholders may have towards such Dissenting SPM Shareholders to acquire the SPM Shares held by such Dissenting SPM Shareholders at a “fair price”.

The provisions in respect of the rights of Dissenting SPM Shareholders to demand SPM and/or the Consenting SPM Shareholders to acquire its SPM Shares at a “fair price” are set out only in the SPM Articles and are not otherwise stipulated in any PRC Laws. There is no written/published administrative guidance on the substantive and procedural rules as to how the “fair price” will be determined under the PRC Laws. Accordingly, no assurance may be given as to (i) the time required for such acquisition process; (ii) any favourable results to the Dissenting SPM Shareholders and/or (iii) the costs which may be incurred by the Dissenting SPM Shareholders in determining the “fair price” for such acquisition process.

In addition, the exercise of such right by a Dissenting SPM Shareholder is subject to the following criteria:

- (1) such Dissenting SPM Shareholder having validly voted against the resolutions in respect of the Merger at the SPM EGM and the SPM H Shareholders’ Class Meeting;
- (2) such Dissenting SPM Shareholder having been validly registered as a shareholder on the share register since the record date for the SPM EGM and the SPM H Shareholders’ Class Meeting, and having held such SPM Shares in respect of which it intends to exercise such right until the Exercise Date; and
- (3) such Dissenting SPM Shareholder having exercised such right during the Declaration Period.

A Dissenting SPM Shareholder is not entitled to exercise such right in respect of such SPM Shares held by it upon occurrence of any one of the following:

- (1) such Dissenting SPM Shareholder has undertaken to SPM to waive its right;

- (2) such Dissenting SPM Shareholder is prohibited from exercising such right in accordance with applicable laws; or
- (3) any SPM Share held by such Dissenting SPM Shareholder is subject to pledge, other third party rights or judicial moratorium, and no written consent or approval has been obtained from the relevant pledgee, third party or competent authority.

For the avoidance of doubt, if the Merger does not proceed as a result of the Pre-Condition or Conditions not being satisfied (or waived, if applicable) or if the Merger otherwise lapses or does not become unconditional, the Dissenting SPM Shareholders (if any) shall not be entitled to exercise such rights as described above.

Termination

The Merger Agreement may be terminated in any of the following circumstances:

- (1) by either the Offeror or SPM, if
 - (i) any competent governmental authority issues any order, decree, ruling or take any other actions which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed, provided that both the Offeror and SPM shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising such rights of termination;
 - (ii) the Pre-Condition has not been satisfied on or before the Pre-Condition Longstop Date;
 - (iii) the Effectiveness Conditions have not been satisfied on or before the Conditions Longstop Date; or
 - (iv) the Implementation Conditions have not been satisfied (or waived, if applicable) on or before the Conditions Longstop Date;

- (2) by the Offeror, if SPM commits a material breach of the representations, warranties or undertakings given by SPM in the Merger Agreement which has a material adverse impact on the Merger; or
- (3) by SPM, if the Offeror commits a material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement which has a material adverse impact on the Merger.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Merger, or terminate the Merger Agreement in accordance with this paragraph as a basis for not proceeding with the Merger, if the circumstances which give rise to a right to invoke any such Condition or termination right are of material significance to the Offeror in the context of the Merger.

4. CANCELLATION PRICE

The Cancellation Price of HK\$1.60 per SPM H Share was determined by the Offeror and SPM after taking into account, among others, (i) the historical prices of the SPM H Shares traded on the Stock Exchange; (ii) the offer price in other privatisation and merger by way of absorption transactions in Hong Kong in recent years; and (iii) the factors as set out in the section headed “5. *REASONS AND BENEFITS OF THE MERGER*”.

Comparison of value

The Cancellation Price of HK\$1.60 per SPM H Share represents:

- (a) a premium of approximately 68.4% over the closing price per SPM H Share of HK\$0.95 as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 107.8% over the closing price per SPM H Share of HK\$0.77 as quoted on the Stock Exchange on 8 October 2020 (being the last complete trading date before the trading halt of SPM on 9 October 2020);

- (c) a premium of approximately 110.5% over the average closing price per SPM H Share of approximately HK\$0.76 as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 110.5% over the average closing price per SPM H Share of approximately HK\$0.76 as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a discount of approximately 42.0% to the audited consolidated net asset value attributable to owners of SPM of approximately HK\$2.76 per SPM Share (based on (i) the audited consolidated net asset value attributable to owners of SPM as stated in the 2019 SPM Annual Report; (ii) 1,725,943,420 SPM Shares in issue as at the date of this joint announcement; and (iii) the Exchange Rate); and
- (f) a discount of approximately 41.0% to the unaudited consolidated net asset value attributable to owners of SPM of approximately HK\$2.71 per SPM Share (based on (i) the unaudited consolidated net asset value attributable to owners of SPM as stated in the 2020 SPM Interim Report; (ii) 1,725,943,420 SPM Shares in issue as at the date of this joint announcement; and (iii) the Exchange Rate).

Highest and lowest prices

During the six-month period immediately up to and including the Last Trading Date, the highest closing price of the SPM H Shares as quoted on the Stock Exchange was HK\$0.96 on 30 July 2020 and the lowest closing price of the SPM H Shares as quoted on the Stock Exchange was HK\$0.53 on 22, 25 and 28 May 2020.

Aggregate Cancellation Price and value of the Merger

On the basis of (i) the Cancellation Price of HK\$1.60 per SPM H Share; (ii) 698,904,538 SPM H Shares in issue as at the date of this joint announcement (excluding the SPM H Shares held by SEGH and SEHC); and (iii) assuming there is no change in the number of SPM Shares in issue from the date of this joint announcement up to the satisfaction (or waiver, if applicable) of the Pre-Condition and the Conditions set out below, the aggregate amount of cash consideration required for the payment of the Cancellation Price to be made by the Offeror under the Merger Agreement is HK\$1,118,247,260.80.

The consideration for the cancellation of the SPM Domestic Shares held by SEG is to be satisfied through the issuance of registered capital of the Offeror as described in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT – SPM Domestic Shares held by SEG*”.

Confirmation of financial resources

The payment of the Cancellation Price will be financed by internal resources and/or external financing of the SEG Group.

BNP Paribas, being the financial adviser to SEG and the Offeror, is satisfied that sufficient financial resources (in the form of banking facilities) are available to the Offeror (as undertaken by SEHC, being a wholly-owned subsidiary of SEG to fully fund the Offeror) for the satisfaction of the Offeror’s obligations for paying the Cancellation Price in respect of the full implementation of the Merger (which, for the avoidance of doubt, excludes the cancellation of all SPM H Shares held by each of SEGH and SEHC, and the cancellation of all SPM Domestic Shares held by SEG.)

5. REASONS AND BENEFITS OF THE MERGER

The SEG Board observes that the business environment in which SPM operates is uncertain, difficult and challenging. As mentioned in the 2019 SPM Annual Report, 2019 was a year with uncertainties characterized by weaker demand in global car markets especially in Europe and China; unfavorable trade environment underscored by tension in United States-China trade relations; general slow-down in China’s macro-economy; as well as continued downturn in demand for coal-fired power equipment in China. Against this backdrop, SPM Group’s revenue for the year ended 31 December 2019 declined by 7.0% to approximately RMB8,395 million as compared with RMB9,028 million for the year ended 31 December 2018, primarily due to the contraction in revenue of the fastener business segment especially automotive fastener. As mentioned in the 2020 SPM Interim Report, SPM Group recorded a turnover of RMB3,324 million for the six months ended 30 June 2020, representing a decrease of 25.9% as compared with the corresponding period in 2019. The COVID-19 epidemic has caused disruptions to certain operations of SPM Group in the first half of 2020 and it continues to cause uncertainties to SPM Group in the foreseeable future as the demand of automotive and aviation industries, which are SPM Group’s major target markets, remain weak and vulnerable to the development of the epidemic.

The SEG Board also notes that the H share price of SPM is generally at a downward trend since 2018. Further, the trading volume of the SPM H Shares is low with the average daily trading volume at about 1,137,447 SPM H Shares for the past 18 months up to and including the Last Trading Date, representing approximately 0.1% of the total issued SPM H Shares as at the Last Trading Date.

With such an uncertain, difficult and challenging business environment while given the share price performance and low liquidity of the SPM H Shares, the SEG Board believes that SPM's ability to raise funds from the public equity market is currently limited and it is unlikely to expect any significant improvement in the foreseeable future. As such, the SEG Board has reconsidered the need for keeping SPM as a separate listing vehicle within SEG Group. The SEG Board is of the view that the delisting of SPM would reduce the costs and management resources associated with the maintenance of SPM's listing on the Stock Exchange and its publicly listed status and, therefore, the delisting would result in a more cost effective group structure for SEG Group.

To combat the current operating environment, as mentioned in the 2020 SPM Interim Report, SPM is taking various strategies and measures. It is intended that SPM will continue to carry out these strategies and measures upon implementation of the Merger with SPM being wholly owned by SEG Group. The SEG Board believes that the delisting would create more flexibility for SEG Group to carry out these strategies and measures in an efficient manner and free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

The SPM Board considers that the Merger would provide the SPM H Shareholders (other than SEGH and SEHC) with an attractive opportunity to monetize their investments and interests in the SPM for cash at a premium over the prevailing market price (details of which are set out in the paragraph headed "4. CANCELLATION PRICE – Comparison of value"). The SPM Board has also taken into account that without the Merger, the low trading liquidity of SPM H Shares could make it difficult for the SPM H Shareholders to execute substantial on-market disposals within a reasonable timeframe without facing significant downward pressure on exit prices.

6. INFORMATION ON THE PARTIES

(1) Information on the Offeror and SEG

The Offeror is a newly incorporated company incorporated in the PRC with limited liability, and as at the date of this joint announcement, is a wholly-owned subsidiary of SEG.

SEG is a joint stock company incorporated in the PRC with limited liability, whose A shares are listed on the Shanghai Stock Exchange (stock code: 601727) and H shares are listed on the Main Board of the Stock Exchange (stock code: 2727). The SEG Group is one of the largest industrial equipment manufacturing conglomerates in PRC 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; and provision of high-end property services and etc.

As at the date of this joint announcement, SEGC owns 8,794,900,875 shares in SEG (representing 58.03% of all the shares in SEG in issue) and is the controlling shareholder of SEG, and the ultimate beneficial owner of the SEG Group is Shanghai SASAC.

(2) Information on SPM

SPM is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 2345). The principal activities of the SPM Group are design, manufacture and sale of turbine blades, bearings, fasteners, cutting tools and others, the provision of related technical services and investment holding.

Set out below is the financial information of the SPM Group for the six months ended 30 June 2020 (as extracted from the 2020 SPM Interim Report), and the two years ended 31 December 2018 and 2019 (as extracted from the 2019 SPM Annual Report).

	For the six months ended 30 June 2020 (RMB'000) (unaudited)	For the year ended 31 December 2019 (RMB'000) (audited)	For the year ended 31 December 2018 (RMB'000) (audited)
Revenue	3,324,390	8,394,708	9,027,535
(Loss) /Profit for the period/ year attributable to owners of SPM	(22,023)	127,371	280,438

	As at 30 June 2020 <i>(RMB'000)</i> (unaudited)	As at 31 December 2019 <i>(RMB'000)</i> (audited)	As at 31 December 2018 <i>(RMB'000)</i> (audited)
Total assets	9,628,370	9,644,284	9,658,220
Total equity attributable to owners of SPM	4,070,684	4,145,726	4,111,396

(3) Information on SEGH

SEGH is a private company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of SEGC. The principal business activity of SEGH is investment holding.

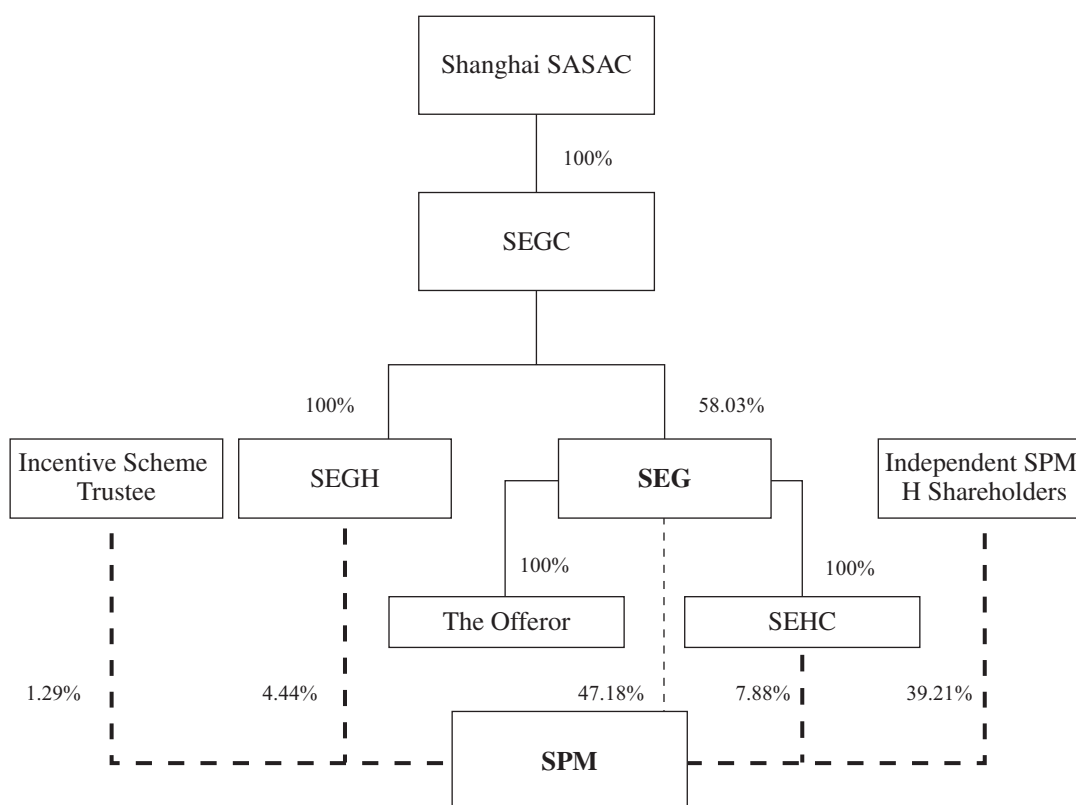
(4) Information on SEHC

SEHC is a private company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of SEG. The principal business activity of SEHC is investment holding.

(5) Shareholding in SPM

As at the date of this joint announcement, the issued share capital of SPM is comprised of 1,725,943,420 SPM Shares, of which there are 814,291,420 SPM Domestic Shares and 911,652,000 SPM H Shares.

Set out below is a simplified shareholding structure of SPM as at the date of this joint announcement:



Legend (in respect of shareholdings in SPM only):

- - - - - SPM H Shares

..... SPM Domestic Shares

Notes:

1. The SPM Shares directly held by SEG are SPM Domestic Shares. The SPM Shares directly held by SEHC, SEGH, the Incentive Scheme Trustee and the Independent SPM H Shareholders are SPM H Shares.
2. The percentages in the diagram above are expressed as percentages of all SPM Shares in issue.
3. Some intermediate holding entities have been omitted to simplify presentation.

As at the date of this joint announcement,

- (a) SEG owns 814,291,420 SPM Domestic Shares, representing approximately 47.18% of all the SPM Shares in issue;
- (b) SEHC, a wholly-owned subsidiary of SEG, owns 136,089,062 SPM H Shares, representing approximately 7.88% of all the SPM Shares in issue;

- (c) SEGH, a wholly-owned subsidiary of SEGC and a fellow subsidiary of SEG, owns 76,658,400 SPM H Shares, representing approximately 4.44% of all the SPM Shares in issue;
- (d) Incentive Scheme Trustee holds 22,244,170 SPM H Shares, representing approximately 1.29% of all the SPM Shares in issue; and
- (e) SEG, SEHC, SEGH and Incentive Scheme Trustee together hold an aggregate of approximately 60.79% of all the SPM Shares in issue.

The table below summarises the shareholding structure of SPM as at the date of this joint announcement:

Shareholders	Number of SPM H Shares interested	Approximate % of the SPM H Shares in issue	Number of SPM Domestic Share interested	Approximate % of the SPM Domestic Shares in issue	Number of SPM Shares interested	Approximate % of the SPM Shares in issue
The Offeror and its concert parties	234,991,632	25.78%	814,291,420	100%	1,049,283,052	60.79%
The Offeror	–	–	–	–	–	–
SEG	–	–	814,291,420	100%	814,291,420	47.18%
SEHC	136,089,062	14.93%	–	–	136,089,062	7.88%
SEGH	76,658,400	8.41%	–	–	76,658,400	4.44%
Incentive Scheme Trustee	22,244,170	2.44%	–	–	22,244,170	1.29%
Independent SPM H Shareholders	676,660,368	74.22%	–	–	676,660,368	39.21%
– Mr. Zhou Zhiyan (Note 1)	156,800	0.02%	–	–	156,800	0.00%
– Independent SPM H Shareholders other than Mr. Zhou Zhiyan	676,503,568	74.20%	–	–	676,503,568	39.21%
Total number of SPM Shares in issue	911,652,000	100%	814,291,420	100%	1,725,943,420	100%

Notes:

1. A director of SPM. As there is no agreement or understanding between Mr. Zhou Zhiyan on the one hand, and the Offeror and SEG on the other, with respect to obtaining or consolidating the control of SPM, Mr. Zhou Zhiyan is an Independent SPM H Shareholder.

As at the date of this joint announcement, there are no outstanding options, warrants or convertible securities issued by SPM, and SPM has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than the SPM Shares as disclosed above.

(6) Other arrangements

The Offeror confirms that, as at the date of this joint announcement:

- (i) save as disclosed in the section headed “6. *INFORMATION ON THE PARTIES – (5) Shareholding in SPM*”, none of the Offeror or its concert parties owns or has control or direction over any SPM Shares or voting rights of SPM;
- (ii) none of the Offeror or its concert parties has entered into any outstanding derivative in respect of securities of SPM;
- (iii) none of the Offeror or its concert parties holds convertible securities, warrants or options in respect of securities of SPM;
- (iv) none of the Offeror or its concert parties has received any irrevocable commitment in relation to voting of the resolutions in respect of the Merger;
- (v) save for the Merger Agreement and the transactions contemplated thereunder, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the registered capital of the Offeror or the SPM Shares and which might be material to the Merger;
- (vi) there is no agreement or arrangement (other than the Merger and the transactions contemplated thereunder) to which the Offeror is a party which relates to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition of the Merger;
- (vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in SPM which the Offeror or its concert parties have borrowed or lent; and
- (viii) there is no special deal (as defined under Rule 25 of the Takeovers Code) between (i) any SPM Shareholder; and (ii)(a) the Offeror and its concert parties or (b) the SPM Group or its associated companies.

7. BOARD APPROVAL, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The SPM Board approved the Merger and its related matters at the board meeting on 15 October 2020.

The SPM Board has established the Independent Board Committee, consisting of the non-executive director of SPM, being Mr. Dong Yeshun, and all of the independent non-executive directors of SPM, being Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang. Such committee will advise the Independent SPM H Shareholders as to: (i) whether the terms of the Merger are fair and reasonable as required under the Takeovers Code; and (ii) whether to vote in favour of the Merger at the SPM EGM and the SPM H Shareholders' Class Meeting.

The Independent Financial Adviser will be appointed by the Independent Board Committee to provide advice to it in respect of the Merger. An announcement will be made by SPM as soon as possible after the appointment of such independent financial adviser. The Independent Board Committee is evaluating the Merger and its views and recommendations will be set out in the Composite Document to be despatched to the SPM H Shareholders.

8. PROPOSED WITHDRAWAL OF LISTING OF SPM H SHARES

An application will be made by SPM to the Stock Exchange for voluntary withdrawal of the listing of the SPM H Shares from the Stock Exchange upon satisfaction of the Pre-Condition and the Conditions, pursuant to Rule 6.15(2) of the Listing Rules.

SPM will issue separate announcements notifying SPM H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in SPM H Shares on the Stock Exchange and when the formal delisting of the SPM H Shares will become effective.

The listing of the SPM H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or otherwise lapses or does not become unconditional.

9. SPM EGM AND SPM H SHAREHOLDERS' CLASS MEETING AND THE COMPOSITE DOCUMENT

Subject to the fulfilment of the Pre-Condition, SPM will convene the SPM EGM and the SPM H Shareholders' Class Meeting for the SPM Shareholders and the SPM H Shareholders respectively to consider, and if thought fit, approve, the Merger and matters relating to its implementation. The Composite Document containing, amongst others, (i) further details of the Merger and the Merger Agreement, and other matters in relation to the Merger; (ii) a letter of advice issued by the Independent Financial Adviser to the Independent Board Committee; and (iii) recommendations and advice from the Independent Board Committee, together with a notice of the SPM EGM, a notice of the SPM H Shareholders' Class Meeting and proxy forms are expected to be despatched subsequent to the satisfaction of the Pre-Condition. As additional time is required for the satisfaction of the Pre-Condition, the Offeror and SPM will apply to the Executive for an extension of time to despatch the Composite Document under Rule 8.2 of the Takeovers Code.

Further announcement(s) will be made in respect of the despatch of the Composite Document if and when appropriate in accordance with the Takeovers Code.

10. IMPLICATIONS UNDER THE LISTING RULES IN RESPECT OF SEG

As SEGH is a wholly-owned subsidiary of SEGC, the controlling shareholder of SEG, and is therefore a connected person of SEG under the Listing Rules, the cancellation of all the SPM H Shares held by SEGH and the issuance of registered share capital by the Offeror (being a subsidiary of SEG) to SEGH pursuant to the SEGH Transaction will constitute a connected transaction of SEG.

As the highest applicable percentage ratio in relation to the above connected transaction with SEGH is more than 0.1% but less than 5%, such transaction will be subject to the announcement and reporting requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the related party transactions (as defined under the SSE Listing Rules) constituted by the SEGH Transaction together with other related party transactions between SEGC and SEG in the past 12 months exceeded 5% of the audited net asset value as at 31 December 2019, approval of Independent SEG Shareholders is required under the SSE Listing Rules (as detailed in sub-paragraph (3) under the section headed "**PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to the Merger Agreement becoming effective**"). For details, please refer to the SSE Announcements.

Further, Mr. Zhou Zhiyan, the Chairman of SPM, who holds 156,800 SPM H Shares, is a connected person of SEG at subsidiary level under the Listing Rules. The cancellation of those SPM H Shares held by Mr. Zhou and the payment of the Cancellation Price to him under the Merger will also constitute a connected transaction of SEG.

As the highest applicable percentage ratio in relation to the above connected transaction with Mr. Zhou Zhiyan is less than 1%, such transaction is fully exempt from the requirements under Chapter 14A of the Listing Rules.

Having taken into account the objectives and the reasons for, and benefits of, (i) the Merger Agreement and the transactions contemplated thereunder (including the SEGH Transaction) as set out above, the SEG Board (including all the independent non-executive directors of SEG) believes that the terms of the Merger Agreement, and the transactions contemplated thereunder (including the SEGH Transaction) are on normal commercial terms, fair and reasonable and in the interests of SEG and the shareholders of SEG as a whole.

Each of Mr. Zheng Jianhua and Mr. Zhu Bin is a director of SEGC (which owns 100% of the shares in SEGH), and therefore is or may be regarded as having a material interest in the SEGH Transaction described above. Accordingly, Mr. Zheng Jianhua and Mr. Zhu Bin have abstained from voting on the relevant board resolutions of SEG for the approval of the Merger Agreement and the transactions contemplated thereunder (including the SEGH Transaction).

11. DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES BY SEG

On 15 October 2020, SEHC as borrower and a licensed bank in Hong Kong as lender entered into a facility letter (the “**Facility Letter**”) in relation to a HK\$1,162,500,000 bridge loan facility (the “**Facility**”). The Facility has a term of nine months.

Pursuant to the terms of the Facility Letter, a mandatory prepayment event will be triggered if SEGC ceases (i) to be the largest beneficial owner of SEG or (ii) to control SEG (as defined under the Facility Letter to mean the power to: (a) control more than 50% of the voting rights of SEG; (b) appoint or remove all or the majority of the directors or equivalent officers of SEG; or (c) give directions with respect to the operating and financial policies of SEG with which the directors or other equivalent officers of SEG are obliged to comply). In the event the mandatory prepayment event occurs, the Facility will be automatically cancelled and the amount outstanding under the Facility Letter will become immediately due and payable.

As the implementation of the Merger would not result in SEGC ceasing (i) to be the largest beneficial owner of SEG or (ii) to control SEG (as defined under the Facility Letter), no mandatory prepayment event under the Facility Letter would be triggered as a result of the implementation of the Merger.

SEG will make continuing disclosure pursuant to the requirements under Rule 13.21 of the Listing Rules.

12. RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, associates (including persons holding 5% or more of a class of relevant securities of the Offeror and SPM) of the Offeror and SPM are hereby reminded to disclose their dealings in any shares in the Offeror and SPM pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries – Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However,

this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

13. NUMBER OF RELEVANT SECURITIES IN ISSUE

As at the date of this joint announcement:

- (i) the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of SPM in issue are 1,725,943,420 SPM Shares, of which there are 814,291,420 SPM Domestic Shares and 911,652,000 SPM H Shares;
- (ii) the registered capital of the Offeror is RMB10,000,000, all of which are held by SEG.

14. RESUMPTION OF TRADING OF SPM H SHARES

At the request of SPM, trading in the SPM H Shares on the Stock Exchange was halted from 10:32 a.m. on 9 October 2020. An application has been made by SPM to the Stock Exchange for the resumption of trading in the SPM H Shares from 9:00 a.m. on 16 October 2020.

15. ANNOUNCEMENTS PUBLISHED ON THE SHANGHAI STOCK EXCHANGE BY SEG

On 15 October 2020, after trading hours, SEG published the SSE Announcements on the Shanghai Stock Exchange. English translation and the Chinese version of the relevant parts of the SSE Announcements containing material information with Takeovers Code implications are attached to this joint announcement as Appendix I. The full text of the SSE Announcements is published in Chinese on the website of the Shanghai Stock Exchange (www.sse.com.cn).

16. WARNING

The Pre-Condition and the Effectiveness Conditions must be satisfied before the Merger Agreement will become effective. The Merger Agreement becoming effective is therefore a possibility only. Further, even if the Merger Agreement becomes effective, the implementation of the Merger is subject to the Implementation Conditions set out in this joint announcement being satisfied (or waived, if applicable). Neither the Offeror, SEG nor SPM provides any assurance that any or all Pre-Condition or Conditions will be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, the Merger may or may not be implemented.

Shareholders and potential investors in the securities of SEG and SPM should therefore exercise caution when dealing in the securities of SEG or SPM. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

17. DEFINITIONS

In this joint announcement, unless the context requires otherwise, the following expression shall have the meanings set out below:

“2019 SPM Annual Report”	the annual report of SPM for the year ended 31 December 2019 published on 16 April 2020
“2020 SPM Interim Report”	the interim report of SPM for the six months ended 30 June 2020 published on 28 August 2020
“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “concert parties” shall be construed accordingly
“BNP Paribas”	BNP Paribas Securities (Asia) Limited, the financial adviser to SEG and the Offeror. BNP Paribas is a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Cancellation Price”	the cancellation price of HK\$1.60 per SPM H Share under the Merger Agreement payable to the SPM H Shareholders (other than SEG H and SEHC)

“Composite Document”	the document to be issued by or on behalf of the Offeror and SPM to SPM Shareholders in accordance with the Takeovers Code containing, amongst others, details of the Merger, as may be revised or supplemented as appropriate
“Conditions”	the Effectiveness Conditions and the Implementation Conditions
“Conditions Longstop Date”	3 June 2021, or such later date as the Offeror and SPM may otherwise agree, subject to the consent of the SFC
“Consenting SPM Shareholders”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT – Rights of Dissenting SPM Shareholders</i> ”
“Declaration Period”	a period commencing on the Delisting Date and expiring on the fifth (5 th) business day from and including the Delisting Date, during which any Dissenting SPM Shareholder may declare that it exercises its rights to require SPM or the Consenting SPM Shareholders to acquire its SPM Shares at a “fair price”, as detailed in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT – Rights of Dissenting SPM Shareholders</i> ”
“Delisting Date”	the date on which the listing of the SPM H Shares on the Stock Exchange has been withdrawn
“Dissenting SPM Shareholder”	a SPM Shareholder who has validly voted against the resolutions in respect of the Merger at the SPM EGM and the SPM H Shareholders’ Class Meeting and has required SPM or the Consenting SPM Shareholders to acquire its SPM Shares at a “fair price”
“Effectiveness Conditions”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to the Merger Agreement becoming effective</i> ”
“Exchange Rate”	the exchange rate of HK\$1: RMB0.86934, which is the central parity rate of RMB to HK\$ as at the date of this joint announcement as announced by the People’s Bank of China

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Exercise Date”	the date on which SPM and/or the Consenting SPM Shareholders (or the Offeror, if so elected by SPM and/or the Consenting SPM Shareholders) pays cash consideration to Dissenting SPM Shareholders who exercise their right to acquire the SPM Shares held and effectively declared by them at “fair price”, which will be decided and announced by SPM
“Facility”	has the meaning given to it in the section headed “11. DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES BY SEG”
“Facility Letter”	has the meaning given to it in the section headed “11. DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES BY SEG”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Implementation Conditions”	has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to the implementation of the Merger”
“Incentive Scheme”	the incentive scheme of SPM as adopted on 17 January 2014 and as amended by the shareholders’ resolutions of SPM on 16 December 2016
“Incentive Scheme Trustee”	TC Capital Management Limited, being the trustee for the time being of the Incentive Scheme
“Independent Board Committee”	the independent board committee established by SPM for the purposes of the Merger, which consists of the non-executive director of SPM, being Mr. Dong Yeshun, and all of the independent non-executive directors of SPM, being Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang

“Independent Financial Adviser”	the independent financial adviser to be appointed by or with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent SPM H Shareholders in relation to (amongst others) the Merger
“Independent SEG Shareholder(s)”	SEG Shareholders other than SEGC and its subsidiaries
“Independent SPM H Shareholder(s)”	SPM H Shareholders other than the Offeror and parties acting in concert with it (including SEGH, SEHC and the Incentive Scheme Trustee)
“Last Trading Date”	9 October 2020, the last trading day prior to the trading halt in the SPM H Shares on the Stock Exchange. Trading in the SPM H Shares on the Stock Exchange was halted on 9 October 2020 at 10:32 am pending the issue of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Merger”	the proposed merger by absorption of SPM by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement
“Merger Agreement”	the merger agreement entered into between the Offeror and SPM on 15 October 2020 in relation to the Merger
“Offeror”	Shanghai Prime Mingyu Machinery Technology Co., Ltd.* (上海集優銘宇機械科技有限公司), a company incorporated in the People’s Republic of China, being a wholly-owned subsidiary of SEG as at the date of this joint announcement
“Payment Exchange Rate”	the exchange rate of RMB to HK\$, which is the central parity rate of RMB to HK\$ as at the date on which SEG further contributes to the Offeror the amount of registered capital denominated in RMB for the purpose of the Merger, as announced by the People’s Bank of China
“PRC” or “China”	the People’s Republic of China

“PRC Company Law”	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
“PRC Laws”	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court’s judicial interpretations as may be in force and publicly available in the PRC from time to time
“Pre-Condition”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT – Pre-Condition to the Merger Agreement</i> ”
“Pre-Condition Longstop Date”	15 January 2021, or such later date as the Offeror and SPM may otherwise agree, subject to the consent of the SFC
“RMB”	Renminbi, the lawful currency of the PRC
“SEG”	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 PRC with limited liability, whose H shares are listed and traded on the Stock Exchange (stock code: 2727) and A shares are listed and traded on the Shanghai Stock Exchange (stock code: 601727), and the holding company of the Offeror
“SEG Board”	board of directors of SEG
“SEG Group”	SEG and its subsidiaries
“SEG EGM”	the extraordinary general meeting of SEG to be convened, or any adjournment thereof, to consider and, if thought fit approve, the Merger (including the SEGH Transaction) under the Merger Agreement and the relevant arrangements
“SEG Shareholder(s)”	the holders(s) of SEG shares
“SEGC”	Shanghai Electric (Group) Corporation* (上海電氣(集團)總公司), a company incorporated in the PRC with limited liability, and a state-owned enterprise controlled by the Shanghai SASAC, and the holding company of SEG (and indirectly the Offeror)
“SEGH”	a private company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of SEGC
“SEGH Transaction”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT – SPM H Shares held by SEGH and SEHC</i> ”

“SEHC”	Shanghai Electric Hongkong Co. Limited (上海電氣香港有限公司), a private company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of SEG
“SEHC Transaction”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT – SPM H Shares held by SEGH and SEHC</i> ”
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai SASAC”	Shanghai State-owned Assets Supervision and Administration Commission
“SPM”	Shanghai Prime Machinery Company Limited (上海集優機械股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H shares are listed and traded on the Stock Exchange (stock code: 2345)
“SPM Articles”	the articles of association of SPM (including the rules of procedures for shareholders’ general meetings and the rules of procedures for board meetings)
“SPM Board”	board of directors of SPM
“SPM Domestic Share(s)”	the domestic share(s) of SPM, with a RMB denominated par value of RMB1.00 each, together representing approximately 47.18% of all the SPM Shares in issue as at the date of this joint announcement
“SPM EGM”	the extraordinary general meeting of SPM to be convened, or any adjournment thereof, to consider and, if thought fit, approve, the Merger Agreement, the Merger and the relevant arrangements
“SPM H Share(s)”	the ordinary share(s) issued by SPM, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Stock Exchange, together representing approximately 52.82% of all the SPM Shares in issue as at the date of this joint announcement

“SPM H Shareholder(s)”	the holder(s) of SPM H Shares
“SPM H Shareholders’ Class Meeting”	class meeting of SPM to be convened for the SPM H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve, the Merger Agreement, the Merger and the relevant arrangements
“SPM Group”	SPM and its subsidiaries
“SPM Shares”	SPM Domestic Shares and SPM H Shares
“SPM Shareholder(s)”	the holder(s) of SPM Shares
“SSE Announcements”	the announcements dated 15 October 2020 published by SEG on the Shanghai Stock Exchange in relation to, amongst others the Merger (including the SEGH Transaction)
“SSE Listing Rules”	the Rules Governing the Listing of Stock on Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers published by the SFC (as revised, supplemented or otherwise modified from time to time)
“United States” or “U.S.”	the United States of America

* *for identification purposes only*

On behalf of the board
**Shanghai Electric Group
Company Limited**
(上海電氣集團股份有限公司)
Li Chung Kwong Andrew
Company Secretary

On behalf of the board
**Shanghai Prime Machinery
Company Limited**
(上海集優機械股份有限公司)
Ng Kwong, Alexander
Company Secretary

On behalf of the board
**Shanghai Prime Mingyu Machinery
Technology Co., Ltd.***
(上海集優銘宇機械科技有限公司)
Ma Xing
Director

15 October 2020

As at the date of this announcement, the SPM Board consists of executive directors, namely Mr. Zhou Zhiyan, Mr. Zhang Mingjie, Mr. Si Wenpei, Mr. Xiao Yuman and Mr. Xia Sicheng; non-executive director, namely Mr. Dong Yeshun; and independent non-executive directors, namely Mr. Ling Hong, Mr. Chan Oi Fat and Mr. Sun Zechang.

The directors of SPM jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than any information relating to SEG, the Offeror and/or the concert parties of either of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Offeror or of SEG) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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

As at the date of this announcement, the director of the Offeror is Ms. Ma Xing.

The directors of SEG and of the Offeror jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than any information relating to SPM) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of SPM) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

APPENDIX I

The relevant parts of the SSE Announcements containing material information with Takeovers Code implications (Chinese version)¹

1. 上海集優銘宇機械科技有限公司擬以吸收合併的方式將上海集優機械股份有限公司私有化事項遵循了自願、公平合理、協商一致的原則，不存在損害公司及中小股東利益的行為，我們對前述事項表示認可，並且一致同意將《上海電氣集團股份有限公司關於公司控股子公司上海集優機械股份有限公司以吸收合併方式私有化暨關聯交易的議案》提交公司董事會審議。
2. 我們對《上海電氣集團股份有限公司關於公司控股子公司上海集優機械股份有限公司以吸收合併方式私有化暨關聯交易的議案》進行了審閱，未發現存在違反規定以及損害公司及中小股東利益的情況。本次私有化的定價遵循了市場慣例，定價公允，《合併協議》的相關條款公平合理，本次交易有利於子公司上海集優的未來發展，符合公司的實際利益。

English translation of the relevant parts of the SSE Announcements containing material information with Takeovers Code implications

1. The proposed Merger is in accordance with the principle of voluntariness, fairness and reasonableness, and consultation and consensus, and there is no action which is detrimental to the interests of SEG and its minority shareholders. Accordingly, the Merger is approved by the independent non-executive directors of SEG, and the proposed board resolutions in connection with the Merger shall be put forward for the SEG Board's consideration.
2. Having reviewed the proposed board resolutions in connection with the Merger, the independent non-executive directors of SEG is not aware of any event or circumstances which are (a) contrary to any applicable rules and regulations or (b) detrimental to the interests of SEG and its minority shareholders. The determination of the value of the Merger is in accordance with usual market practices and is fair. The terms of the Merger Agreement are fair and reasonable. The Merger is beneficial to the future development of SPM (being a subsidiary of SEG) and is in accordance with the interests of SEG.

¹ The full text of the SSE Announcements is published in Chinese on the website of the Shanghai Stock Exchange (www.sse.com.cn)