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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 XINJI COMPANY**

**INTRODUCTION**

The Board hereby announces that, on 14 March 2023, the Board considered and approved the Relevant Resolution, pursuant to which, the Company was granted approval to transfer the 100% equity interest it held in Xinji Company to SEGC, at a consideration of the appraisal value of the total shareholders' equity in Xinji Company of RMB686,915,804.11, 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, SEGC is the controlling shareholder of the Company, holding approximately 49.78% equity interest in the total issued share capital of the Company. Therefore, SEGC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Equity Transfer 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 Equity Transfer is more than 0.1%, but all the percentage ratios are less than 5%, the Equity Transfer 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 SIGNED EQUITY TRANSFER AGREEMENT**

*Date:*

14 March 2023

*Parties:*

The Company (Vendor); and  
SEGC (Purchaser).

*Consideration:*

The total consideration for the Equity Transfer is RMB686,915,804.11.

*Major content:*

### **1. Equity Transfer**

Both parties agreed that the Company proposed to transfer 100% of the equity interest in Xinji Company to SEGC in accordance with the terms and conditions as agreed in the Equity Transfer Agreement entered into between the Company and SEGC dated 14 March 2023 by way of non-public agreement transfer via the Equity Exchange, and SEGC agreed to acquire the equity interest proposed transferred from the Company in accordance with the terms and conditions as agreed in the Agreement by way of non-public agreement transfer via the Equity Exchange.

### **2. Transfer consideration and payment**

- 1) Both parties agreed that the transfer consideration for the equity interest to be transferred is RMB686,915,804.11, and confirmed that the aforesaid transfer consideration was determined through negotiation between both parties based on the appraisal value of the total shareholders' equity in Xinji Company as at 31 October 2022, the valuation benchmark date.
- 2) Both parties agreed that SEGC shall settle the total consideration of RMB686,915,804.11 to the bank account designated by the Company in one lump sum within five working days from the effective date of the Agreement.
- 3) Both parties agreed that the profit and loss during the period from the valuation benchmark date to the effective date of the Agreement shall be borne by the transferee.
3. The agreement will take effect only when all the following conditions precedent have been satisfied:
  - 1) the Agreement having been signed by the legal representatives or authorized representatives and affixed with the common seal of both of the Company and SEGC;
  - 2) both parties and Xinji Company having completed all internal and external decision-making procedures in accordance with the relevant laws and regulations, their respective articles of associations and other internal documents.

### **4. Transfer of rights and obligations**

- 1) Both parties agreed that after the effective date of this Agreement, both parties shall actively cooperate to complete the equity transfer procedures regarding the Equity Exchange and obtain the equity transfer

certificate issued by the Equity Exchange; and cooperate with and assist Xinji Company to apply to its industrial and commercial registration authority for the industrial and commercial change registration procedures involved in the Transaction.

- 2) Both parties agreed that from the effective date as provided in the preceding paragraph, SEGC shall obtain the relevant equity interest, enjoy the corresponding shareholder rights and assume the corresponding shareholder obligations.
- 3) Both parties further agreed that after SEGC acquires the equity interest proposed transferred, Xinji Company continues to enjoy and assume its original creditor's rights and debts after the Transaction.
- 4) Upon the effective date of the Agreement, SEGC shall have the right to nominate director candidates to Xinji Company; the Company shall be obliged to replace the directors currently nominated by the Company in Xinji Company with the candidates designated by SEGC upon the request of SEGC.

## BASIC INFORMATION OF THE TRANSACTION TARGET

### (I) Overview of the transaction target

The transaction target is 100% equity interest in Xinji Company, and the basic information of Xinji Company is as follows:

<b>Name of company</b>	Shanghai Xinji Machine Tool Co., Ltd. (上海欣機機床有限公司)
<b>Date of establishment</b>	11 December 2020
<b>Registered address</b>	Building 105, No.1146 Jungong Road, Yangpu District, Shanghai
<b>Principal office address</b>	Building 105, No.1146 Jungong Road, Yangpu District, Shanghai
<b>Legal representative</b>	Lu Hua (蘆華)
<b>Registered capital</b>	RMB428.73 million
<b>Unified social credit code</b>	91310110MA1G99CJ9C
<b>Type of enterprise</b>	Limited liability company (wholly-owned foreign-invested enterprise)
<b>Main business scope</b>	General items: manufacturing of CNC machine tool and metal-cutting machine tool, sales and maintenance of CNC machine tool, metal-cutting machine tool, machine tool functional parts and accessories, technology development, technology consulting, technology transfer and technology services in the field of machine tool technology, parking lot services; property management; non-residential real estate leasing, residential leasing, machinery and equipment leasing (except for projects subject to approval in accordance with the law, business activities shall be carried out independently according to the law with business license).
<b>Term of operation</b>	11 December 2020 to 10 December 2030

Xinji Company, is a newly established company after the division of the wholly-owned subsidiary of the Company, Shanghai Machine, and the main business of Xinji Company includes heavy-duty machine tool manufacturing and park property management. Its main product, heavy-duty machine tool, belongs to different categories of machine tools with Shanghai Machine's main product, grinding machine. Xinji Company will gradually dispose the heavy machine tool manufacturing business and focus on the property management businesses of the park at No. 1146 Jungong Road, Shanghai.

### (II) Description of ownership

Before the Transaction, the Company has directly held 100% equity interest in Xinji Company for more than 12

consecutive months. The proposed transfer of the 100% equity interest in Xinji Company is explicit. There are no mortgages, pledges or any other restrictions on transfer, no litigation, arbitration or judicial measures such as seizure and freezing involved, and no other circumstances that may hinder the transfer of ownership. Upon the completion of the Equity Transfer, Xinji Company will cease to be a subsidiary of the Company.

### (III) Financial information, valuation and pricing of the Equity Transfer

As audited by BDO China Shu Lun Pan Certified Public Accountants LLP, issuing a standard unqualified audit report, the main financial information of Xinji Company for the latest year and period are as follows:

Unit: RMB 0'000

Item	31 October 2022 (Audited)	31 December 2021 (Audited)
Total assets	46,311.76	49,932.90
Total liabilities	5,355.22	6,511.87
Net assets	40,956.54	43,421.03
Asset-liability ratio	11.6%	13.0%
Item	January to October 2022 (Audited)	For the year ended 31 December 2021 (Audited)
Total operating revenue	6,969.32	6,860.44
Net profit	-2,528.76	509.08

The net profit before taxation and net profit after taxation of Xinji Company in the previous years, immediately prior to the Equity Transfer, are as follows:

Unit: RMB 0'000

Item	January to October 2022 (Audited)	For the year ended 31 December 2021 (Audited)	11 December 2020 to 31 December 2020 (Audited)
Net profit before taxation	-3,359.54	678.78	39.00
Net profit after taxation	-2,528.76	509.08	39.00

Shanghai Shenwei Asset Valuation Co., Ltd.\* (上海申威資產評估有限公司) was entrusted to conduct asset valuation of the 100% equity interest in Xinji Company, and issued the Asset Valuation Report (Hu Shen Wei Ping Bao Zi (2022) No. 0445\* (滬申威評報字〔2022〕第0445號)). The valuation was conducted using the asset-based approach with the valuation benchmark date of 31 October 2022. The appraisal value of the total shareholders' equity in Xinji Company was RMB686,915.8 thousand.

### Summary of the Valuation Results

Valuation benchmark date: 31 October 2022

Unit: RMB 0'000

Item	Book value	Appraisal value	Appreciation or depreciation	Value appreciation rate (%)
Current assets	30,870.93	30,986.42	115.49	0.37
Non-current assets	15,440.83	42,810.38	27,369.55	177.25
Total assets	46,311.76	73,796.80	27,485.04	59.35
Current liabilities	4,467.66	4,467.66	0.00	0.00
Non-current liabilities	887.56	637.56	-250.00	-28.17
Total liabilities	5,355.22	5,105.22	-250.00	-4.67
Net assets (owner's equity)	40,956.54	68,691.58	27,735.04	67.72

According to the Asset Valuation Report, the appraised appreciation in the value of the total shareholders' equity in Xinji Company was primarily attributable to the fixed assets in non-current assets, with book value of RMB 123.5589 million, the appraised value of RMB 401.0538 million, with the appreciation of RMB277.6949 million and the value appreciation rate of 225.11%, of which the value of housing constructions (structures) was value-added for RMB269.6725 million, which was due to reasons including: (1) the housing constructions and structures were generally constructed at an earlier time and most of them had been renovated accordingly, thus resulting in the appreciation compared with the appraised original value; (2) the accounting depreciation life of the housing constructions and structures were generally shorter than the appraised economic service life.

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

The Equity Transfer is expected to generate a net gain (before tax) of approximately RMB287 million for the Company (which is estimated by the management and the final amount is subject to the audited figures). The proceeds from the Transaction will be used to replenish the daily working capital and support the healthy development of the main businesses of the Company.

Xinji Company is a newly established company when Shanghai Machine was divided, and the main business of Xinji Company is heavy-duty machine tool manufacturing and park property management. Its main product, heavy-duty machine tool, belongs to different categories of machine tools with Shanghai Machine's main product, grinding machine, not constituting horizontal competition. The Equity Transfer will not have a substantial impact on the business of Shanghai Machine. Shanghai Machine leases part of the factories at No.1146 Junong Road, Shanghai from Xinji Company as production and storage space for its production and operation needs, with a total leased area of 50,667.01 square meters, and pays rent and property management fees to Xinji Company annually. After the Transaction, Shanghai Machine will continue to lease the aforesaid factories from Xinji Company. The rent and property management fees refer to the market price range of similar factories, with the total annual rent of RMB10,561.8 thousand and the total annual property management fees of RMB1,849.3 thousand. Meanwhile, Xinji Company agrees to give priority to Shanghai Machine for leasing the aforesaid factories under the same available market conditions. The expenses incurred by Shanghai Machine for leasing the factories would constitute a connected transaction between the Company and SEGC. The Company will determine the price of the connected transaction in accordance with the principles of openness, impartiality, fairness and justice, and strictly perform the decision-making procedures and information disclosure obligations of the connected transaction in accordance with the provisions of relevant laws and regulations to ensure the fairness of the connected transaction.

There are no circumstances in which the Company provides guarantees or entrust financial management to Xinji Company, and there are no circumstances in which Xinji Company occupies the funds of the Company.

#### REASONS FOR AND BENEFITS FROM THE EQUITY TRANSFER

Xinji Company is the owner of the property at No.1146 Jungong Road, Shanghai. As the property and land are owned separately by Xinji Company and SEGC, the Equity Transfer can solve the problem of defective property

resulting from the historical issue of the Company.

## **OPINION FROM THE BOARD**

On 14 March 2023, the Relevant Resolution was considered and approved at the 77th meeting of the fifth session of the Board of the Company. The resolution was approved by the independent Directors of the Company in advance and was approved to be submitted to the Board of the Company for consideration. The connected Directors, namely Ms. Leng Weiqing, Mr. Liu Ping and Mr. Zhu Zhaokai, abstained from voting. All other Directors present at the meeting approved the resolution. Voting results: 5 votes in favour, 0 vote against and 0 abstaining vote.

The independent Directors of the Company are of the view that we have reviewed the resolution and are not aware of any violation of regulations or damage to the interests of the shareholders of the Company. The Equity Transfer is in line with the operation and development requirements of the Company. The transfer consideration is determined with reference to the appraised value of the total shareholders' equity of Xinji Company after negotiation between the parties to the Equity Transfer, and is fair and reasonable and in the interests of the Company and all its shareholders. When considering the resolution, the connected Directors, namely Ms. Leng Weiqing, Mr. Liu Ping and Mr. Zhu Zhaokai, abstained from voting. Other Directors attending the meeting voted in favor for the resolution. The procedures of consideration and voting at the meeting comply with the laws, administrative regulations, rules of the stock exchanges where the shares of the Company are listed and relevant provisions of the articles of association of the Company.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, SEGC is the controlling shareholder of the Company, holding approximately 49.78% equity interest in the total issued share capital of the Company. Therefore, SEGC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the Equity Transfer 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 Equity Transfer is more than 0.1%, but all the percentage ratios are less than 5%, the Equity Transfer 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 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 property management services mainly based on industrial real estate and etc. The ultimate beneficial owner of the Group is Shanghai State-owned Assets Supervision and Administration Commission.

As at the date of this announcement, SEGC is the controlling shareholder of the Company, directly and indirectly holding approximately 49.78% of equity interest in the total issued share capital of the Company. The principal business of SEGC is the management of state-owned assets and investment activities. SEGC is an enterprise wholly-owned by Shanghai State-owned Assets Supervision and Administration Commission and is one of the largest comprehensive equipment manufacturing conglomerates in China. The ultimate beneficial owner of SEGC 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:

“Agreement”	the Equity Transfer Agreement entered into between the Company and SEGC on 14 March 2023;
“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 transfer of the 100% equity interest in Shanghai Xinji by the Company to SEGC at a consideration of RMB686,915,804.11;
“Equity Exchange”	Shanghai United Assets and Equity Exchange Co., Ltd. (上海聯合產權交易所有限公司);
“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;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this announcement only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
“Relevant Resolution”	the Resolution on Transfer of 100% Equity Interest of Shanghai Xinji Machine Tool Co., Ltd. held by Shanghai Electric Group Company Limited to Shanghai Electric Holding Group Co., Ltd., which was submitted to the Board meeting for consideration on 14 March 2023;
“RMB”	Renminbi, the lawful currency of the PRC;
“SEGC”	Shanghai Electric Holding Group Co., Ltd. the controlling shareholder (as defined in the Listing Rules) of the Company, directly and indirectly holding 49.78% of the total issued share capital of the Company as at the date of this announcement;
“Shanghai Machine”	Shanghai Machine Tool Works Co., Ltd. (上海機床廠有限公司), a wholly-owned subsidiary of the Company;

“Transaction”	the Company proposes to transfer 100% of the equity interest in Xinji Company to SEGC in accordance with the terms and conditions as agreed in the Agreement by way of non-public agreement transfer via the Equity Exchange, and SEGC agrees to acquire the equity interest proposed transferred from the Company in accordance with the terms and conditions as agreed in the Agreement by way of non-public agreement transfer via the Equity Exchange;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“Xinji Company”	Shanghai Xinji Machine Tool Co., Ltd. (上海欣機機床有限公司), a company established in the PRC with limited liability on 11 December 2020, which was a wholly-owned subsidiary of the Company prior to the Equity Transfer; and
“%”	Percentage.

By order of the Board

**Shanghai Electric Group Company Limited**

**LENG Weiqing**

*Chairlady of the Board*

Shanghai, the PRC, 14 March 2023

*As at the date of this announcement, the executive directors of the Company are Ms. LENG Weiqing, Mr. LIU Ping and Mr. ZHU Zhaokai; the non-executive directors of the Company are Ms. YAO Minfang and Ms. LI An; and the independent non-executive directors of the Company are Dr. XI Juntong, Dr. XU Jianxin and Dr. LIU Yunhong.*

*\* For identification purpose only*