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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)

ANNOUNCEMENT ON UTILIZATION OF THE REMAINING PROCEEDS FROM PROJECTS FUNDED BY PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF SHARES FOR PERMANENT REPLENISHMENT OF WORKING CAPITAL

References are made to the circular dated 23 March 2017 of Shanghai Electric Group Company Limited (the “**Company**” or “**Shanghai Electric**”) in relation to, among other things, the proposal of the Company’s fundraising of not more than RMB3,000,000,000 by the Non-Public Issuance (the “**Non-Public Issuance**”) and the proposed use of proceeds; the announcement of the Company dated 8 May 2017 in relation to the poll results of the extraordinary general meeting in respect of the Non-Public Issuance; the announcement of the Company dated 7 November 2017 in relation to the completion of fundraising through the Non-Public Issuance and the subsequent changes in shareholdings; the circular of the Company on 19 November 2018 in relation to, among other things, the proposed change in use of proceeds; the poll voting results announcement of the Company dated 10 December 2018, in relation to, among other things, the approval of the resolution in respect of the proposed change in use of proceeds; the circular of the Company dated 11 April 2019, in relation to, among other things, the proposed change in use of proceeds; the poll voting results announcement of the Company dated 6 May 2019, in relation to, among other things, the approval of the resolution in respect of the proposed change in use of proceeds; the circular of the Company dated 29 October 2019 in relation to (among others) proposed change in use of proceeds and utilization of the remaining proceeds for permanent replenishment of working capital; and the poll voting results announcement of the Company dated 14 November 2019, in relation to, among other things, the approval of the resolution in respect of the proposed change in use of proceeds and utilization of the remaining proceeds for permanent replenishment of working capital by the Company. Terms defined in the abovementioned announcements and circulars shall have the same meaning when used herein unless the context herein requires otherwise.

I. GENERAL INFORMATION OF THE PROCEEDS

As approved by the China Securities Regulatory Commission (the “CSRC”) with the “Approval for Issuance of Shares by Shanghai Electric Group Company Limited to Shanghai Electric (Group) Corporation for Assets Acquisition as well as Supporting Funds Raising” (Zheng Jian Xu Ke [2017] No. 1390), the Company issued 416,088,765 RMB-denominated ordinary shares (A shares) through non-public issuance at the price of RMB7.21 per share and raised proceeds in an aggregate amount of RMB2,999,999,995.65. After deduction of underwriting fees of RMB14,999,999.98 (tax inclusive), the net proceeds from the Non-Public Issuance amounted to RMB2,984,999,995.67. PricewaterhouseCoopers Zhong Tian LLP issued the “Capital Verification Report on the Non-public Issuance of RMB-denominated Ordinary Shares (A Shares) by Shanghai Electric Group Company Limited in 2017” (PwC Zhong Tian Yan Zi (2017) No. 968) in relation to the receipt of the abovementioned proceeds.

According to use of supporting funds as disclosed in the Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Related-party Transaction) by Shanghai Electric Group Company Limited (Revised) (《上海電氣集團股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書（修訂稿）》), the proceeds-funded projects of the Company are as follows:

Unit: RMB 100 million

No.	Use of proceeds	Total investment	Amount of proceeds to be used
1	Emerging Industrial Park Development Project at Gonghe New Road	18.15	10.55
2	Innovative Industry Park Reformation Project at Beinei Road	2.65	2.26
3	Technology Innovation Park Reformation Project at Jinshajiang Branch Road	3.85	3.28
4	Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road	13.70	11.66
5	Taxes and Other Expenses related to the Reorganization	2.25	2.25
Total		40.60	30.00

Note: As the net proceeds raised by the Company after deduction of issuance fees amounted to RMB2,985 million, the amount of “Taxes and Other Expenses related to the Reorganization” paid out of the proceeds was adjusted from RMB225 million to RMB210 million.

As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018, the 2018 third extraordinary general meeting, the 2018 first A share class meeting and the 2018 first H share class meeting held on 10 December 2018, the Company would no longer use any of the proceeds of RMB2,554 million to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5 million.

As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018, the 2019 first extraordinary general meeting, the 2019 first A share class meeting and the 2019 first H share class meeting held on 6 May 2019, the Company proposed to use RMB342 million out of the proceeds to acquire the 100% equity interest of Wujiang Taihu Industrial Wastes Treatment Company Limited through its wholly-owned subsidiary Shanghai Electric Investment Company Limited (“SEI”) from Orient Landscape Group Environmental Protection Company Limited (東方園林集團環保有限公司) (“Orient Landscape”) and Taizhou Zongze Equity Investment Management LP (台州宗澤股權投資管理合夥企業(有限合夥)) (“Taizhou Zongze”); and use RMB756 million out of the proceeds to acquire the 100% equity interest of Ningbo Hi-Firm Environmental Protection Company Limited from Orient Landscape and Taizhou Zongze. The Company had completed the abovementioned acquisitions through SEI and supplemented the self-owned funds with the proceeds.

As considered and approved at the 20th meeting of the fifth session of the Board of the Company held on 27

September 2019, the 2019 second extraordinary general meeting, the 2019 second A share class meeting and the 2019 second H share class meeting held on 14 November 2019, the Company changed the amount of total investment and implementation mode of as well as the amount of proceeds earmarked for the Innovative Industry Park Reformation Project at Beinei Road (the “**Beinei Road Project**”). The total investment would be adjusted to RMB130 million; a project company would be jointly established by Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司) (“**SEC Property**”), a wholly-owned subsidiary of the Company, and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司), a controlled subsidiary of Shanghai Guorun Investment and Development Company Limited (上海國潤投資發展有限公司) (“**Guorun Investment**”) to function as the implementation entity. The project company has a registered capital of RMB20 million, and is owned as to 60% by SEC Property through its contribution of self-financed funds in the amount of RMB12 million. Proceeds earmarked for the project were reduced from RMB226 million to RMB66 million, which would be provided to SEC Property by the Company through capital contribution, and in turn allocated to the project company by SEC Property by way of entrusted bank loans at an interest of 8% per annum for construction of Beinei Road Project. In addition, upon intensive research and deliberation, the Company appropriated RMB726 million from the RMB1,451 million previously set apart for proceeds-funded projects yet pending for confirmation to invest in the Shanghai Electric Nantong Central Research Institute Project, and used the remaining proceeds of RMB891 million comprising proceeds of RMB885 million and interest income on the proceeds of RMB6 million to replenish working capital permanently.

Proposed proceeds-funded projects after the above change are as follows:

Unit: RMB 100 million

No.	Name of proceeds-funded projects	Total investment	Amount of proceeds proposed to be used
1	Innovative Industry Park Reformation Project at Beinei Road	1.30	0.66
2	Taxes and Other Expenses related to the Reorganization	2.25	2.25
3	Acquisition of 100% Equity Interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	3.42	3.42
4	Acquisition of 100% Equity Interests in Ningbo Hi-Firm Environmental Protection Company Limited	7.56	7.56
5	Shanghai Electric Nantong Central Research Institute Project	7.77	7.26
6	Permanent replenishment of working capital	8.85	8.85
Total		31.15	30.00

II. MANAGEMENT OF THE PROCEEDS

In order to regulate the management and use of proceeds of the Company and protect the interests of investors, the Company has formulated the Management System of Proceeds of Shanghai Electric Group Company Limited (《上海電氣集團股份有限公司募集資金管理制度》), which provides specific and clear regulations on the deposit and use of proceeds, the management of the implementation of proceeds-funded projects and the supervision of the use of proceeds.

On 15 November 2017, the Company, Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai and Guotai Junan Securities Co., Ltd. (“**Guotai Junan**”), the independent financial adviser, entered into the Tripartite Custodian Agreement on the Designated Saving Account for Proceeds Raised (《募集資金專戶存儲三方監管協議》) in respect of the Company’s special account for proceeds (account number: 1001262129040525666).

On 31 December 2019, the Company, Shanghai Electric (Nantong) Technology Innovation Center Co. Ltd. (上海電氣(南通)科創中心有限公司), being the implementation entity of the proceeds-funded project of Shanghai Electric Nantong Central Research Institute Project, Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai and Guotai Junan entered into the Quadrilateral Custodian Agreement on the Designated Saving Account for Proceeds Raised (《募集資金專戶存儲四方監管協議》)

in respect of the special account for proceeds (account number: 1001262129040538030).

On 17 March 2020, the Company, SEC Property and Shanghai Dingshengyuan Enterprise Development Co., Ltd. (上海定升源企業發展有限公司) (a project company jointly established by SEC Property and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司), a controlled subsidiary of Guorun Investment), being the two implementation entities of the proceeds-funded project of Innovative Industry Park Reformation Project at Beinei Road entered into the Five-Party Custodian Agreement on the Designated Saving Account for Proceeds Raised (《募集資金專戶存儲五方監管協議》) with Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai and Guotai Junan in respect of the special account for proceeds (account number: 1001262129040539207 and 1001262129040539180).

III. USE AND BALANCE OF THE PROCEEDS

(I) Special Account for Proceeds

As at 17 August 2023, the balance of special account for proceeds of the Company amounts to RMB62 million (including interest income of RMB14 million) with details as follows:

Unit: RMB 100 million

Account holder	Bank of deposit	Account number	Initial deposit	Utilized amount	Temporary replenishment of working capital	Interest income	Balance of the proceeds
The Company	Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai	1001262129040525666	29.85	29.90	-	0.07	0.02
Shanghai Electric (Nantong) Technology Innovation Center Co. Ltd. (上海電氣(南通)科創中心有限公司)	Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai	1001262129040538030	7.26	7.05	-	0.11	0.32
Shanghai Electric Group Property Company Limited(上海電氣集團置業有限公司)	Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai	1001262129040539207	0.66	0.39	-	0.01	0.28
Shanghai Dingshengyuan Enterprise Development Co., Ltd. (上海定升源企業發展有限公司)	Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai	1001262129040539180	0.39	0.39	-	-	0

Note: As at 17 August 2023, the remaining balance of the proceeds amounts to RMB62 million with net

proceeds of RMB48 million and interest income of RMB14 million.

(II) Use and Balance of the Proceeds

The projects funded by proceeds from the non-public issuance of shares of the Company have been completed. As at 17 August 2023, the Company has utilized proceeds of RMB2,952 million (including relevant issuance fee of RMB15 million), with the remaining proceeds being RMB62 million (including interest income of RMB14 million). The use of proceeds is as follows:

Unit: RMB100 million

No.	Name of proceeds-funded projects	Amount of proceeds proposed to be used	Total amount of proceeds used	Interest income (net of handling fee)	Remaining proceeds
1	Innovative Industry Park Reformation Project at Beinei Road	0.66	0.39	0.01	0.28
2	Taxes and Other Expenses related to the Reorganization	2.25	2.25	0	0
3	Acquisition of 100% Equity Interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	3.42	3.42	0	0
4	Acquisition of 100% Equity Interests in Ningbo Hi-Firm Environmental Protection Company Limited	7.56	7.56	0	0
5	Shanghai Electric Nantong Central Research Institute Project	7.26	7.05	0.11	0.32
6	Permanent replenishment of working capital	8.85	8.85	-	0
Total		30.00	29.52	0.12	0.60

Note: The balance of the proceeds accounts of the Company amounts to RMB2 million. Accordingly, the total remaining proceeds amounts to RMB62 million with interest income of RMB14 million.

(III) Reasons for Utilization of the Remaining Proceeds

The projects funded by proceeds from the non-public issuance of shares of the Company have been completed. During project implementation, the Company strictly adhered to relevant provisions in relation to use of proceeds, prudently utilized the proceeds in a reasonable and cost-saving manner without compromising project quality, strictly controlled project cost and expenses and implemented rational management and optimal allocation on various resources, and effectively lowered project implementation expenses.

IV. FUTURE PLANS FOR UTILIZATION OF THE PROCEEDS

In order to improve the usage efficiency of proceeds and the operation of assets of the Company, the Company intends to utilize the remaining proceeds from the projects funded by proceeds from the non-public issuance of shares totalling RMB62 million (including interest income, the actual amount is subject to the balance of the special account on the date of transfer) for permanent replenishment of working capital to meet the daily production and operation needs of the Company. The remaining proceeds account for less than 10% of the net proceeds from the non-public issuance of shares. After transferring the remaining proceeds, the abovementioned special accounts for proceeds will not be used, and the Company will cancel the accounts. The relevant custodian agreements entered into by the Company, Industrial and Commercial Bank of China Limited, Waitan Sub-Branch, Shanghai and Guotai Junan will be terminated immediately

upon cancelation of the special accounts.

V. IMPACT OF THE USE OF REMAINING PROCEEDS FOR PERMANENT REPLENISHMENT OF WORKING CAPITAL ON THE COMPANY

The use of remaining proceeds for permanent replenishment of working capital is in compliance with the relevant provisions in relation to the use of proceeds by listed companies of the CSRC and the Shanghai Stock Exchange and is beneficial for enhancing the usage efficiency of proceeds. It neither constitutes change in use of proceeds nor causes adverse impacts on the production and operations of the Company and it will not prejudice the interests of shareholders.

VI. CONSIDERATION PROCEDURES PERFORMED

(I) Consideration by the Board and the Supervisory Committee

On 30 August 2023, the Resolution in Relation to Utilization of the Remaining Proceeds from Projects funded by Proceeds from the Non-Public Issuance of Shares for Permanent Replenishment of Working Capital by the Company is considered and approved at the 82nd meeting of the fifth section of the Board and the 59th meeting of the fifth section of the Supervisory Committee of the Company.

It is not necessary for the Company to present the matter at the general meeting of the Company for consideration.

(II) Opinion of Independent Directors

Independent directors of the Company are of the view that: utilization of the remaining proceeds from projects funded by proceeds from the non-public issuance of shares for permanent replenishment of working capital by the Company is in compliance with the relevant provisions of the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Self-regulatory Guidelines No. 1 for Listed Companies of the Shanghai Stock Exchange – Standard Operation without prejudice to the interest of the Company and its shareholders as a whole. It neither constitutes change in use of proceeds nor affects the normal operation of proceeds-funded projects. It can also enhance the usage efficiency and effectiveness of the proceeds and is in line with the interests of the Company and its shareholders as a whole. All Directors agree with the resolution during consideration of the resolution. The consideration and voting procedures of the Board are in compliance with the laws and regulations, administrative regulations, the rules of the stock exchange on which the shares of the Company are listed and the relevant provisions of the articles of association of the Company. We concur with the Resolution in Relation to Utilization of the Remaining Proceeds from Projects funded by Proceeds from the Non-Public Issuance of Shares for Permanent Replenishment of Working Capital by the Company.

(III) Opinion of the Supervisory Committee

The Supervisory Committee of the Company is of the view that: utilization of the remaining proceeds from projects funded by proceeds from the non-public issuance of shares for permanent replenishment of working capital by the Company meets the operation and development needs of the Company and enhances the usage efficiency of proceeds. It will not prejudice the interests of the Company and its shareholders as a whole. The consideration and voting procedures of the matter are in compliance with the laws and regulations, the rules of the stock exchange on which the shares of the Company are listed and the relevant provisions of the articles of association of the Company.

(IV) Opinion of the independent financial adviser

Guotai Junan issues the Specific Verification Opinion of Guotai Junan Securities Co., Ltd in Relation to Utilization of the Remaining Proceeds from Projects funded by Proceeds from the Non-Public Issuance of Shares for Permanent Replenishment of Working Capital by Shanghai Electric Group Company Limited and is of the view that: utilization of remaining proceeds from non-public issuance of shares for permanent replenishment of working capital by Shanghai Electric is in compliance with the relevant laws and regulatory documents including the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies, the Rules Governing the Listing

of Stocks on Shanghai Stock Exchange and the Self-regulatory Guidelines No. 1 for Listed Companies of the Shanghai Stock Exchange – Standard Operation (Shangzhengfa (上證發) (2022) No.2). Disclosure obligation of the relevant information has been fulfilled in a timely manner. The Board of Shanghai Electric has considered and approved the relevant resolution, and the Supervisory Committee of Shanghai Electric and the independent directors have clearly expressed their agreement on the resolution and performed the necessary approval procedures. The independent financial adviser has no disagreement with the utilization of remaining proceeds from non-public issuance of shares for permanent replenishment of working capital by Shanghai Electric.

By order of the Board
Shanghai Electric Group Company Limited
LENG Weiqing
Chairlady of the Board

Shanghai, the PRC, 30 August 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*