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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 THE MATERIAL LITIGATIONS

This announcement is made by the board of directors of Shanghai Electric Group Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

I. General Information on the Status of the Material Litigations

The Company has provided loans totalling RMB1 billion to SINOMECH Engineering Group Co., Ltd. (中國能源工程集團有限公司) (“**SINOMECH**” or the “**Borrower**”) in 2019 and 2020, and thereafter the Borrower repaid the principal amount of RMB1 million and a portion of the interests. Upon the maturity and collections, both the Borrower and the Guarantor have failed to fulfill their contractual obligations as agreed. Recently, the Company has formally filed lawsuit with the Shanghai Financial Court, and received the Notice of Acceptance (受理通知書) indicating that the cases have been filed by the court.

1. Litigation I

The Company has requested for an order for: 1. SINOMECH, the defendant, shall repay the principal amount of the loan of RMB499 million together with interest, penalty and compound interest; 2. the Company is entitled to be repaid SINOMECH’s debt to the Company on a preferential basis by way of discounting, auction or sales of the 10% equity interest of SINOMECH pledged by the defendant, Shanghai Zhongyou Guodian Energy Co., Ltd. (上海中油國電能源有限公司) (“**Zhongyou Guodian**”); 3. the defendant, China Pufa Machinery Industry Co., Ltd. (中國浦發機械工業股份有限公司) (“**Pufa Machinery**”), shall be jointly and severally liable for all of the above SINOMECH’s debt; 4.

the defendants shall bear the litigation costs, legal fees and other expenses for realizing the creditor's rights.

2. Litigation II

The Company has requested for an order for: 1. SINOMECE, the defendant, shall repay the principal amount of the loan of RMB500 million together with interest, penalty and compound interest; 2. the Company is entitled to be repaid SINOMECE's debt to the Company on a preferential basis by way of discounting, auction or sales of the 8% equity interest of SINOMECE pledged by the defendant, Zhongyou Guodian; 3. the Company is entitled to be repaid SINOMECE's debt to the Company on a preferential basis by way of discounting, auction or sales of the 12% equity interest of SINOMECE pledged by the defendant, Shanghai Changtai Electric Co., Ltd. (上海昌泰電氣有限公司) (“**Changtai Electric**”); 4. the defendant, Pufa Machinery, shall be jointly and severally liable for all of the above SINOMECE's debt; 5. the defendant, Zhongji Guoneng Engineering Co., Ltd. (中機國能工程有限公司) (“**Zhongji Guoneng**”), shall be jointly and severally liable for all of the above SINOMECE's debt; 6. the defendants shall bear the litigation costs, legal fees and other expenses for realizing the creditor's rights.

II. Facts, Requests and Reasons of the Litigations

1. Litigation I

On 8 March 2019, SINOMECE entered into the RMB Liquidity Loan Contract (the “**Loan Contract I**”) with Shanghai Electric Group Finance Company Limited (“**Finance Company**”), a controlled subsidiary of the Company, in which it was agreed that Finance Company would lend RMB500 million to SINOMECE for a term from 8 March 2019 to 8 March 2020. On the same day, Zhongyou Guodian entered into the Pledge Contract with Finance Company, in which it was agreed that Zhongyou Guodian would pledge its 10% equity interest in SINOMECE to provide a guarantee for all of SINOMECE's debt under the Loan Contract I. On the same day, Finance Company granted the loan of RMB500 million to SINOMECE.

On 22 April 2019, Finance Company, Zhongyou Guodian, SINOMECE and Pufa Machinery entered into the Binding Agreement for the Purchase of Equity Interests (the “**Purchase Agreement I**”), pursuant to which Pufa Machinery undertook to assume joint and several guarantee obligations for the outstanding debts of Finance Company under the Loan Contract I.

On 6 March 2020, SINOMECE, Finance Company and the guarantor, Zhongyou Guodian, entered into the Extension Agreement of the Loan Contract, pursuant to which Finance Company agreed to extend the due date of borrowings under the Loan Contract I from 8 March 2020 to 8 March 2021; meanwhile, it was agreed that Zhongyou Guodian would continue to guarantee all of the SINOMECE's debt under Loan Contract I and the Extension Agreement of the Loan Contract with the pledged equity interests. On the same day, Finance Company, Zhongyou Guodian, SINOMECE and Pufa Machinery entered into the Supplemental Agreement to the Binding Agreement for the Purchase of Equity Interests, which confirms that all the rights and obligations of each party under the Purchase Agreement I shall continue to be valid.

On 22 June 2020, Finance Company transferred all creditor's rights under the Loan Contract I to the Company.

SINOMECC has only repaid the principal amount of the loan of RMB1 million and a portion of the interest on the loan, while has not repaid the remaining principal amount of the loan and its interests to the Company as contracted, which constitutes a fundamental breach of contract. After collection, the defendants failed to fulfill their respective contractual obligations, and the Company filed the lawsuit in accordance with the law.

2. Litigation II

On 18 March 2020, SINOMECC entered into the RMB Liquidity Loan Contract (the "Loan Contract II") with Finance Company, in which it was agreed that Finance Company would lend RMB500 million to SINOMECC for a term from 20 March 2020 to 19 March 2021. On the same day, Zhongyou Guodian entered into the Pledge Contract with Finance Company, in which it was agreed that Zhongyou Guodian would pledge its 8% equity interest in SINOMECC to provide a guarantee for all of SINOMECC's debt under the Loan Contract II; Changtai Electric entered into the Pledge Contract with Finance Company, in which it was agreed that Changtai Electric would pledge its 12% equity interest in SINOMECC to provide a guarantee for all of SINOMECC's debt under the Loan Contract II; Zhongji Guoneng entered into the Guarantee Contract with Finance Company, in which it was agreed that Zhongji Guoneng shall provide a joint and several guarantee for all of SINOMECC's debt under the Loan Contract II; Finance Company, Zhongyou Guodian, Changtai Electric, SINOMECC and Pufa Machinery entered into the Binding Agreement for Purchase of Equity Interests, pursuant to which Pufa Machinery undertook to assume joint and several guarantee obligations for the outstanding debts of Finance Company under the Loan Contract II.

On 20 March 2020, Finance Company granted a loan of RMB500 million to SINOMECC. On 22 June 2020, Finance Company transferred all creditor's rights under the Loan Contract II to the Company.

SINOMECC has only repaid a portion of the interest on the loan, while has not repaid the principal amount of the loan and its interests to the Company as contracted, which constitutes a fundamental breach of contract. After collection, the defendants failed to fulfill their respective contractual obligations, and the Company filed the lawsuit in accordance with the law.

III. Impact of the Litigations on the Profit of the Company for the Current or Subsequent Periods

As at 30 June 2023, the book value of the balance of the Company's other receivables due from SINOMECC amounted to RMB703 million, of which the principal amount of borrowings was RMB999 million, the interest receivable was RMB16 million, and the accumulated credit impairment loss of RMB312 million was accrued.

As the litigations has not yet been heard or decided, the measurement of the expected credit loss of the Company for the current or subsequent periods is subject to uncertainties. The Company will carry out corresponding accounting treatment according to the requirements of relevant accounting standards and actual conditions based on the trial progress and results. Meanwhile, the Company will perform its obligation of information disclosure and make timely announcement on the progress of the litigations.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Shanghai, the PRC, 4 September 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*