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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 EXPROPRIATION OF A PROPERTY OWNED BY THE COMPANY

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) and with reference to Rule 13.10B of the Listing Rules.

I. Overview

Pursuant to the "Decision of the People's Government of Jing'an District of Shanghai on Housing Expropriation" (Hu Jing Fu Fang Zheng [2023] No. 3) (《上海市靜安區人民政府房屋徵收決定》) (滬靜府房征[2023]3號), the Company's property located at No. 517 Qingyun Road, Shanghai was included in the scope of the expropriation. On 18 September 2023, the board of directors of the Company considered and approved the “Resolution Regarding the Expropriation of Property at No. 517 Qingyun Road, Shanghai” (《關於上海市青雲路 517 號房地產徵收的議案》) for the purpose of the consent for the property owned by the Company at No. 517 Qingyun Road, Shanghai to be expropriated by Shanghai Jing'an District Housing Security and Housing Administration (上海市靜安區住房保障和房屋管理局) and Shanghai Zhabei First Housing Expropriation Service Company Limited (上海市閘北第一房屋徵收服務事務所有限公司) with a total expropriation compensation of RMB526,821.8 thousand. Of which:

1. Pursuant to the “Compensation Agreement for Expropriation of Housing on Shanghai State-owned Land” (《上海市國有土地上房屋徵收補償協議》) intended to be entered by the Company, Shanghai Jing'an District Housing Security and Housing Administration and Shanghai Zhabei First Housing Expropriation Service Company Limited, the compensation for housing value of the property, compensation for the loss of suspension of production and

business, and other subsidies and incentives was RMB481,046.6 thousand in total, of which RMB441,046.6 thousand shall be payable to the Company, and RMB40,000 thousand shall be payable to Shanghai Electrical Ceramics Factory Company Limited (上海電器陶瓷廠有限公司), a controlled subsidiary of the Company;

2. Pursuant to the "Compensation and Resettlement Plan of Shanghai Electric Group Company Limited for Expropriation of No. 517 Qingyun Road" (《青雲路 517 號上海電氣集團股份有限公司徵收補償安置方案》) issued by Shanghai Zhabei First Housing Expropriation Service Company Limited and the relevant regulations, the Company will be compensated of relocation incentive of RMB45,775.2 thousand by way of settlement.

The transaction does not constitute a material asset restructuring as stipulated in the "Measures for the Administration of Material Asset Restructuring of Listed Companies" (《上市公司重大資產重組管理辦法》), nor does it constitute a connected transaction.

On 18 September 2023, the board of directors of the Company considered and approved the "Resolution Regarding the Expropriation of Property at No. 517 Qingyun Road, Shanghai", with 8 votes in favour, 0 vote against and 0 abstention.

The transaction is not required to be submitted to general meeting for consideration.

II. Information of the Counterparty

The expropriator of the expropriation is the Shanghai Jing'an District Housing Security and Housing Administration, and the implementation entity of the expropriation is Shanghai Zhabei First Housing Expropriation Service Company Limited, both of which have no relationship with the Company in terms of property rights, business, assets, debts and liabilities, and personnel.

III. Basic Information of the Transaction Subject

The subject of the transaction is the property located at No. 517 Qingyun Road, Shanghai. According to Shanghai Real Estate Ownership Certificate (Hu Fang Di Zha Zi No. 023377 (2009)) (《上海市房地產權證》(滬房地閘字(2009)第 023377 號)), the owner of the property is Shanghai Electric Group Company Limited, with a gross floor area of 10,770.63 square meters, and the type of the building is a factory used as an industrial plant; the area of the land is 4,496 square meters, and the nature of land right is the use right of the state-owned construction land. The use right is sourcing from transferral, for industrial use, and the land use term is from 30 August 2004 to 29 August 2054.

There is no mortgage, pledge or any other restriction on the transfer of the property, no litigation, arbitration or judicial measures such as seizure or freezing, and there are no other circumstances hindering the transfer of ownership.

IV. Transaction Pricing

The total expropriation compensation was RMB526,821.8 thousand. Of which:

1. Pursuant to the "Compensation Agreement for Expropriation of Housing on Shanghai State-owned Land" intended to be entered, the value of the expropriated property was appraised by Shanghai City Property Appraisal Company Limited (上海城市房地產估價有限公司), and the market appraisal price of the property was RMB35.0 thousand per square meter (gross floor area). The compensation for the value of the expropriated property amounted to RMB376,972.1 thousand, the compensation for the loss of suspension of production and business amounted to RMB37,697.2 thousand, and other subsidies and incentives amounted to RMB66,377.4 thousand, with a total amount of RMB481,046.6 thousand.
2. In accordance with the "Compensation and Resettlement Plan of Shanghai Electric Group Company Limited for Expropriation of No. 517 Qingyun Road" issued by Shanghai Zhabei First Housing Expropriation Service Company Limited and the relevant regulations, the Company will be compensated of relocation incentive of RMB45,775.2 thousand by way of settlement.

V. Principal Terms of the Agreement

The principal terms of the "Compensation Agreement for Expropriation of Housing on Shanghai State-owned Land" intended to be entered by the Company and Shanghai Jing'an District Housing Security and Housing Administration and Shanghai Zhabei First Housing Expropriation Service Company Limited in September 2023 are set out below:

1. The expropriated property was located at No. 517 Qingyun Road.
2. The value of the expropriated property was appraised by Shanghai City Property Appraisal Company Limited, and the market appraisal price of the property was RMB35.0 thousand per square meter (gross floor area).
3. In accordance with the relevant regulations and the compensation plan for the expropriation of the area, the compensation for the value of the expropriated property amounted to RMB376,972.1 thousand.
4. The compensation for the loss of suspension of production and business amounted to RMB37,697.2 thousand.
5. Other subsidies and incentives amounted to RMB66,377.4 thousand.
6. The Company shall, within 7 days after the effective date of this Agreement, submit the "Certificate of Public Property Lease" (《公房租賃憑證》) or the "Property Ownership Certificate" (《房地產權證》) of the expropriated property and the relevant ownership certificates (originals) to expropriator/property expropriation implementation entity for deregistration at relevant department.
7. The Company shall move out of the original site within 30 days after the effective date of this Agreement and shall be responsible for the co-inhabitant/user to move out as scheduled; if the co-inhabitant/user fails to move out, the Company shall bear the relevant responsibility for failure to move out as scheduled.
8. Within 90 days after the effective date of this Agreement and moving out of the original site of the Company, the expropriator/property expropriation implementation unit shall pay the Company the amount agreed in this Agreement, which shall be RMB481,046.6 thousand in total, of which RMB40,000 thousand is the compensation to Shanghai Electrical Ceramics Factory Company Limited.

VI. Impact of the Transaction on the Company

The transaction is implemented by the Company in accordance with the governmental planning, and the pricing of the transaction was determined in accordance with the relevant regulations and the relevant compensation plan for expropriation, which was determined by the relevant parties after negotiation, and in line with the interests of all shareholders of the Company, and there is no act that is detrimental to the interests of the Company and its shareholders.

This expropriation is expected to be completed in 2023. As preliminarily estimated by the financial department of the Company, after deducting the net book value, land appreciation tax and other expenses, the impact of this expropriation on the Company's net profit attributable to the parent company in 2023 is approximately RMB497 million, which is subject to the results recognised by the auditor in the annual audit.

VII. Listing Rules Implications

As the relevant applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of this transaction is less than 5%, and the counterparty is an independent third party (as defined in the Listing Rules), this transaction does not constitute a discloseable transaction for the Company under the Listing Rules.

The Company will closely monitor the progress of this expropriation and fulfil its information disclosure obligations in a timely manner.

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, 18 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*