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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**

**ACQUISITION OF 4.4415% EQUITY INTEREST IN SHANGHAI PRIME BY SMEIC**

**INTRODUCTION**

The Board hereby announces that, on 13 May 2024, the Board considered and approved the relevant resolution, pursuant to which, SMEIC, a non-wholly owned subsidiary of the Company was approved to acquire 4.4415% equity interest in Shanghai Prime held by SEGH in cash at a total consideration of approximately RMB236,216.7 thousand, which is based on the appraisal value of the total shareholders' equity in Shanghai Prime of RMB5,318,400 thousand, and the acquisition price is subject to the final equity valuation results filed with state-owned assets authorities. SMEIC will hold 100% equity interest in Shanghai Prime after the Completion of the Acquisition.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, SMEIC is a non-wholly owned subsidiary of the Company and SEGH is a wholly owned subsidiary of SEGC, which is a controlling shareholder of the Company, holding approximately 49.78% equity interest in the total issued share capital of the Company. Accordingly, SEGH is a connected person of the Company as defined under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under the Listing Rules) for the Acquisition is more than 0.1%, but all the percentage ratios are less than 5%, the Acquisition 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

The Board hereby announces that, on 13 May 2024, the Board considered and approved the relevant resolution, pursuant to which, SMEIC, a non-wholly owned subsidiary of the Company was approved to acquire 4.4415% equity interest in Shanghai Prime held by SEGH in cash at a total consideration of approximately RMB236,216.7 thousand, which is based on the appraisal value of the total shareholders' equity in Shanghai Prime of RMB5,318,400 thousand, and the acquisition price is subject to the final equity valuation results filed with state-owned assets authorities. SMEIC will hold 100% equity interest in Shanghai Prime after the Completion of the Acquisition.

The Transaction also constitutes a related party transaction of SMEIC, which is subject to SMEIC's shareholders' approval at its general meeting; the valuation report of the Target Company of the Transaction is subject to the filing procedures with the state-owned assets authorities.

## THE SIGNED EQUITY TRANSFER AGREEMENT

*Date:*

13 May 2024

*Parties:*

SEGH (transferor);

SMEIC (offeror); and

Shanghai Prime (Target Company).

*Consideration:*

The consideration for the equity transfer is RMB236,216.7 thousand, which is based on the appraisal value of the net assets of Shanghai Prime as confirmed in the appraisal report issued by the appraisal institution as of the benchmark date and filed with the state-owned assets authorities (amounting to RMB5,318,400 thousand) as a reference for the pricing of the Transaction.

The Transaction was financed by SMEIC's own funds and there was no use of funds raised by the Company.

*Major content:*

### 1. Equity transfer

The parties agreed that SMEIC shall acquire 4.4415% equity interest in Shanghai Prime held by SEGH in cash in accordance with the terms and conditions as agreed in the Equity Transfer Agreement dated 13 May 2024 entered into with SEGH and Shanghai Prime in relation to the Transaction.

### 2. Basis of consideration and payment

- 1) The consideration for the equity transfer shall be based on the appraisal value of the net assets of Shanghai Prime as confirmed in the appraisal report issued by the appraisal institution as of the benchmark date and filed with the state-owned assets authorities (amounting to RMB5,318,400 thousand) (the "**Benchmark Net Asset Appraisal Value**") as a reference for the pricing of the Transaction, and the calculation method of which is as follows:

Equity interest transfer price = Benchmark Net Asset Appraisal Value x the corresponding proportion of the target's equity interest, i.e. RMB236,216.7 thousand (the "**Equity Interest Transfer Price**")

Each party agreed that the profit and loss during the period shall be owned or borne by the offeror.

- 2) Subject to the fulfillment of the Conditions Precedent (or waived by the offeror under the Agreement), the offeror shall pay the entire Equity Interest Transfer Price by way of bank transfer to the bank account designated by the transferor in one lump sum within five business days after the fulfillment of the payment conditions under Conditions Precedent of the Agreement. For the avoidance of doubt, the Equity Interest Transfer Price paid to the transferor on the Completion Date shall be the balance after deducting the relevant transferor's PRC income tax withheld and

paid by the offeror.

- 3) The transferor shall issue written payment instructions to the offeror at least five business days prior to the Completion Date, which shall include the bank account information of the transferor to be used for receiving the Equity Interest Transfer Price.

### 3. Conditions precedent

- 1) The purchase of the target equity interest by the offeror and the disposal of the target equity interest by the transferor shall be conditional upon all of the following conditions precedent (the “**Conditions Precedent**”) being satisfied (or waived in writing by the offeror to the extent permitted by law):
  - (i) Representations and warranties. The matters or facts stated in the representations and warranties set forth in Section 6.2 of the Agreement made by the transferor to the offeror are true, accurate, complete and not misleading on the signature date and the Completion Date. As if made repeatedly on each day during the period from the signature date to the Completion Date, except to the extent that such warranties may only be made on the signature date or the completion date or any other specific date in accordance with the terms and conditions of the Agreement.
  - (ii) Compliance with the Agreement. The transferor has performed and complied with all of the covenants and obligations under the Agreement required to be performed and complied with by it on or prior to the Completion Date, and there has been no breach or default by the transferor with respect to the Agreement.
  - (iii) No material adverse effect. There are no material adverse effects.
  - (iv) No restrictions. There are no laws (including changes in laws) or judgments, awards, rulings, injunctions or orders made by any court, arbitral institution or governmental authority prohibiting, restricting, nullifying or otherwise impeding the equity transfer.
  - (v) Documents for registration of industrial and commercial changes. The Target Company has completed the registration of industrial and commercial changes in respect of the equity transfer with the competent market supervision authority.
- 2) Each party shall make its best reasonable commercial efforts to cause the Conditions Precedent to be fulfilled as soon as possible, including cooperating with and facilitating the Target Company to cooperate with the relevant parties in fulfilling the necessary governmental communication, reporting, approval or filing procedures and information disclosure obligations;
- 3) If any party is aware of any event which has caused or is likely to cause any of the Conditions Precedent to be unsatisfied, including any fact, event or circumstance which has caused or is reasonably likely to cause any of the representations or warranties made by any party hereunder to be untrue or inaccurate, or the offeror's inability to obtain the approval or filing of any governmental authority in respect of the equity transfer, or any conditions attaching to the approvals or filings that would result in material changes to the terms and conditions of the equity transfer, it shall promptly notify the other parties in writing to explain such circumstances.

### 4. Completion

- 1) The parties confirm that the date on which each of the Conditions Precedent set forth in the Agreement is fully satisfied (or waived in writing by the offeror to the extent permitted by law) (the “**Completion**”), or other date as the parties may otherwise agree in writing, shall be the completion date of the equity transfer (the “**Completion Date**”).
- 2) On the Completion Date, the transferor shall, and shall procure that the Shanghai Prime and other relevant parties to deliver to the offeror all of the Shanghai Prime's business licenses, other operating licenses, seals, articles of association, financial accounting information, bank accounts and passwords, bank account stamps, all documents and information required for replacing all of the Shanghai Prime's bank account stamps, etc., which are held or controlled by the transferor and/or Shanghai Prime and its relevant parties.
- 3) Subject to the occurrence of the Completion, the parties shall fully cooperate to facilitate the satisfaction of the following payment conditions as soon as possible:

- (i) The offeror (as the withholding obligor) shall complete the proposed tax filing and/or withholding in respect of the equity transfer; and
  - (ii) The Target Company shall complete the change registration filing (through the Target Company's bank) with the competent foreign exchange bureau in respect of the equity transfer and obtain the Business Operation Certificate issued by the bank.
5. Effectiveness of the Agreement

The Agreement shall be established upon due signatures of the parties and shall become effective after the equity transfer has been approved and consented to by SEGC and ratified by the offeror in general meeting.

## BASIC INFORMATION OF THE TRANSACTION TARGET

### (I) Overview of the Transaction target

The Transaction target is 4.4415% equity interest in Shanghai Prime, and the basic information of Shanghai Prime is as follows:

<b>Name of company</b>	Shanghai Prime Mingyu Machinery Technology Co., Ltd. (上海集優銘宇機械科技有限公司)
<b>Date of establishment</b>	28 September 2020
<b>Registered address</b>	No. 188 Yitian Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone
<b>Principal office address</b>	No. 2747 Songhua River Road, Shanghai
<b>Legal representative</b>	Wei Xudong (衛旭東)
<b>Registered capital</b>	RMB2,305,970.87 thousand
<b>Unified social credit code</b>	91310000MA1H39N44N
<b>Type of enterprise</b>	Limited liability company (Hong Kong, Macao and Taiwan investment, non-wholly owned)
<b>Shareholding structure</b>	Shanghai Prime is owned as to 87.6736%, 7.8849% and 4.4415% by the Company, Shanghai Electric Hong Kong Co., Ltd. (a wholly owned subsidiary of the Company) and SEGH respectively
<b>Main business scope</b>	General items: Engaged in technical services, technology development, technology consulting, technology exchanges, technology transfer, technology promotion in the field of mechanical science and technology; general equipment manufacturing (excluding the manufacture of special equipment); specialized equipment manufacturing (excluding the manufacture of permitted types of professional equipment); general parts and components manufacturing; bearing manufacturing; bearings sales; fasteners manufacturing; fasteners sales; metal tool manufacturing; metal tools sales; electrical machinery manufacturing; domestic trading agency; (except satellite television broadcasting terrestrial reception facilities and key components). (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>	28 September 2020 to an open-ended period

### (II) Description of ownership

Shanghai Prime's equity interest 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.

### (III) Financial information, valuation and pricing of the equity transfer

As audited by PricewaterhouseCoopers Zhong Tian LLP, issuing a standard unqualified audit report, the main financial information of Shanghai Prime for the last two years on a consolidated basis are as follows:

Unit: RMB 0'000

<b>Financial Indicators</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Total assets	1,126,339.83	1,065,147.12
Net assets attributable to the parent company	434,845.25	434,151.67
<b>Financial Indicators</b>	<b>For the year 2023</b>	<b>For the year 2022</b>
Operating revenue	958,530.14	898,030.02
Net profit attributable to the parent company	23,696.98	34,924.53

The net profit before taxation and net profit after taxation of Shanghai Prime in the previous years, immediately prior to the equity transfer, are as follows:

Unit: RMB 0'000

<b>Item</b>	<b>For the year ended 31 December 2023</b>	<b>For the year ended 31 December 2022</b>
Net profit before taxation	34,252.91	44,561.61
Net profit after taxation	27,358.42	38,396.61

Shanghai Prime has not carried out any asset appraisal, capital increase, capital reduction or restructuring in the recent 12 months.

The transaction price was based on the appraisal value confirmed in the appraisal report of the Target Company issued by Shanghai Shenwei Asset Valuation Co., Ltd.\* (上海申威資產評估有限公司) (the "Independent Valuer") and ultimately filed with state-owned assets authorities, and was determined by negotiation between the parties to the transaction. After valuation, the appraised value of total shareholders' equity in Shanghai Prime is RMB5,318,400 thousand, representing an appraised value appreciation of RMB969,947.5 thousand, or 22.31%, as compared with the audited consolidated equity attributable to shareholders of the parent company of RMB4,348,452.5 thousand. Pursuant to the Agreement, the transfer price of 4.4415% equity interest in Shanghai Prime is RMB236,216.7 thousand.

The Independent Valuer conducted an appraisal of the value of the entire shareholders' equity interest of the Target Company and issued the Asset Appraisal Report (Hu Shen Wei Ping Bao Zi [2024] No. 0139) (滬申威評報字〔2024〕第0139號) (the "Appraisal Report"), in which Shanghai Prime and its business segments were appraised separately based on the characteristics of the assets and the business attributes, among which, Shanghai Prime was appraised by using the asset-based approach, the relevant operating entities of automobile fastener segment were appraised by using the income approach and the market approach, and the appraisal results of the income approach were selected as the basis for pricing; the relevant operating entities of blades, bearings, industrial fasteners, and tools were appraised by using the asset-based approach and the income approach, and the appraisal results of the asset-based approach were selected as the basis for pricing. Details of which are set out below:

#### Summary of the Valuation Results

Valuation benchmark date: 31 December 2023

Unit: RMB 0'000

<b>Item</b>	<b>Book value</b>	<b>Appraisal value</b>	<b>Appreciation or depreciation</b>	<b>Value appreciation rate (%)</b>
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Total current assets	73,597.49	73,597.49	-	-
Total non-current assets	326,566.62	460,920.82	134,354.20	41.14
Including: Net long-term equity investments	326,566.62	460,918.42	134,351.80	41.14
Intangible assets	-	2.40	2.40	-
<b>Total assets</b>	<b>400,164.11</b>	<b>534,518.31</b>	<b>134,354.20</b>	<b>33.57</b>
Total current liabilities	2,678.31	2,678.31	-	-
Total non-current liabilities	-	-	-	-
<b>Total liabilities</b>	<b>2,678.31</b>	<b>2,678.31</b>	-	-
<b>Net assets</b>	<b>397,485.80</b>	<b>531,840.00</b>	<b>134,354.20</b>	<b>33.80</b>

Note: The book value in the above table represents the audited book value of Shanghai Prime's single statement as of the valuation benchmark date.

After valuation, the appraised value of total shareholders' equity in Shanghai Prime is RMB5,318,400 thousand, representing an appraised value appreciation of RMB969,947.5 thousand, or 22.31%, as compared with the audited consolidated equity attributable to shareholders of the parent company of RMB4,348,452.5 thousand. Given that Shanghai Prime is a shareholding platform-type company, its asset appreciation mainly derives from long-term equity investments, i.e. the appraised value appreciation of its subordinate business segments. The appraised value appreciation of the domestic business segment mainly derives from the appreciation of inventory, land, and property held by various operating entities, as well as the appraised value appreciation of intangible assets such as patents and software copyrights. The appraised results of the income approach adopted by the overseas automobile fastener operating entities also represented a certain degree of appreciation as compared with the book value of their assets.

## **PROFIT FORECAST IN RELATION TO THE VALUATION**

Since the asset-based approach and the income approach were adopted for the valuation, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and is subject to the requirements of Rule 14.60A of the Listing Rules.

According to the Appraisal Report prepared by the Independent Valuer, details of the principal assumptions (including commercial assumptions) on which the profit forecast in relation to the asset value of the relevant operating entities in the automobile fastener segment are set out as follows:

### **(I) General assumptions**

1. Transaction assumption: It is assumed that all appraised assets are in the trading process, and the appraisal conducted by the assets valuer is based on a simulated market which involved the transaction conditions of the appraised assets. Transaction assumption is one of the most fundamental prerequisite assumptions for the appraisal of assets.
2. Open market assumption: Open market refers to fully developed and complete market conditions. It is assumed that both parties to the assets transaction or the proposed assets transaction in the market are on equal footing and have access and time to obtain sufficient market information in order to make rational judgments on the assets, including their functions, purposes and transaction prices.
3. Continuous use assumption: It is assumed that the assets of the appraised entity in use will be continuously used in consistence with their current functions and methods after the transfer of property rights.
4. Continuing operation assumption: It is assumed that the production and operation of the appraised

entity will be continued under current conditions and will not undergo significant changes in the foreseeable future, regardless the impact of the economic behaviors involved in the appraisal purpose on business operation of enterprises.

5. External environment assumption: It is assumed that there are no significant changes in the relevant national laws, regulations and policies in force; there are no significant changes in the political, economic and social environment of the regions in which the parties to the transaction are located; and there are no significant changes in the relevant interest rates, exchange rates, taxation bases and rates, policy levies, etc.

6. It is assumed that the management of the appraised entity has responsibly performed its obligations for the operation of the business and has competently implemented effective management of the relevant assets. The appraised entity has fully complied with all relevant laws and regulations in the course of their operations.

7. The impact of possible mortgages, guarantees, as well as the possible additional price to be paid for special transaction methods on the appraisal conclusion is not considered.

8. The ownership certificates, financial accounting information and other information provided by the client and the appraised entity are the basis of the appraisal, the appraisal is based on the assumption that such information provided by the client and the appraised entity is true, complete and lawful.

9. On the premise of the assumptions and in accordance with the purpose of this appraisal, it is determined that the valuation type of this appraisal is the market value. All pricing standards used in the appraisal are the effective pricing standards and valuation systems on the valuation benchmark date.

10. It is assumed that there are no other force majeure factors and unforeseeable factors that would have material adverse impact on the enterprises.

## **(II) Special assumptions**

1. It is assumed that the accounting policies to be adopted by the appraised entity in the future will be substantially consistent with those adopted in the preparation of this report in all material respects.

2. It is assumed that there will be no significant changes in the financial structure and capital scale of the appraised entity in the future operating period.

3. It is assumed that the forecast of future income is based on the existing management methods and management standards, and the business scope and methods will remain the same as at present.

4. This appraisal assumes that the production and operation sites and equipment leased by the appraised entity can be renewed normally, and such operation sites and equipment can operate continually upon expiry of the leases.

5. This appraisal assumes that the appraised entity will be able to raise the necessary capital in accordance with its operational needs and that the appraised entity's operations will not be affected by financing matters.

6. This appraisal assumes that the appraised entity's core team will continue to serve in appraised entity in future years and will not engage in any outside business that competes with the appraised entity's business.

7. This appraisal assumes that the relevant operating licenses of the appraised entity can be renewed normally upon expiry.

8. This appraisal assumes that the progress of the appraised entity's new research and development projects will progress smoothly in accordance with the planned milestones.

9. The calculation of net cash flow is on an accounting year basis, assuming that the income and expenses of the appraised entity occur evenly during the accounting year.

10. This appraisal only forecasts the appraised entity's operating income, various costs and expenses for the next five years (2024-2028), and assumes that the expected earnings for 2029 and beyond are based on the earnings level in 2028, taking into account a 1.5% perpetual growth.

11. The appraisal assumes that the national current tax policy will remain unchanged in the future.

12. The appraisal assumes that the exchange rate between EUR and RMB will remain reasonably volatile

in the future.

PricewaterhouseCoopers Zhong Tian LLP, the reporting accountant of the Company, has reported to the Board on the arithmetical calculations and the compilation of the discounted future estimated cash flows on which the Appraisal Report is based.

The Board confirms that the profit forecast of the relevant operating entities in the automobile fastener segment in the valuation was made after due and careful enquiry by the Board, and is fair and reasonable.

The letters issued by PricewaterhouseCoopers Zhong Tian LLP and the Board are set out in Appendix I and Appendix II to this announcement, respectively.

## INFORMATION OF EXPERTS

The qualifications of the experts who have made representations or provided opinions in this announcement are as follows:

Name	Qualification	Date of representation or opinion
Shanghai Shenwei Asset Valuation Co., Ltd.	Certified Assets Valuer	13 May 2024
PricewaterhouseCoopers Zhong Tian LLP	Certified Public Accountant	13 May 2024

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, each of the experts, being a third party independent from the Group and not a connected person of the Group, had no direct or indirect shareholdings in any member of the Group, and had no direct or indirect rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter, representations and/or opinions and references to its name in the context.

## REASONS FOR AND BENEFITS FROM THE ACQUISITION

In order to response to the policy requirements that encourage listed companies to focus on their core business and comprehensively use mergers and acquisitions, restructuring, equity incentives and other methods to improve the quality of development, based on the Company's development strategy of "focusing on national strategies, seeking progress in stability, making breakthroughs in key areas, and achieving high-quality development", to further promote the Company's strategic layout and industrial integration in key industries, and actively supports its subsidiaries to deepen the "professional, refined, featured and innovative" industries, SMEIC proposes to acquire 87.6736%, 7.8849% and 4.4415% equity interest in Shanghai Prime held by the Company, Shanghai Electric Hong Kong Co., Ltd., and SEGH respectively, of which the acquisition of 4.4415% equity interest in Shanghai Prime by SMEIC from SEGH constitutes a connected transaction of the Company.

Through this Transaction, SEGH will no longer hold any equity interest in Shanghai Prime and Shanghai Prime will continue to be a holding subsidiary of the Company within the scope of the consolidated financial statements. SMEIC will directly hold 100% equity interest in Shanghai Prime. The Transaction will not have any material impact on the production and operation of the Company.

Upon completion of the aforesaid transaction, the business of the Company's industrial equipment segment will be effectively integrated, and SMEIC will clarify the positioning of its "professional, refined, featured and innovative" industrial platform, broaden the scope of industrial foundation parts, key components, sub-systems and electromechanical integrated products, create and improve the diversification of its product portfolio, and further utilize the advantageous position of SMEIC and Shanghai Prime in the fields of industrial foundation parts and key components to serve the national strategy of strengthening the country's manufacturing.

## **OPINION FROM THE BOARD**

On 13 May 2024, the relevant resolution was considered and approved at the 93rd meeting of the fifth session of the Board of the Company. The connected Directors, namely Dr. Wu Lei, 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 non-executive 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 connected transaction of the acquisition of equity interest in Shanghai Prime by SMEIC is in line with the operation and development requirements of the Company. The acquisition price is based on the appraised value of the equity interest in Shanghai Prime after negotiation between the transferring parties, and is fair and reasonable and in the interests of the Company and all its shareholders. We agree with the resolution.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, SMEIC is a non-wholly owned subsidiary of the Company and SEGH is a wholly owned subsidiary of SEGC, which is a controlling shareholder of the Company, holding approximately 49.78% equity interest in the total issued share capital of the Company. Accordingly, SEGH is a connected person of the Company as defined under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under the Listing Rules) for the Acquisition is more than 0.1%, but all the percentage ratios are less than 5%, the Acquisition 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 nuclear power equipment, energy storage equipment, coal-fired power generation and corollary equipment, gas-fired power generation equipment, wind power equipment, hydrogen energy equipment, photovoltaic 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, factoring, asset management, insurance brokerage, etc.; provision of park and 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.

SMEIC is a large listed company leading the rapid development of China's electromechanical equipment manufacturing enterprises. Its business involves major fields including elevator manufacturing, refrigeration and air conditioning equipment manufacturing, printing and packaging machinery manufacturing, hydraulic product manufacturing, artificial board machinery manufacturing, engineering machinery manufacturing and electric machinery manufacturing. The ultimate beneficial owner of SMEIC is Shanghai State-owned Assets Supervision and Administration Commission.

The principal business of SEGH is asset management, overseas industry and financial investment. The ultimate beneficial owner of SEGH is Shanghai State-owned Assets Supervision and Administration Commission.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Agreement”	the Equity Transfer Agreement entered into between SMEIC, SEGH and Shanghai Prime on 13 May 2024;
“Transaction” or “Acquisition”	SMEIC’s proposed acquisition of 4.4415% equity interest in Shanghai Prime held by SEGH at a consideration of RMB236,216.7 thousand;
“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;
“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, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“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;
“SEGH”	Shanghai Electric Group Hongkong Company Limited, a company with limited liability established in Hong Kong on 8 November 2010, which is a wholly-owned subsidiary of SEGC;
“SMEIC”	Shanghai Mechanical & Electrical Industry Co., Ltd., a joint stock limited company established in the PRC on 24 February 1994, which is a non-wholly owned subsidiary of the Company and the A shares of which are listed on the

Shanghai Stock Exchange under the stock code 600835;

“Shanghai Prime” or “Target Company” Shanghai Prime Mingyu Machinery Technology Co., Ltd., a company with limited liability established in the PRC on 28 September 2020, which is a non-wholly owned subsidiary of the Company;

“subsidiary(ies)” has the meaning ascribed thereto under the Listing Rules; and

“%” Percentage.

By order of the Board  
**Shanghai Electric Group Company Limited**  
**WU Lei**  
*Chairman of the Board*

Shanghai, the PRC, 14 May 2024

*As at the date of this announcement, the executive directors of the Company are Dr. WU Lei, Mr. LIU Ping and Mr. ZHU Zhaokai; the non-executive directors of the Company are Mr. SHAO Jun and Ms. LU Wen; and the independent non-executive directors of the Company are Dr. XI Juntong, Dr. XU Jianxin and Dr. LIU Yunhong.*

*\* For identification purpose only*

APPENDIX I:



普华永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SHANGHAI PRIME MINGYU MACHINERY TECHNOLOGY CO., LTD.**

2024/SH-0276

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**TO THE BOARD OF DIRECTORS OF SHANGHAI ELECTRIC GROUP COMPANY LIMITED,**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 13 May 2024 prepared by Shanghai Shenwei Asset Valuation Co., Ltd. (上海申威資產評估有限公司) in respect of the appraisal of the fair value of the 100% equity interests in Shanghai Prime Mingyu Machinery Technology Co., Ltd. (上海集優銘宇機械科技有限公司) (the "Target Company") as at 31 December 2023, is based. The Valuation is set out in the announcement of Shanghai Electric Group Company Limited (the "Company") dated 13 May 2024 (the "Announcement") in connection with the acquisition by the Company of a 4.4415 % equity interest in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

**Directors' Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set in the Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



普华永道

2024/SH-0276

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### **Reporting Accountant's Responsibilities**

It is our responsibility, pursuant to paragraph 14.60A(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in the Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in the Announcement.

**PricewaterhouseCoopers Zhong Tian LLP**

Shanghai, the People's Republic of China

13 May 2024

APPENDIX II:



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)**

**Letter from the Board**

14 May 2024

Dear Sir or Madam,

Reference is made to the announcement of the Company dated 14 May 2024 in relation to the acquisition of 4.4415% equity interest in Shanghai Prime. Unless the context requires otherwise, terms defined in the above announcement shall have the meanings as those used in this letter.

The selection of the income approach for the valuation of the relevant operating entity of the automobile fastener segment under Shanghai Prime is deemed as a profit forecast in accordance with Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Based on the above and in accordance with Rule 14.60A(3) and Rule 14A.68(7) of the Listing Rules, the Board confirms that the profit forecast was made after due and careful enquiry.

**The Board of**

**Shanghai Electric Group Company Limited**