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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 TERMINATION OF PROPOSED

ISSUANCE OF SHARES AND PURCHASING ASSETS

Reference is made to the announcements of Shanghai Electric Group Company Limited (the "**Company**") dated 6 June 2018, 13 June 2018, 21 June 2018 and 28 June 2018, 5 July 2018, 12 July 2018, 19 July 2018, 26 July 2018 and the overseas regulatory announcement of the Company dated 13 June 2018, in relation to, among others, that the Company was contemplating the acquisition of 51% equity interest in Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司, as "**Jiangsu Zhongneng**") (the "**Transaction**"), a subsidiary of GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司, as "**GCL-Poly Energy**") (a company listed on the Stock Exchange of Hong Kong Limited under the stock code 3800), which was initially proposed to be carried out through issuance of shares and payment of cash for acquisition of assets. Pursuant to relevant requirement, upon the application of the Company, trading in the A shares of the Company was suspended for no more than one month from the opening of the morning trading session of 6 June 2018. After expiry of the one-month period, in view of the progress of the issuance of shares for acquisition of assets, the Company published the Announcement on Continuous Suspension of Trading in A Shares for the Issuance of Shares and Purchasing Assets and the Progress Thereof on 5 July 2018, stating that upon application by the Company, the trading in the A shares of the Company would remain suspended from the opening of the morning trading session on 6 July 2018. During the trading suspension, the Company has published announcements on the

progress of the issuance of shares for acquisition of assets every five trading days. After prudent and careful consideration, the Company has decided to terminate the Transaction, details of which are set out below:

I. BASIC INFORMATION ON THE ISSUANCE OF A SHARES AND PURCHASING ASSETS

(I) Background and Reasons

As it has become clear that the China's strategic goal for energy sector is to reduce the proportion of conventional energy and accelerate the development of low-carbon energy, the energy industry in which the Company operates is under transformation pressure. Against such backdrop, the Company's switch to solar energy is in line with the state's industry policy and is a rational choice made by the Company for replacing old growth drivers with new ones and achieving better development.

In light of the above, the Company proposed to acquire the 51% equity interest in Jiangsu Zhongneng by way of issuance of shares and payment of cash, so as to improve the business layout of the Company and further shift from conventional energy to new energy. The Transaction is expected to enhance the profitability of the Company, pave the way for long-term stable development in the future and maximize the interests of the Company's shareholders, especially minority shareholders.

(II) Information on the Underlying Assets

The underlying assets under the Transaction are preliminarily determined to be the 51% equity interest in Jiangsu Zhongneng which is principally engaged in production and sale of silicon materials and silicon chips in the upstream of the photovoltaic industry.

(III) Counterparty

The major counterparty of the Transaction is GCL-Poly Energy, an independent third party. Therefore, the transaction does not constitute a connected transaction.

(IV) Mode of Transaction

The Transaction is initially proposed to be carried out through issuance of shares and payment of cash for acquisition of assets.

(V) Execution of Relevant Agreements

On 6 June 2018, the Company entered into the Framework Agreement on Acquisition of Equity Interest of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. with GCL-Poly Energy.

II. WORK DONE BY THE COMPANY DURING THE TRADING SUSPENSION

Trading in the A shares of the Company has been suspended from the opening of the morning trading session on 6 June 2018. During the trading suspension, the Company has engaged intermediaries to perform preliminary due diligence on the counterparty.

(I) Work done by the Company for promoting the Transaction

During the A shares trading suspension, the Company actively studied, discussed and negotiated with relevant parties on the relevant matters concerning the reorganization plan in accordance with the Measures for the Administration of the Material Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) and other relevant rules, and had several rounds of discussions and negotiations on the transaction plan, the progress of due diligence and other key matters.

Meanwhile, the Company took adequate measures to keep confidential relevant information and strictly control the access to such information, therefore there was no abnormal movement in the price of the A shares of the Company before the trading suspension. In addition, the Company timely performed its obligations of information disclosure in strict accordance with relevant laws and regulations and made warnings in respect of the risks and uncertainties associated with Transaction in relevant announcements.

(II) Information Disclosure Obligation Performed by the Company

On 6 June 2018, the Company published the Announcement on Contemplation of Material Matters where the Company proposed to acquire 51% equity interest of Jiangsu Zhongneng and would suspend trading of A shares from the opening of the morning trading session on 6 June 2018 as the Transaction constitutes issuance of shares and purchasing assets.

On 5 July 2018, the Company published the Announcement on Continuous Suspension of Trading of A Shares for the Issuance of Shares and Purchasing Assets and the Progress Thereof. The A shares of the Company remained suspended from the opening of the morning trading session on 6 July 2018.

On 13 June 2018, the Company published the Overseas Regulatory Announcement.

On 13 June 2018, 21 June 2018, 28 June 2018, 12 July 2018, 19 July 2018 and 26 July 2018, the Company published the Announcement on Progress of the Issuance of Shares and Purchasing Assets respectively.

III. REASONS FOR TERMINATION OF THE PLAN FOR ISSUANCE OF SHARES AND PURCHASING ASSETS

Since the kick-off of the issuance of shares and purchasing assets, the Company and related parties have proactively advanced relevant work on this reorganization, including rounds of active negotiations with all relevant parties involved in the Transaction. In view of the huge size of the target company and considering that the asset boundary of the underlying company involved in the Transaction has not yet been finalized, the Transaction plan is so complex that both parties to the Transaction have not reached a consensus on the relevant cooperation terms and the Transaction plan as at the date of the announcement. Therefore, both parties to the Transaction believed that the timing and conditions for continuing to advance this material assets reorganization plan were not favorable, and thus agreed to terminate the Framework Agreement on Acquisition of Equity Interest of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. In order to safeguard the interests of the Company and investors, the Company made a careful study and decided to terminate the plan for the issuance of shares and purchasing assets.

IV. IMPACT OF TERMINATION OF THE TRANSACTION ON THE COMPANY

The Company is overall well-operated at present, and the termination of this reorganization will have no adverse impact on its existing production and operation activities and financial conditions. In the future, the Company will not change its established development strategy, and continue to improve the industrial layout, profitability and operating results to repay investors.

V. COMMITMENTS

The Company commits that it will not consider any material assets reorganization within one month from the date of publication of this announcement in relation to the investors briefing session and resumption of trading of its A shares.

VI. RESUMPTION OF TRADING OF A SHARES

In accordance with relevant requirements, the Company will hold an investors briefing session on 6 August 2018, make an announcement accordingly, and apply for resumption of trading of A shares of the Company at the same time. The board of directors (the "**Board**") of the Company hereby expresses its sincere apology for the inconvenience to the investors arising from suspension of trading of its A shares and its gratitude towards investors for their continuous attention and support for the Company.

The announcements of the Company published on the designated media, namely China Securities Journal, Shanghai Securities News, Securities Times, the website of Shanghai Stock Exchange (www.sse.com.cn), as well as the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk), shall prevail and be the official public information disclosure of the Company.

By order of the Board
Shanghai Electric Group Company Limited
ZHENG Jianhua
Chairman of the Board

Shanghai, the PRC, 3 August 2018

As of the date of this announcement, the executive director of the Company is Mr. ZHENG Jianhua; the non-executive directors of the Company are Mr. LI Jianjin, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. CHU Junhao.

** For identification purpose only*