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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)

PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ISSUANCE AND PLACING OF A SHARES AND RESUMPTION OF TRADING

PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION

On 2 December 2015, the Company entered into the Restructuring Agreement, pursuant to which the Company proposed to conduct an assets swap for its 100% equity interests in Shanghai Heavy Machinery Plant Co., Ltd., at a value of RMB1.00, with the equivalent parts of 100% equity interests in Shanghai Electric Industrial Company Limited, 61% equity interests in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interests in Shanghai Blower Works Co., Ltd., 14.79% equity interests in Shanghai Rail Traffic Equipment Development Co., Ltd. held by SEC. The difference between the consideration for the equity assets of the Incoming Assets and that for the Outgoing Assets of RMB3,400,913,224 and the consideration for Target Properties of RMB2,916,326,263 will be settled by way of the issuance of 606,843,370 Consideration Shares by the Company to SEC at the issue price of RMB10.41 per Consideration Share.

PROPOSED ISSUANCE AND PLACING OF A SHARES

On condition that the Company obtained all necessary approvals required for the transaction contemplated under the Restructuring Agreement, additional A Shares will be issued and placed by the Company. The Company proposed to issue no more than 336,215,171 A Shares to nine investors (including SEC) at the issue price of RMB10.41 per A Share. The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares will be no more than RMB3,500,000,000, which amounts to no more than 100% of the consideration for the Incoming Assets. The result of the Proposed Issuance and Placing of A Shares, whether successful or not, shall not affect the implementation of the transactions contemplated under the Restructuring Agreement.

Listing Rules Implications

The transaction contemplated under the Restructuring Agreement consists of the disposal of Outgoing Assets, the acquisition of Incoming Assets and the issuance of Consideration Shares. The counterparty of the transaction is SEC. SEC is our controlling shareholder holding approximately 55.05% equity interest in the total issued share capital of the Company as at the date of this announcement. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Given the highest applicable percentage ratio (as defined in the Listing Rules) for this transaction, aggregated with the applicable ratios for the Previous Transactions according to Rule 14.22 and Rule 14A.81 of the Listing Rules, is more than 5% but less than 25%, the transaction contemplated under the Restructuring Agreement between the Company and SEC constitutes a discloseable transaction subject to the notification and announcement requirements under Chapter 14 of the Listing Rules and a connected transaction subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Since the transaction contemplated under the Restructuring Agreement involves the issuance of A Shares by the Company, the approval of the Shareholders by way of special resolutions at the EGM and the Class Meetings is required for this transaction pursuant to Rule 19A.38 of the Listing Rules.

Pursuant to Rule 19A.38 of the Listing Rules, the Proposed Issuance and Placing of A Shares requires the approval of the Shareholders by way of special resolutions at the EGM and the Class Meetings. SEC is our controlling shareholder holding approximately 55.05% equity interest in the total issued share capital of the Company as of the date of this announcement. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the subscription of certain shares under the Proposed Issuance and Placing of A Shares by SEC will constitute a connected transaction subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board anticipates that the Company will continue to maintain sufficient public float to meet the requirements under the Listing Rules.

GENERAL INFORMATION

A circular containing, among other things, (i) details of the proposed discloseable and connected transaction, including major terms of the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement; (ii) details of the proposed issuance and placing of A Shares; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, is expected to be dispatched to Shareholders no later than 28 December 2015.

RESUMPTION OF TRADING OF H SHARES

Trading of H Shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on 8 October 2015 pending the release of this announcement. The Company intended to make an application to the Hong Kong Stock Exchange for the resumption of trading of H Shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 7 December 2015.

The completion of the disposal of Outgoing Assets, the acquisition of Incoming Assets and the issuance of the Consideration Shares contemplated under the Restructuring Agreement, and the Proposed Issuance and Placing of A Shares, are subject to the satisfaction and/or waiver of the relevant conditions precedent, and therefore, the Company may or may not proceed with completion of such transactions. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Reference was made to the announcement (the “**Previous Proposed Transactions Announcement**”) of the Company dated 4 December 2015 in respect of the proposed discloseable and connected transaction and proposed issuance and placing of A Shares (the “**Proposed Transactions**”). After the Company published the relevant announcements and reports in respect of the Proposed Transactions on the website of the Shanghai Stock Exchange on 4 December 2015, Shanghai Stock Exchange conducted the post-vetting on the published documents according to the relevant PRC laws and regulations and asked for some further details about the Proposed Transactions of the Company. We hereby update the Previous Proposed Transactions Announcement to incorporate the additional information (where appropriate) accordingly and also rectify certain formatting errors contained in the Previous Proposed Transactions Announcement. Shareholders and investors are recommended to refer to this revised announcement.

I. INTRODUCTION

References are made to the trading suspension announcement dated 8 October 2015, the announcements on update on material matters and suspension of trading of the Company dated 8 October 2015, 14 October 2015, 21 October 2015, 28 October 2015, 4 November 2015, 11 November 2015, 18 November 2015, 20 November 2015 and 27 November 2015. On 2 December 2015, the Board resolved to approve (i) the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement; and (ii) the Proposed Issuance and Placing of A Shares.

II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION

On 2 December, 2015, the Company and SEC entered into the Restructuring Agreement, pursuant to which the Company proposed to conduct an assets swap for its 100% equity interests in Shanghai Heavy Machinery Plant Co., Ltd., at a value of RMB1.00, with the equivalent parts of 100% equity interests in Shanghai Electric Industrial Company Limited, 61% equity interests in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interests in Shanghai Blower Works Co., Ltd. and 14.79% equity interests in Shanghai Rail Traffic Equipment Development Co., Ltd. held by SEC. The difference between the consideration for the equity assets of the Incoming Assets and that for the Outgoing Assets of RMB3,400,913,224 and the consideration for Target Properties of the Incoming Assets of RMB2,916,326,263 will be settled by the way of issuance and placing of 606,843,370 Consideration Shares by the Company to SEC at the issue price of RMB10.41 per Consideration Share.

1. Principal terms of the Restructuring Agreement

Date 2 December 2015

Parties (i) the Company; and
(ii) SEC

SEC is the controlling shareholder of the Company and therefore a connected person as defined under Chapter 14A of the Listing Rules.

Target assets (i) Outgoing Assets:
100% equity interests in Shanghai Heavy Machinery Plant Co., Ltd. held by the Company;

(ii) Incoming Assets:
100% equity interests in Shanghai Electric Industrial Company Limited, 61% equity interests in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interests in Shanghai Blower Works Co., Ltd., 14.79% equity interests in Shanghai Rail Traffic Equipment Development Co., Ltd. and Target Properties held by SEC.

Consideration The consideration for the Outgoing Assets and that for the Incoming Assets were determined after arm's length negotiations based on the valuation of such assets as at Valuation Benchmark Date as confirmed in the assets valuation reports issued by the qualified PRC valuers. Valuation result based on asset-based approach was adopted for the Outgoing Assets and equity interests of the Incoming Assets. The valuation approaches adopted for the Target Properties are set out as below: valuation result based on the replacement cost approach was adopted for buildings and structures for production; valuation result based on the market comparison approach was adopted for the office buildings; valuation result based on the replacement cost approach was adopted for the equipments; and the valuation result based on market comparison approach was adopted for land use rights.

The consideration for the Outgoing Assets is RMB1.00, which has been arrived at after arm's length negotiations between the parties by reference to the valuation of 100% equity interests in Shanghai Heavy Machinery Plant Co., Ltd. of RMB-184,868,000 as at the Valuation Benchmark Date.

The consideration for the Incoming Assets is RMB6,317,239,488, which has been arrived at after arm's length negotiations between the parties by reference to the valuations of 100% equity interests in Shanghai Electric Industrial Company Limited, 61% equity interests in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interests in Shanghai Blower Works Co., Ltd., 14.79% equity interests in Shanghai Rail Traffic Equipment Development Co., Ltd. and Target Properties of RMB1,913,470,400, RMB533,687,369, RMB784,920,959, RMB168,834,497, and RMB2,916,326,263, respectively, as at the Valuation Benchmark Date.

In case of distribution of dividend in cash for equity assets under the Incoming Assets during the period commencing from Valuation Benchmark Date to the date of completion of the assets swap, the consideration of the Incoming Assets shall be finalized after deducting the amount of dividend in cash.

The valuation reports of the Incoming Assets and the Outgoing Assets shall be subject to filing with Shanghai SASAC. Should there be any adjustment to the valuation of the Incoming Assets or the Outgoing Assets determined in the valuation reports made by Shanghai SASAC, the final consideration for the Incoming Assets and that for the Outgoing Assets shall be determined by the parties' further negotiation based on the valuation after adjustment.

Payment method

The difference between the consideration for the equity assets of the Incoming Assets and that for the Outgoing Assets of RMB3,400,913,224 and the consideration for the Target Properties of RMB2,916,326,263 will be settled by way of the issuance of 606,843,370 Consideration Shares by the Company to SEC at the issue price of RMB10.41 per Consideration Share.

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all material respects with the A Shares in issue.

Arrangement for profit or loss for the period

- (i) Arrangement for profit or loss in relation to the Outgoing Assets for the period:

All the profit or loss of the Outgoing Assets arising from or incurred during the period commencing from Valuation Benchmark Date to Transfer Completion Date for the Outgoing Assets shall belong to or be borne by the Company.

- (ii) Arrangement for profit or loss in relation to the Incoming Assets for the period:

All the profit or loss of the Incoming Assets arising from or incurred during the period commencing from Valuation Benchmark Date to Transfer Completion Date for the Incoming Equity Assets shall belong to or be borne by SEC.

Issue price and number of the Consideration Shares

- (i) pursuant to the requirements of the Measures for Administration of Material Assets Reorganization of Listed Companies (《上市公司重大資產重組管理辦法》) issued by the CSRC, the Company and SEC negotiated and determined that the issue price of the Consideration Shares shall be 90% of the average trading price of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date, which is RMB10.41 per A Share. The Pricing Benchmark Date of the Consideration Shares shall be the publication date of the Board resolution announcement in relation to the transactions contemplated under the Restructuring Agreement (5 December 2015) on the Shanghai Stock Exchange. Further details are set out in the paragraph headed “II. Proposed Discloseable and Connected Transaction – 9. Consideration for pricing of the Consideration Shares” in this announcement.

The average trading price of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date was calculated by dividing the total trading amount of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date by the total trading volume of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date.

- (ii) the number of the Consideration Shares to be issued by the Company to SEC is 606,843,370, calculated by dividing the difference between the consideration for the Incoming Assets and that for the Outgoing Assets (which is RMB6,317,239,487) by the issue price of the Consideration Share of RMB10.41 per share. The number of Consideration Shares shall be subject to the approval of CSRC.

- (iii) in the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital or carries out any other ex-rights or ex-dividends activities during the period commencing from the Pricing Benchmark Date to the Date of Issue of the Consideration Shares, the corresponding adjustments shall be made to the issue price and number of the Consideration Shares.

The valuation reports for the Incoming Assets and for the Outgoing Assets shall be subject to filing with Shanghai SASAC. Should there be any adjustment to the valuation of the Incoming Assets or the Outgoing Assets determined in the valuation reports made by Shanghai SASAC, the final consideration for the Incoming Assets and that for the Outgoing Assets shall be determined by the parties' further negotiation based on the valuation after adjustment, and a corresponding adjustment shall also be made to the difference in the consideration and the number of the Consideration Shares.

Place of listing

The A Shares to be issued pursuant to the Restructuring Agreement will be listed and traded on the Shanghai Stock Exchange.

Conditions precedent

Completion is subject to, among other things, the following conditions set out in the Restructuring Agreement being satisfied:

- (i) the approval by the board of directors of SEC of the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement;
- (ii) the approval by way of special resolutions of the Shareholders (excluding SEC and its associates) at the EGM and the Class Meetings of the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement;
- (iii) the filing with and approval by the competent state-owned assets authorities of the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement;
- (iv) the approval by the CSRC of the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement;

- (v) the approval by the board of directors of Shanghai DENSO Fuel Injection Co., Ltd. of the shareholding transfer in Shanghai DENSO Fuel Injection Co., Ltd. in relation to the transactions contemplated under the Restructuring Agreement;
- (vi) the approval by the relevant foreign affairs department of the shareholding transfer in Shanghai DENSO Fuel Injection Co., Ltd. in relation to the transactions contemplated under the Restructuring Agreement; and
- (vii) all other consents, approvals and authorisations as and may be required by the relevant governmental authorities in respect of the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement.

Completion

- (i) As from the Transfer Completion Date for the Outgoing Assets, the disposal of the Outgoing Assets is deemed to be completed. Both parties agreed that SEC shall then be entitled to the rights relating to the Outgoing Assets and assume the corresponding obligations under the articles of association of the company to which the equity interests of the Outgoing Assets belong as from the Transfer Completion Date for the Outgoing Assets;
- (ii) As from the Transfer Completion Date for the Incoming Equity Assets, the acquisition of the equity assets of the Incoming Assets is deemed to be completed. Both parties agreed that the Company shall then be entitled to the rights relating to the equity assets of the Incoming Assets and assume the corresponding obligations under the articles of association of the companies to which the respective equity interests of the Incoming Assets belong as from the Transfer Completion Date for the Incoming Equity Assets; and
- (iii) As from the date of completion of the registration procedures in relation to the transfer of the Target Properties to the Company in accordance with the Restructuring Agreement, the acquisition of the Target Properties is deemed to be completed. For the Target Properties with title certificates not yet obtained, SEC shall deliver the possession of such properties to the Company and a written confirmation for title transfer completion shall be executed by both parties. As from the date of execution of the written confirmation for title transfer completion by both parties, the acquisition of such properties within the Target Properties is deemed to be completed.

Lock-up period

The Consideration Shares issued by the Company to SEC shall not be transferred within 36 months commencing from the date of issuance of the Consideration Shares and are subject to the relevant requirements of the CSRC and Shanghai Stock Exchange thereafter. If the closing prices of A Shares are below the issue price of the Consideration Shares for 20 consecutive trading days within the six-month period commencing from the date of completion of the Restructuring, or the closing price of the A Shares as at the end of the above-mentioned six-month period after the date of completion of the Restructuring is below the issue price of the Consideration Shares, the lock-up period will be automatically extended for at least 6 months.

Upon the completion of the issuance, in the event that the Company grants bonus shares, converts capital reserve into share capital etc., SEC shall also comply with the arrangement of the lock-up period in respect of such additional shares.

Governing law

PRC law

2. Information of the Group

The Group is one of the largest industrial equipment manufacturing conglomerates in China engaged in the following principal activities: (i) design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components; (ii) design, manufacture and sale of thermal power equipment products and auxiliary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products; (iii) design, manufacture and sale of elevators, electric motors, machine tools, marine crankshafts and other electromechanical equipment products; and (iv) provision of integrated engineering services for power station projects and other industries, financial services and functional services including international trading services.

3. Information of the SEC Group

SEC is our controlling shareholder holding approximately 55.05% equity interest in the total issued share capital of the Company as at the date of this announcement. The principal business of SEC is the management of state-owned assets and investment activities. SEC is an enterprise wholly-owned by Shanghai SASAC and is one of the largest comprehensive equipment manufacturing conglomerates in China.

4. Information of the Incoming Assets

4.1 Shanghai Electric Industrial Company Limited

Shanghai Electric Industrial Company Limited is a company established under the PRC law with limited liability on 28 September 1993. As at the date of this announcement, Shanghai Electric Industrial Company Limited has been a wholly-owned subsidiary of SEC for more than three years. Upon the completion of the transactions contemplated under the Restructuring Agreement, Shanghai Electric Industrial Company Limited will be a wholly-owned subsidiary of the Company.

Shanghai Electric Industrial Company Limited is a platform for medium and small equity investment management for SEC. The traditional industries currently invested by Shanghai Electric Industrial Company Limited include household air conditioners, offshore oil drilling consumable equipment, high pressure washing equipment and mechanical seals etc. In recent years, Shanghai Electric Industrial Company Limited has gradually changed its investment direction to certain emerging industries such as modern agricultural machinery, ship ballast water treatment, biomass energy and water treatment etc. Shanghai Electric Industrial Company Limited also leased certain of its idle properties to increase its earnings.

The valuation of the buildings of which the title certificates have not been obtained by Shanghai Electric Industrial Company Limited and its subsidiaries is RMB71,065,638.36, while the total floor area of the buildings without title certificates is 53,313.77 sq.m. Pursuant to the Restructuring Agreement entered into by the Company and SEC, SEC has undertaken to compensate the Company for relevant economic losses incurred if the Company is deprived of the normal use of any of such properties due to SEC's failure of obtaining related title certificates. If the Company is imposed fines by any competent authorities or in face of any claims filed by any third party as a result of the aforesaid, SEC shall compensate the Company the actual losses incurred. The buildings with defected title account for a small proportion of the Incoming Assets in terms of floor area and assessed value and SEC has undertaken to bear the possible legal liability in connection with the defected properties, the PRC legal advisor of the Company is of the opinion that the aforementioned properties without title certificates may not create any legal obstacles for the Restructuring.

Set out below is the audited pro forma consolidated financial information of the Shanghai Electric Industrial Company Limited for the two years ended 31 December 2014 and nine months ended 30 September 2015 prepared in accordance with generally accepted accounting principles in the PRC:

	30 September 2015	31 December 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	1,633,178.66	1,726,424.24	1,431,902.56
Total liabilities	315,563.60	132,719.76	153,110.58
Equity attributable to owners of the company	1,254,309.78	1,527,938.62	1,278,791.98

	For the nine months ended 30 September 2015 RMB'000	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2013 RMB'000
Revenue	67,704.55	84,588.80	92,972.16
Profit before taxation	18,205.42	115,249.57	96,460.42
Net profit after taxation	23,082.89	109,979.72	77,112.02
Net profit attributable to owners of the company	25,543.46	112,546.88	77,112.02
Net profit attributable to owners of the company after deduction of non-recurring profit and loss	24,379.01	107,609.86	51,528.92

As at 30 September 2015, the audited net asset value of Shanghai Electric Industrial Company Limited was approximately RMB1,317,615,061.

4.2 Shanghai DENSO Fuel Injection Co., Ltd.

Shanghai DENSO Fuel Injection Co., Ltd. is a company established under the PRC law with limited liability on 9 January 2001. As at the date of this announcement, SEC has been holding 61% equity interest in Shanghai DENSO Fuel Injection Co., Ltd. for more than three years. Upon the completion of the transactions contemplated under the Restructuring Agreement, the Company will hold 61% equity interest in Shanghai DENSO Fuel Injection Co., Ltd.

Shanghai DENSO Fuel Injection Co., Ltd. is primarily engaged in production and sales of diesel engine fuel pump and its ancillary fuel injection system components as well as the provision of after-sale services. Through the introduction of DENSO Corporation technology from Japan, Shanghai DENSO Fuel Injection Co., Ltd. has produced and developed Fuel Injection Pump (NB Pump), a core product which is mainly sold to Southeast Asia, in order to meet the production needs of the local automobile manufacturers. The products have achieved an important status in the fuel injection system market in Southeast Asia. In recent years, through the introduction of the technology of electronic control high voltage common rail system developed by DENSO Corporation from Japan, which is energy saving and capable of purifying exhaust gas, Shanghai DENSO Fuel Injection Co., Ltd. currently undertakes the mass production of the electronic control high voltage common rail system.

Set out below is the audited consolidated financial information of the Shanghai DENSO Fuel Injection Co., Ltd. for the two years ended 31 December 2014 and nine months ended 30 September 2015 prepared in accordance with generally accepted accounting principles in the PRC:

	30 September 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Total assets	1,021,112.16	1,005,435.04	836,721.21
Total liabilities	223,567.18	216,928.00	158,602.80
Equity attributable to owners of the company	797,544.98	788,507.04	678,118.41
	For the nine months ended 30 September 2015 <i>RMB'000</i>	For the year ended 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2013 <i>RMB'000</i>
Revenue	447,258.95	748,351.30	632,641.40
Profit before taxation	130,171.45	187,206.48	133,599.22
Net profit after taxation	111,836.85	160,182.36	114,659.99
Net profit attributable to owners of the company	111,836.85	160,182.36	114,659.99
Net profit attributable to owners of the company after deduction of non-recurring profit and loss	111,728.23	160,647.73	112,345.89

As at 30 September 2015, the audited net asset value of Shanghai DENSO Fuel Injection Co., Ltd. was approximately RMB797,544,979.

4.3 Shanghai Blower Works Co., Ltd.

Shanghai Blower Works Co., Ltd. is a company established under the PRC law with limited liability on 26 March 1997. As at the date of this announcement, Shanghai Blower Works Co., Ltd. has been a wholly-owned subsidiary of SEC for more than three years. Upon the completion of the transactions contemplated under the Restructuring Agreement, Shanghai Blower Works Co., Ltd. will be a wholly-owned subsidiary of the Company.

Shanghai Blower Works Co., Ltd. is primarily engaged in the production of various types of centrifugal and axial industrial blowers and centrifugal compressors. Such products are mainly applied in the industrial sectors of electric power, metallurgy and coal mines etc. With its complete technology of German TLT axial and centrifugal blowers, in recent years, Shanghai Blower Works Co., Ltd. has satisfied the needs of many industrial sectors. Its products have a relatively strong competitiveness in the market of power station blowers, primary air blowers and power station air inducing machines. Shanghai Blower Works Co., Ltd. has successfully developed a main helium blower for high temperature gas cooling reactor, aiming to become the major equipment suppliers for the commercialized nuclear power projects in the coming few years.

Set out below is the audited consolidated financial information of the Shanghai Blower Works Co., Ltd. for the two years ended 31 December 2014 and nine months ended 30 September 2015 prepared in accordance with generally accepted accounting principles in the PRC:

	30 September 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Total assets	1,471,873.58	1,545,990.61	1,402,061.12
Total liabilities	1,144,286.38	1,140,881.79	1,001,425.80
Equity attributable to owners of the company	327,587.20	405,108.82	400,635.32
	For the nine months ended 30 September 2015 <i>RMB'000</i>	For the year ended 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2013 <i>RMB'000</i>
Revenue	956,709.82	1,056,278.31	924,174.86
Profit before taxation	(77,829.46)	13,589.39	9,313.19
Net profit after taxation	(78,988.56)	7,525.10	6,103.19
Net profit attributable to owners of the company	(78,988.56)	7,525.10	6,103.19
Net profit attributable to owners of the company after deduction of non-recurring profit and loss	(79,246.11)	2,927.60	4,416.50

As at 30 September 2015, the audited net asset value of Shanghai Blower Works Co., Ltd. was approximately RMB327,587,202.

4.4 Shanghai Rail Traffic Equipment Development Co., Ltd.

Shanghai Rail Traffic Equipment Development Co., Ltd. is a company established under the PRC law with limited liability on 17 February 2003. As at the date of this announcement, SEC and the Company have been holding 14.79% and 34.21% of its equity interests for more than three years, respectively. Upon the completion of the transactions contemplated under the Restructuring Agreement, the Company will hold 49% equity interest in Shanghai Rail Traffic Equipment Development Co., Ltd., and the remaining 51% equity interest will be held by an independent third party, thus Shanghai Rail Traffic Equipment Development Co., Ltd. will not be a subsidiary of the Company.

Shanghai Rail Traffic Equipment Development Co., Ltd. is primarily engaged in the production and sales of urban rail traffic equipment, components and ancillaries, and the provision of maintenance services; technology development and advisory; provision of professional contractor services in connection with urban rail traffic, fire safety facilities, anti-corrosion and insulation, construction intelligentization and environment protection projects. In recent years, Shanghai Rail Traffic Equipment Development Co., Ltd. has introduced the METROPOLIS series underground train technology and the CITADIS series tram technology from Alstom of France, which enable it to undergo independent research and development, manufacture and integration services for urban railcars. At the same time, Shanghai Rail Traffic Equipment Development Co., Ltd. has extended its business from merely equipment production to the urban rail traffic maintenance and electrical and mechanical engineering services, which enhanced the ability of providing an entire solution for rail traffic.

Set out below is the audited consolidated financial information of the Shanghai Rail Traffic Equipment Development Co., Ltd. for the two years ended 31 December 2014 and nine months ended 30 September 2015 prepared in accordance with generally accepted accounting principles in the PRC:

	30 September 2015	31 December 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	2,162,723.31	2,070,721.05	2,057,126.71
Total liabilities	1,002,707.12	954,077.17	979,459.17
Equity attributable to owners of the company	998,100.18	956,380.58	916,082.64
	For the nine months ended 30 September 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	540,488.47	948,066.62	936,501.32
Profit before taxation	48,977.62	46,673.83	40,441.72
Net profit after taxation	42,765.48	39,070.47	37,742.85
Net profit attributable to owners of the company	41,361.28	38,535.28	37,365.00
Net profit attributable to owners of the company after deduction of non-recurring profit and loss	27,007.54	21,991.12	31,656.34

As at 30 September 2015, the audited net asset value of Shanghai Rail Traffic Equipment Development Co., Ltd. was approximately RMB1,160,016,189.

4.5 Target Properties

The Target Properties to be acquired under the Restructuring Agreement includes land use rights for the 14 parcels of land located at Shanghai, the PRC, the buildings and structures erected thereon, auxiliary facilities together with equipment and machines, held by SEC.

A summary of the Target Properties is set out as below:

No.	Location	Use of Property	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Current main use of the lands by SEC	Future plans and use by the Company
1.	No. 1076 Jungong Road	industrial	358,219.00	188,537.56	Granted (government assigned land without purchase price payment)	Certain of lands are currently leased by third parties and the remaining lands are vacant.	For the Company's future use in the research and development, manufacturing and sales of high- voltage cables, special cables and submarine cables; the research and development, testing and manufacturing of 3D printing equipment system in the intelligent manufacturing industry and etc.
2.	No. 200 Jin Sha Jiang Sub-road	industrial	126,474.00	58,748.00	Granted (government assigned land without purchase price payment)	vacant land	For the Company's future use in the research and development, design, trial-manufacturing of high-efficiency photovoltaic, biomass power generation and plant energy saving systems, and system integration business and etc.
3.	No. 621 Rongchang Road	industrial	16,658.60	22,549.39	Granted (government assigned land without purchase price payment)	vacant land	For Shanghai Electric Power Generation Equipment Co., Ltd. (the subsidiary of the Company)'s future use as its operating management centre, mainly as the office buildings for research and development, marketing and sales, project management, testing, product demonstrations and its joint ventures and etc.

No.	Location	Use of Property	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Current main use of the lands by SEC	Future plans and use by the Company
4.	No. 4 (Yi) Zhuohang Road	industrial	188.00	116.00	Granted	Currently used by Shanghai Electric Hydraulics Pneumatics Co., Ltd., the subsidiary of the Company, without payment.	Will continue to be leased by Shanghai Electric Hydraulics Pneumatics Co., Ltd., the subsidiary of the Company, in the future.
5.	No. 400 Wenshui Road	industrial	60,630.82	27,151.00	Granted (government assigned land without purchase price payment)	Temporarily used by Shanghai Engineering Machinery Co., Ltd., the subsidiary of SEC, and the company is handling the relocation now.	For the Company's future use in the research and development, trial-manufacturing, testing and system integration in automation based products and mechanical and electrical integration of intelligent products and etc.
6.	No. 450 Wenshui Road	industrial	26,942.86	9,832.71	Granted (government assigned land without purchase price payment)	vacant land	For the Company's future use in the research and development, trial-manufacturing, testing and system integration in automation based products and mechanical and electrical integration of intelligent products and etc.
7.	No. 750 Lingshi Road	industrial	5,362.36	3,602.00	Granted (government assigned land without purchase price payment)	vacant land	For the Company's future use in industrial control software and new generation sensors' research and development, designing and constructions of the testing platform in industrial automation areas.

No.	Location	Use of Property	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Current main use of the lands by SEC	Future plans and use by the Company
8.	No. 750 Lingshi Road	industrial	1,716.81	389.00	Government allocated	vacant land	For the Company's future use in industrial control software and new generation sensors' research and development, designing and constructions of the testing platform in industrial automation areas.
9.	No. 115 Caobao Road	industrial	26,744.00	29,131.00	Granted (government assigned land without purchase price payment)	vacant land	For the Company's future use as its operating management centre for wind power and environmental protection businesses, mainly used for research and development, marketing and sales, project managements and system integration and etc.
10.	No. 7, Lane 1736 ang Shu Pu Road	commercial and office	7,299.00	6,173.35	Granted	Currently leased by Shanghai Electric Power Generation Equipment Co., Ltd, the subsidiary of the Company.	Will continue to be leased by Shanghai Electric Power Generation Equipment Co., Ltd, the subsidiary of the Company.
11.	No. 1590 Longwu Road	science and research	30,862.37	-	Granted (government assigned land without purchase price payment)	Currently leased by Shanghai Centrifuge Institute Co., Ltd., a subsidiary of the Company.	Will continue to be leased by Shanghai Centrifuge Institute Co., Ltd., a subsidiary of the Company, the primary business of which is the research and development, design, manufacturing, sales and after-sale services of centrifuges, and the provision of sludge dewatering system and relevant services. In the future, it will take active measures to promote horizontal screw filtering centrifuge products.

No.	Location	Use of Property	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Current main use of the lands by SEC	Future plans and use by the Company
12.	No. 1287 Beijing West Road and No. 154 Nanyang Road	science and research	2,564.00	-	Granted (government assigned land without purchase price payment)	Currently leased by Shanghai Institute of Mechanical and Electrical Engineering Co., Ltd., a subsidiary of the Company.	Will continue to be leased by Shanghai Institute of Mechanical and Electrical Engineering Co., Ltd., a subsidiary of the Company, the primary business of which is the design, general contracting and supervision of engineering. In the future, it will take active measures to do research and development on the integration technology of environmental protection system, and vigorously enlarge its business in environmental protection engineering general contracting.
13.	No. 3015 Gonghe Xin Road	industrial	21,546.35	-	Granted (government assigned land without purchase price payment)	Currently leased by Shanghai Electric Shanghai Renmin Electrical Apparatus Works, a subsidiary of the Company.	Will continue to be leased by Shanghai Electric Shanghai Renmin Electrical Apparatus Works, a subsidiary of the Company, the primary business of which is the research and development, manufacturing and sales of circuit breaker products. In the future, it will accelerate the speed in adjusting product structures and upgrade its industrial level, as well as to take active measures to develop intelligent low voltage electrical apparatuses such as intelligent circuit breakers.

No.	Location	Use of Property	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Current main use of the lands by SEC	Future plans and use by the Company
14.	No. 100 Wenshui Road	industrial	2,896.43	-	Granted (government assigned land without purchase price payment)	Currently leased by Shanghai Electric Shanghai Renmin Electrical Apparatus Works, a subsidiary of the Company, the primary business of which is the research and development, manufacturing and sales of circuit breaker products.	Will continue to be leased by Shanghai Electric Shanghai Renmin Electrical Apparatus Works, a subsidiary of the Company, the primary business of which is the research and development, manufacturing and sales of circuit breaker products.
						In the future, it will accelerate the speed in adjusting product structures and upgrade its industrial level, as well as to take active measures to develop intelligent low voltage electrical apparatuses such as intelligent circuit breakers.	
	Total		<u>688,104.60</u>	<u>346,230.01</u>			

Note: The buildings and structures erected on the lands shown under item No. 11-14 above are currently in use or occupied by certain subsidiaries of the Company with the relevant assets accounted for and reflected in the financial statements of the respective above-mentioned subsidiaries of the Company. Such buildings and structures have therefore not been included in the scope of Target Properties.

12 pieces of land among the Target Properties are government allocated land or government assigned land without purchase price payment. As of the date of this announcement, SEC has entered into a land use rights grant contract, the Shanghai State-owned Construction Land Use Rights Transfer Contract, in respect of the aforementioned 12 pieces of government allocated land or government assigned land without purchase price payment with the relevant planning and land administration authorities in Shanghai, and the title certificates for such lands are still in the process of being obtained. Our PRC legal advisor is of the opinion that, there does not exist any legal obstacle for SEC to obtain the title certificates of such assets based on the current situation. According to the Restructuring Agreement entered into by SEC and the Company, SEC has made an undertaking, in relation to the government allocated land or government assigned land without purchase price payment, that it will complete the land granting procedures and obtain relevant title certificates before 31 March 2016.

The valuation of the Target Properties as conducted by qualified PRC valuer was RMB2,916,326,263 as at 30 September 2015, including the valuation of the aforementioned 12 pieces of land (including the land, buildings and structures on the land and equipments) of RMB2,812,223,522 and the valuation of the remaining two pieces of land (including the land and buildings on the land) of RMB104,102,741. The appraisal by the qualified PRC valuer was conducted in accordance with relevant PRC laws and regulations on the appraisal of assets, in order to provide a reference price in relation to the proposed assets acquisition. The qualified PRC valuer has taken into consideration the facts that SEC had signed the land use rights grant contract with the relevant planning and land administration authorities in Shanghai and went through the land compliance procedures after valuation date but before issue date for valuation report, and that SEC had made an undertaking that it would obtain relevant title certificates before 31 March 2016. Therefore, the qualified PRC valuer is of the opinion that the Target Properties represent actual rights, and thus satisfy the prerequisite of being an object to be assessed to a valuation that can truly reflect their actual current value.

The above valuation was different from the valuation of RMB103,551,000 as at 30 September 2015 conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), the qualified international property valuer. JLL only took into consideration of the two pieces of granted land (including the land and buildings on the land) of which the title certificates have been obtained (the valuation of the two pieces of land is RMB104,102,741 according to the valuation made by the qualified PRC valuer). As for the 12 pieces of land in respect of which the land use rights grant contracts have been signed but the title certificates of which have not been obtained, JLL is of the opinion that, since the title certificates of the aforementioned 12 pieces of land were still in the process of being obtained as at 30 September 2015 (which is the date of valuation), according to the relevant requirements of the Listing Rules in which the definition of “Market Value” shall be strictly observed, they cannot assign any commercial value to these lands. For reference purpose, JLL is of the opinion that the market value of the aforementioned 12 pieces of land (including the land and buildings and structures on the land) as at 30 September 2015 would be RMB2,815,326,000, on the assumptions that proper title certificates had been obtained by SEC and the properties

could be freely transferred. The reason for the difference in the assumptions so taken between JLL and the qualified PRC valuer is that JLL prepared the property valuation report for the purpose of fulfilling the relevant requirements of the Listing Rules in which the definition of “Market Value” shall be strictly observed, and thus JLL did not include into the valuation report the commercial value of the 12 pieces of land, the title certificates of which had not been properly obtained and which could not be freely disposed of in the market. Such valuation approach adopted by JLL is in compliance with the Listing Rules and market conventions in Hong Kong.

5. Information of the Outgoing Assets

Shanghai Heavy Machinery Plant Co., Ltd.

Shanghai Heavy Machinery Plant Co., Ltd. is a company established under the PRC law with limited liability on 1 January 1992. As at the date of this announcement, Shanghai Heavy Machinery Plant Co., Ltd. has been a wholly-owned subsidiary of the Company for more than three years. Upon the completion of the transactions contemplated under the Restructuring Agreement, Shanghai Heavy Machinery Plant Co., Ltd. will cease to be a subsidiary of the Company.

Shanghai Heavy Machinery Plant Co., Ltd. is the first company to self-design and produce free forging hydraulic machine that weighs 12,000 tons in China. Shanghai Heavy Machinery Plant Co., Ltd. specialized in production of high quality, large forging parts and milling equipment, metallurgical equipment, large-scale forging equipment, heavy mining equipment and cement equipment etc. required for various industries such as nuclear power, power station, metallurgy and shipbuilding. Its major products include turbine rotors for 1000 MW capacity thermal power generating units, major nuclear power plant equipment for 1000 MW capacity nuclear power generating units, large forging parts such as large supporting rolls and large marine crankshaft etc., milling equipment such as medium-speed coal mill and direct-fired double inlet and outlet steel ball coal mill etc., metallurgical equipment such as hot and cold rolling host etc., large forging equipment such as 100MN duo-motion aluminium extrusion machine and 165MN free forging oil hydraulic machine etc. and heavy mining equipment and cement equipment such as large cement rotating kiln and tunnel boring machine etc.

On 28 August 2015, the Board considered and approved the establishment of two wholly-owned subsidiaries by the Company, namely Shanghai Electric Shanghai Heavy Casting and Forging Co., Ltd. and Shanghai Electric Shanghai Heavy Milling Special Equipment Co., Ltd. On 10 November 2015, Shanghai Heavy Machinery Plant Co., Ltd. (as the seller) entered into contracts with above two subsidiaries (as the buyers) for the sale of relevant manufacturing equipment in connection with large-scale casting and forging and milling equipment respectively.

Set out below is the audited consolidated financial information of the Shanghai Heavy Machinery Plant Co., Ltd. for the two years ended 31 December 2014 and nine months ended 30 September 2015 prepared in accordance with generally accepted accounting principles in the PRC:

	30 September 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>	31 December 2013 <i>RMB'000</i>
Total assets	5,677,946.17	6,357,226.02	7,995,874.61
Total liabilities	5,839,529.58	5,981,132.01	7,302,062.98
Equity attributable to owners of the company	(273,422.01)	255,757.61	569,589.43
	For the nine months ended 30 September 2015 <i>RMB'000</i>	For the year ended 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2013 <i>RMB'000</i>
Revenue	1,040,966.83	2,064,296.55	2,469,766.98
Profit before taxation	(544,961.72)	(820,683.04)	(1,120,949.68)
Net profit after taxation	(620,284.76)	(820,666.88)	(1,071,806.53)
Net profit attributable to owners of the company	(561,202.64)	(973,586.97)	(1,297,706.34)
Net profit attributable to owners of the company after deduction of non-recurring profit and loss	(577,443.55)	(1,126,490.90)	(1,474,463.00)

As at 30 September 2015, the audited net asset value of Shanghai Heavy Machinery Plant Co., Ltd. was approximately RMB-161,583,406.

The Company intended to conduct an assets swap for its 100% equity interests in Shanghai Heavy Machinery Plant Co., Ltd., with the equivalent parts of 100% equity interests in Shanghai Electric Industrial Company Limited, 61% equity interests in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interests in Shanghai Blower Works Co., Ltd. and 14.79% equity interests in Shanghai Rail Traffic Equipment Development Co., Ltd. held by SEC. The difference between the consideration for the equity assets of the Incoming Assets and that for the Outgoing Assets will be settled by way of the issuance and placing of Consideration Shares by the Company to SEC. The difference between the book value of assets and liabilities of Shanghai Heavy Machinery Plant Co., Ltd. and that of the enterprises merged under the common control and the increased share capital will be recognized as capital reserve.

6. Reasons and benefits for the Restructuring

(1) Enhancing core competitiveness of the Company

(a) Establishment of a platform for integrated electric power industry and enhancement of the completeness of the existing industry chain

The Company proposed to strategically acquire assets in respect of high efficiency and clean energy, new energy and environmental as well as industrial equipment segments of SEC through the Restructuring, which will be beneficial to the Company to diversify its products and consolidate “power generation, supply, distribution, use and storage” on a platform for integrated electric power industry, so as to enhance the completeness of the existing industry chain; to provide more efficient, green, and economical energy and industrial equipment as well as complete solutions for China and the world; and to become a modern corporation led by customer values and emphasizing on innovation.

(b) Expanding the Company’s business coverage and realizing a win-win relationship between “investment gain” and “operating management experience”

Prior to the Restructuring, Shanghai Electric Industrial Company Limited participated in the investment in certain associates, most of which are top enterprises with competitive advantages. After the Restructuring, the Company will acquire 100% equity interest of Shanghai Electric Industrial Company Limited and will explore enterprises with development potential and business cooperation opportunities in China and overseas through this investment platform. In addition, the Company would invest in top-quality associates and take part in their daily operation and management through Shanghai Electric Industrial Company Limited, which will be beneficial to the Company to increase the integrated competitive advantages by reference to the relatively advanced production and management experience in the industry.

(2) Optimizing asset structure of the Company

Due to the impact of continuous weak demand in the upstream metallurgy manufacturing and mine machinery industry, the industry in which Shanghai Heavy Machinery Plant Co., Ltd. is engaged is facing adverse circumstances such as excessive production capacity and substantial decrease in product selling price. An operating plight of continuous loss by Shanghai Heavy Machinery Plant Co., Ltd. appeared. The Company proposed to transfer its entire equity interests in Shanghai Heavy Machinery Plant Co., Ltd. through the Restructuring, which will be beneficial to the Company through optimization of asset structure of the Company, enhance the sustainable profitability, realize the sustainable development and safeguard the interests of all the shareholders.

(3) Acquiring property assets and optimizing the business model of the Company

(a) Accelerating business transformation and realizing power equipment industrial intelligentization by stages

In May 2015, the State Council issued “Made in China 2025” (《中國製造2025》) in order to formulate a ten-year action plan for China to implement the strategy of

“becoming a world manufacturing power”, which encouraged enterprises to transform and upgrade from traditional manufacturing industry to intelligent manufacturing industry. The Company intends to seek transformation for its original business through the Restructuring. After the Restructuring, the Company will acquire the Target Properties from SEC to reserve the high-quality real estate resources for its business development in the future. Currently, the Company plans to apply approximately 70% of which mainly in the development of the businesses including intelligent power distribution and intelligent manufacturing, so as to realize power equipment industrial intelligentization for the Company by stages.

(b) Reducing connected transactions and enhancing the independence of the Company

Prior to the Restructuring, the Company leased certain necessary properties from its controlling shareholder, SEC, for daily production and operation. After the Restructuring, the Company will obtain the aforementioned properties in order to effectively reduce the amounts for connected transactions arising from such leasing, ensure the complete ownership of its assets and enhance the independence of the Company to avoid the potential risks which way affect continued operation of the Company.

(4) To create a strong capital platform and enhance the capability of resources integration of the Company

The Company will acquire the assets in relation to industrial equipment, high efficiency and clean energy, new energy and environmental assets held by SEC through the Restructuring, which is beneficial for the Company to promote the continuous integration and expansion of the intelligent and high-end manufacturing platform with power equipment as its core. At the same time, it is also beneficial for the Company to achieve the integration between industry and capital, and enhance the capability of external resources integration with a strong capital platform, so as to achieve leap-forward development and enhance the market position and competitiveness of the Company in the domestic and overseas markets.

(5) Accelerating globalization strategy and laying foundations to actively explore the “Blue Ocean” in the international market

The scale of the overseas operation of the proposed Incoming Assets is relatively large and internationally recognized. Under the implementation of the strategy of “One Belt and One Road”, the Company will accelerate the construction of overseas platforms and facilitate the process of corporate globalization through the Restructuring, which lays a solid foundation for cross-border mergers and acquisitions and enhances the internationalized operating capability.

7. Arrangement for the Company’s undistributed retained earnings prior to the issuance of the Consideration Shares

Upon the completion of the issuance of the Consideration Shares, the undistributed retained earnings prior to the issuance are subject to the entitlement of both the new and old Shareholders to balance both parties’ interests.

8. The Validity of the resolution

The resolution in relation to the assets swap and the assets acquisition by way of issuance of the Consideration Shares shall be valid within 12 months commencing from the date of the adoption and passing of the resolution at the EGM and the Class Meetings.

9. Consideration for pricing of the Consideration Shares

According to the Measures for Administration of Material Asset Reorganisation of Listed Companies* (《上市公司重大資產重組管理辦法》) issued by the CSRC, the issue price of the Consideration Shares to be issued by the Company shall not be less than 90% of the market reference price, being the average share price for the preceding 20 trading days, 60 trading days or 120 trading days before the Board resolution announcement date regarding the transactions contemplated under the Restructuring Agreement. From 1 April 2015 to the date of shares trading suspension of the Company, the Share price of the Company experienced a notable fluctuation affected by the entire secondary market. By setting the issue price as 90% of the average trading price of 20 trading days prior to the Pricing Benchmark Date, the influence of the notable fluctuation in the domestic secondary market since April 2015 to July 2015 arising from the trading system can be avoided, so that the actual value of Shares could be reflected. Accordingly, based on the negotiation between the Company and SEC and considering the interests of both the controlling shareholder and existing public shareholders, the Company determined that the issue price of the Consideration Shares shall be RMB10.41 per Consideration Share (equivalent to HK\$12.60 with the exchange rate of RMB1:HK\$1.21), with the average trading price of the A shares for 20 trading days prior to the Pricing Benchmark Date as the market reference price and 90% of such market reference price as the issue price. Such issue price represents:

- (a) a premium of approximately 162% over the closing price of HK\$4.81 per H Share as quoted on the Stock Exchange on the Last Trading Day before the Pricing Benchmark Date; and
- (b) a premium of approximately 190% over the average closing price of approximately HK\$4.35 per H Share as quoted on the Stock Exchange for the preceding 20 trading days before the Pricing Benchmark Date.

10. Listing Rules Implications

The transaction contemplated under the Restructuring Agreement consists of the disposal of Outgoing Assets, the acquisition of Incoming Assets and the issuance of Consideration Shares. The counterparty of the transaction is SEC.

SEC is our controlling shareholder holding approximately 55.05% equity interest in the total issued share capital of the Company as of the date of this announcement. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Given the highest applicable percentage ratio (as defined in the Listing Rules) for this transaction, aggregated with the applicable ratios for the Previous Transactions according to Rule 14.22 and Rule 14A.81 of the Listing Rules, is more than 5% but less

than 25%, the transaction contemplated under the Restructuring Agreement between the Company and SEC constitutes a discloseable transaction subject to the notification and announcement requirements under Chapter 14 of the Listing Rules and a connected transaction subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the transaction contemplated under the Restructuring Agreement involves the issuance of A Shares by the Company, the approval of the Shareholders by way of special resolutions at the EGM and the Class Meetings is required for this transaction pursuant to Rule 19A.38 of the Listing Rules.

III. PROPOSED ISSUANCE AND PLACING OF A SHARES

On condition that the Company obtained all necessary approvals required for the transaction contemplated under the Restructuring Agreement, additional A Shares will be issued and placed by the Company.

The Company proposed to issue no more than 336,215,171 A Shares to nine investors (including SEC) at the issue price of RMB10.41 per A Share. The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares will be no more than RMB3,500,000,000, which amounts to no more than 100% of the consideration for the Incoming Assets.

The result of the Proposed Issuance and Placing of A Shares, whether successful or not, shall not affect the implementation of the transactions contemplated under the Restructuring Agreement.

1. Principal terms of the Proposed Issuance and Placing of A Shares

Issuer	The Company
Type and nominal value of shares to be issued	A Shares, with a nominal value of RMB1.00 each.
Method of issue	Non-public issuance with fixed-price method.
Target Subscribers	SEC, Golden Eagle Asset Management Co., Ltd., Shanghai Guosheng Group Investment Co., Ltd., Shanghai Promax Fund Asset Management Co., Ltd., Shanghai Taiyao Investment Co., Ltd., Shanghai Life Insurance Company Ltd., Shanghai Lanhai Luoheng Investment Co, Ltd., Bangxin Assets Management Co. Ltd. and Shanghai Merger and Acquisition Equity Investment Fund LLP.

The Company and all the target subscribers entered into the Share Subscription Agreement on 2 December 2015. Other than SEC, to the best knowledge and belief of the Directors, as at the date of this announcement, the Company is not aware of any above target subscribers or any of their respective ultimate beneficial owners who are connected persons (as defined under Listing Rules) of the Company. The Company will comply with the relevant requirements of the Listing Rules should there be any changes or if otherwise necessary.

Subscription method All target subscribers will subscribe for A Shares under the Proposed Issuance and Placing of A Shares in cash.

Issue price Issue price shall be RMB10.41 per A Share, 90% of the average trading price of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date. The Pricing Benchmark Date of the Proposed Issuance and Placing of A Shares shall be the publication date of the relevant Board resolution announcement (5 December 2015) on the Shanghai Stock Exchange.

In the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital or carries out any other ex-rights or ex-dividends activities during the period commencing from the Pricing Benchmark Date to the Date of issue of A Shares under the Proposed Issuance and Placing of A Shares, the corresponding adjustments shall be made to the issue price.

Amount of proceeds to be raised and number of A Shares to be issued The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares will be no more than RMB3,500,000,000, which amounts to no more than 100% of the consideration for the Incoming Assets.

The number of shares to be issued under the Proposed Issuance and Placing of A Shares will be no more than 336,215,171 based on the issue price of RMB10.41 per A Share.

Pursuant to the Share Subscription Agreement entered into between target subscribers and the Company, the subscription number and amount of the target subscribers are set out as below:

Target Subscribers	Subscription Number (share)	Subscription Amount (RMB'000)
SEC	48,030,739	499,999.99
Golden Eagle Asset Management Co., Ltd.	57,636,887	599,999.99
Shanghai Guosheng Group Investment Co., Ltd.	38,424,591	399,999.99
Shanghai Promax Fund Asset Management Co., Ltd.	38,424,591	399,999.99
Shanghai Taiyao Investment Co., Ltd.	38,424,591	399,999.99
Shanghai Life Insurance Company Ltd.	38,424,591	399,999.99
Shanghai Lanhai Luoheng Investment Co, Ltd.	38,424,591	399,999.99
Bangxin Assets Management Co. Ltd.	19,212,295	199,999.99
Shanghai Merger and Acquisition Equity Investment Fund LLP.	19,212,295	199,999.99
Total	336,215,171	3,499,999.93

In the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital or carries out any other ex-rights or ex-dividends activities during the period commencing from the Pricing Benchmark Date to the Date of Issue of A Shares under the Proposed Issuance and Placing of A Shares, the corresponding adjustments shall be made to the number of A Shares to be issued.

Place of listing

The A Shares to be issued pursuant to the Proposed Issuance and Placing of A Shares will be listed and traded on the Shanghai Stock Exchange.

Use of proceeds

The total amount of proceeds from the Proposed Issuance and Placing of A Shares will be no more than RMB3,500,000,000 and will be used for the following purposes:

	Intended use of proceeds	Total investment of the project (RMB'000)	Proposed amount of proceeds to be applied (RMB'000)
1.	Hualong No. 1 Nuclear Island Major Equipment Design, Manufacturing and Industrialization project	748,180	500,000
2.	Technology Innovation and Management Optimization Pillar project	600,000	600,000
3.	Industry Upgrading and Research and Development Capabilities Enhancement project	511,180	500,000
4.	Increase of capital in Shanghai Electric Group Finance Co., Ltd.	514,000	500,000
5.	Increase of capital in Shanghai Electric Hong Kong Co., Ltd.	1,200,000	1,200,000
6.	Replenishment of general working capital	–	200,000
	Total	–	3,500,000

Before the proceeds are raised from the Proposed Issuance and Placing of A Shares, the Company will invest in the above projects in advance by its self-financing funds and will then arrange a substitution once proceeds are raised from the Proposed Issuance and Placing of A Shares.

Conditions precedent

Completion of the Proposed Issuance and Placing of A Shares is subject to, among other things, the following conditions set out in the Share Subscription Agreement being satisfied:

- (i) the approval by the board of directors of SEC of the Proposed Issuance and Placing of A Shares;
- (ii) the approval by way of a special resolution of the Shareholders (excluding SEC and its associates) at the EGM and the Class Meetings of the Proposed Issuance and Placing of A Shares;
- (iii) the filing with and approval by the competent state-owned assets authorities of the Proposed Issuance and Placing of A Shares;
- (iv) the approval by the CSRC of the Proposed Issuance and Placing of A Shares; and
- (v) all other consents, approvals and authorizations as and may be required from the relevant governmental authorities in respect of the Proposed Issuance and Placing of A Shares.

Lock-up period

The A Shares subscribed by SEC under the Proposed Issuance and Placing of A Shares shall not be traded or transferred within 36 months upon the completion of issuance of the A shares. If the closing prices of A Shares are below the issue price of the A shares for 20 consecutive trading days within the six-month period upon the completion of issuance of the A shares, or the closing price of A Shares as at the end of the above-mentioned six-month period is below the issue price, the lock-up period for SEC will be automatically extended for at least 6 months. The A Shares subscribed by all target subscribers under the Proposed Issuance and Placing of A Shares shall not be transferred within 36 months upon the completion of the issuance of the A Shares. Such shares may be transferrable thereafter subject to the relevant requirements of the CSRC and Shanghai Stock Exchange.

Upon the completion of the issuance, in the event that the Company grants bonus shares, converts capital reserve into share capital etc., all target subscribers shall also comply with the arrangement of the lock-up period in respect of such additional shares.

Governing law

PRC law

2. Information of the target subscribers

2.1. SEC

SEC is our controlling shareholder holding approximately 55.05% equity interest in the total issued share capital of the Company as at the date of this announcement. The principal business of SEC is the management of state-owned assets and investment activities. SEC is an enterprise wholly-owned by Shanghai SASAC and is one of the largest comprehensive equipment manufacturing conglomerates in China.

2.2. *Shanghai Guosheng Group Investment Co., Ltd.*

Shanghai Guosheng Group Investment Co., Ltd. is a company established under the PRC law with limited liability on 26 January 2010. The company is primarily engaged in the investment of leading industries, emerging industries and real estate related industries as well as city infrastructures. The company also conducts businesses concerning assets acquisition, investment consulting, finance consulting and enterprises mergers consulting.

2.3. *Shanghai Promax Fund Asset Management Co., Ltd.*

Shanghai Promax Fund Asset Management Co., Ltd. is a company established under the PRC law with limited liability on 15 March 2013. The company is primarily engaged in the asset management.

2.4. *Shanghai Taiyao Investment Co., Ltd.*

Shanghai Taiyao Investment Co., Ltd. is a company established under the PRC law with limited liability on 19 November 2015. The company is primarily engaged in the industrial investments.

2.5. *Shanghai Life Insurance Company Ltd.*

Shanghai Life Insurance Company Ltd. is a company established under the PRC law with limited liability on 16 February 2015. The company is primarily engaged in the general insurance, including life insurance, annuity assurance, health insurance, accident injury insurance, dividend insurance, and universal insurance and reinsurance. The company also conducts insurance capital operation business permitted by international laws and regulations and other businesses permitted by China Insurance Regulatory Commission.

2.6. *Shanghai Lanhai Luoheng Investment Co, Ltd.*

Shanghai Lanhai Luoheng Investment Co, Ltd. is a company established under the PRC law with limited liability on 26 November 2015. The company is primarily engaged in industrial investment, investment management, asset management and investment consulting. The company is also engaged in medical technology development, transfer and consulting and sales of the first class medical devices.

2.7. Golden Eagle Asset Management Co., Ltd.

Golden Eagle Asset Management Co., Ltd. is a company established under the PRC law with limited liability on 6 November 2012. The company is primarily engaged in the fund raising, fund sales, asset management, asset management for specific customers and other businesses permitted by the CSRC.

2.8. Bangxin Assets Management Co. Ltd.

Bangxin Assets Management Co. Ltd. is a company established under the PRC law with limited liability on 31 December 1994. The company is primarily engaged in the investment of metallurgy equipment, electronic and energy industry, medical and pharmaceutical industry, agricultural chemistry industry, new materials and new media industries.

2.9. Shanghai Merger and Acquisition Equity Investment Fund LLP.

Shanghai Merger and Acquisition Equity Investment Fund LLP. is a limited liability partnership under the PRC law on 5 August 2014. The firm is primarily engaged in the investment business in relation to the entrusted management of the equity investment enterprises and provision of related services as well as equity investment consulting business.

3. Reasons and benefits for the Proposed Issuance and Placing of A Shares

The projects intended to be invested by the proceeds raised from the Proposed Issuance and Placing of A shares will help to foster the overall business development of the Company and to further enhance the synergies between the Company and the entities within the Incoming Assets so as to improve the integration performance of the Restructuring.

Firstly, through the investment of the supporting funds raised, the Company will further expand its 3rd generation nuclear power product line on the basis of successfully mastering the relevant technical specifications of CAP1400 developed by State Nuclear Power Technology Corporation (國家核電技術公司) (“SNPTC”) and providing SNPTC with main nuclear power equipment. The Company will form collaborative development advantages with the 4th generation nuclear power products of Shanghai Blower Works Co., Ltd. through technologies and market linkage, which constitutes a virtuous cycle of “A Generation for Production, A Generation for Development and A Generation for Pre-development” for the Company’s nuclear power products in order to build a market reputation for the next generation of the Company’s nuclear power products and create a positive market atmosphere.

Secondly, the Company will utilize the proceeds raised for informatization construction for intelligent manufacturing, which will be beneficial to the in-depth exploration and analysis of the big data and information for the Company’s overall operation. It will also enable the Company to provide a more convenient way for sharing operating data and customers’ information among the Company and the entities within Incoming Assets so as to facilitate the industry linkage advantages formed for the main business and sectors of both parties.

Finally, the capital increase in Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) and the international strategic platform construction supporting by the funds raised will enable the Company to provide higher-quality financial services and foreign cooperation platform to its affiliated companies, including the entities within Incoming Assets, thus helping them a better adaption to the “new normal” economy and the upgrade of industry transformation as well as a steady growth in performance.

After due consideration, the Directors are of the view that the Proposed Issuance and Placing of A Shares is in compliance with PRC laws and regulations as well as relevant requirements under the Listing Rules. The Proposed Issuance and Placing of A Shares would enable the Company to further expand its business operation, improve its liquidity position as well as enhance its financing capabilities, with a view to further strengthening its market position in the large scale equipment manufacturing industry in both the domestic and international markets.

On the other hand, the equipment manufacturing industry in China has been facing weak core technology and weak international competitiveness. Under the era of a globalized economy, another new “Industry 4.0” technological revolution and industrial reform has been emerging. As one of the large-scale comprehensive equipment manufacturing conglomerates in China, the Company is desperate to enhance its core technology, promote the industrial upgrade and explore global markets with a view to adapt to the increasingly competitive environment. As a result, the Company intends to raise funds through the Proposed Issuance and Placing of A Shares in order to facilitate the industrial upgrade with “top priority in technology rather than assets” by focusing on intelligent manufacturing and industrial innovation and continue to strengthen the core competitiveness of the Company. Meanwhile, the proceeds raised are also intended for increase in capital contribution in Shanghai Electric Hongkong Co. Limited, which is beneficial to the continuous extension in the overseas market so as to facilitate the implementation of the globalization strategies.

To conclude, the Directors are of the view that the Proposed Issuance and Placing of A Shares and the funds raised therefrom are conducive to enhancing the integration performance of the Restructuring and will enable the Company to meet the long term strategic development needs so as to raise the profitability of the Company and enhance the interests of the Shareholders as a whole.

4. Arrangement for the Company’s undistributed retained earnings prior to the issuance of A Shares under the Proposed Issuance and Placing of A Shares

Upon the completion of the issuance of A Shares under the Proposed Issuance and Placing of A Shares, the undistributed retained earnings prior to the issuance are subject to the entitlement of both the new and old Shareholders to balance both parties’ interests.

5. The Validity of the resolution

The resolution in relation to the issuance of shares for supporting funds raising under the Proposed Issuance and Placing of A Shares shall be valid within 12 months commencing from the date of the adoption and passing of the resolution at the EGM and the Class meetings.

6. Consideration for pricing of the A Shares under Proposed Issuance and Placing of A Shares

According to the Measures for Issuance of Securities by Listed Companies* (《上市公司證券發行管理辦法》) issued by the CSRC, for PRC listed companies raising funds through non-public offer of shares, the issue price of the relevant shares to be issued by the Company shall not be less than 90% of the average trading price for the 20 trading days before the Pricing Benchmark Date. The Pricing Benchmark Date of the Proposed Issuance and Placing of A Shares shall be the date of announcement of the Board resolution for approval of the Proposed Issuance and Placing of A Shares (5 December 2015). Accordingly, the issue price per A Share shall not be less than 90% of the average trading price of A Shares for 20 trading days immediately prior to the Pricing Benchmark Date, in other words, not less than RMB10.41 per A Share. Based on the negotiation with target subscribers and considering the interests of both the controlling shareholder and existing public shareholders, the Company determined that the issue price for the Proposed Issuance and Placing of A Shares shall be RMB10.41 per A Share.

7. Listing Rules implications

Pursuant to Rule 19A.38 of the Listing Rules, the Proposed Issuance and Placing of A Shares requires the approval of the Shareholders by way of special resolutions at the EGM and the Class Meetings.

SEC is our controlling shareholder holding approximately 55.05% equity interest in the total issued share capital of the Company as of the date of this announcement. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the subscription of certain shares under the Proposed Issuance and Placing of A Shares by SEC will constitute a connected transaction subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board anticipates that the Company will continue to maintain sufficient public float to meet the requirements under the Listing Rules.

IV. EFFECT OF THE RESTRUCTURING AND THE PROPOSED ISSUANCE AND PLACING OF A SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

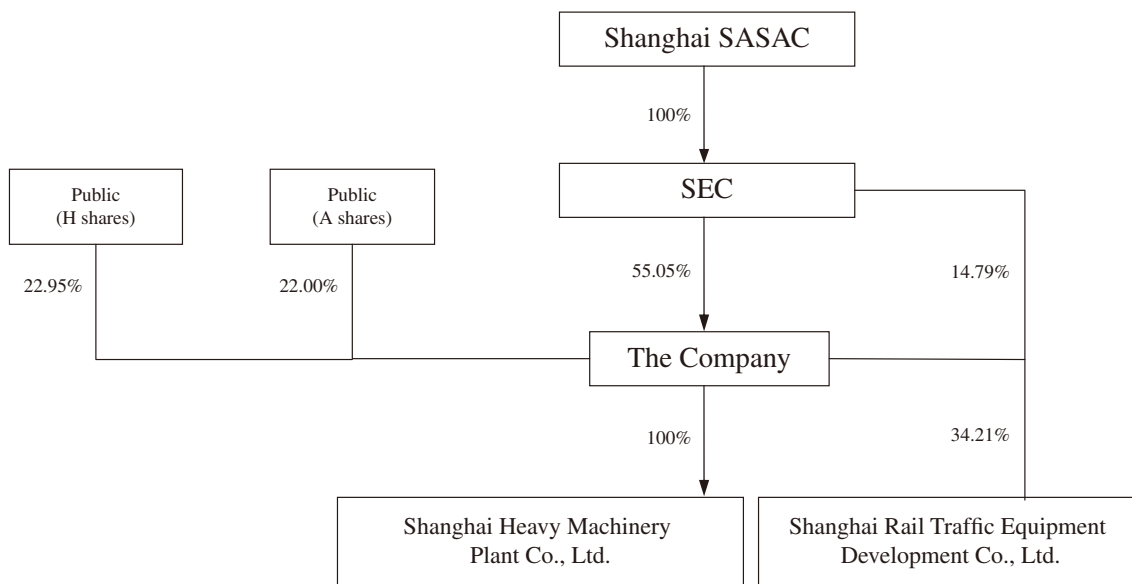
The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Restructuring (but not taking into account the Proposed Issuance and Placing of A Shares); and (iii) immediately after completion of the Restructuring and the Proposed Issuance and Placing of A Shares.

	As at the date of this announcement		Immediately after completion of the Restructuring (not taking into account the Proposed Issuance and Placing of A Shares)		Immediately after completion of the Restructuring and the Proposed Issuance and Placing of A Shares	
	Number of Shares (ten thousand shares)	% to the existing total issued shares %	Number of Shares (ten thousand shares)	% to the existing total issued shares %	Number of Shares (ten thousand shares)	% to the existing total issued shares %
SEC (A Shares)	703,045.87	54.82%	763,730.21	56.86%	768,533.28	55.82%
SEC (H Shares)	2,933.40	0.23%	2,933.40	0.22%	2,933.40	0.21%
Public (A Shares)	282,054.27	22.00%	282,054.27	21.00%	282,054.27	20.49%
Public (H Shares)	294,357.80	22.95%	294,357.80	21.92%	294,357.80	21.38%
Target subscribers excluding SEC	—	—	—	—	28,818.44	2.10%
Total	1,282,391.34	100.00%	1,343,075.68	100.00%	1,376,697.19	100.00%

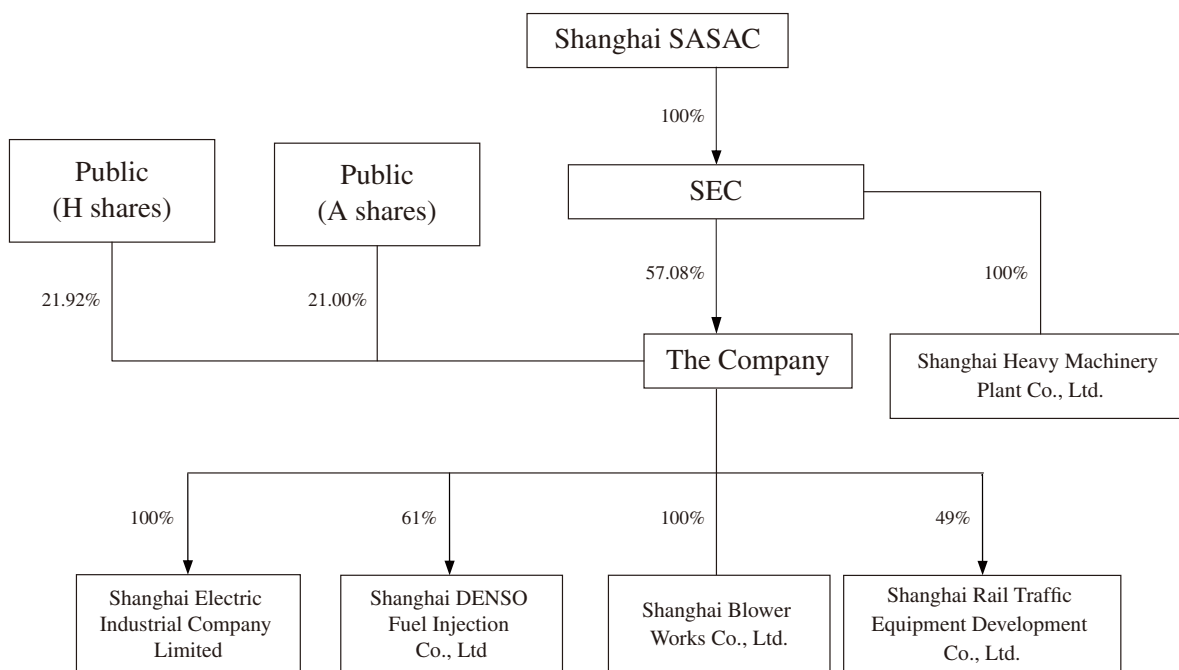
Note: For the purpose of illustration, assuming that save for the Consideration Shares and the placing of A Shares, no further Shares will be issued by the Company after the date of this announcement until completion of the Restructuring and the Proposed Issuance and Placing of A Shares.

The following diagrams illustrate the corporate structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Restructuring (but not taking into account the Proposed Issuance and Placing of A Shares); and (iii) immediately after completion of the Restructuring and the Proposed Issuance and Placing of A Shares.

(i) *as at the date of this announcement*

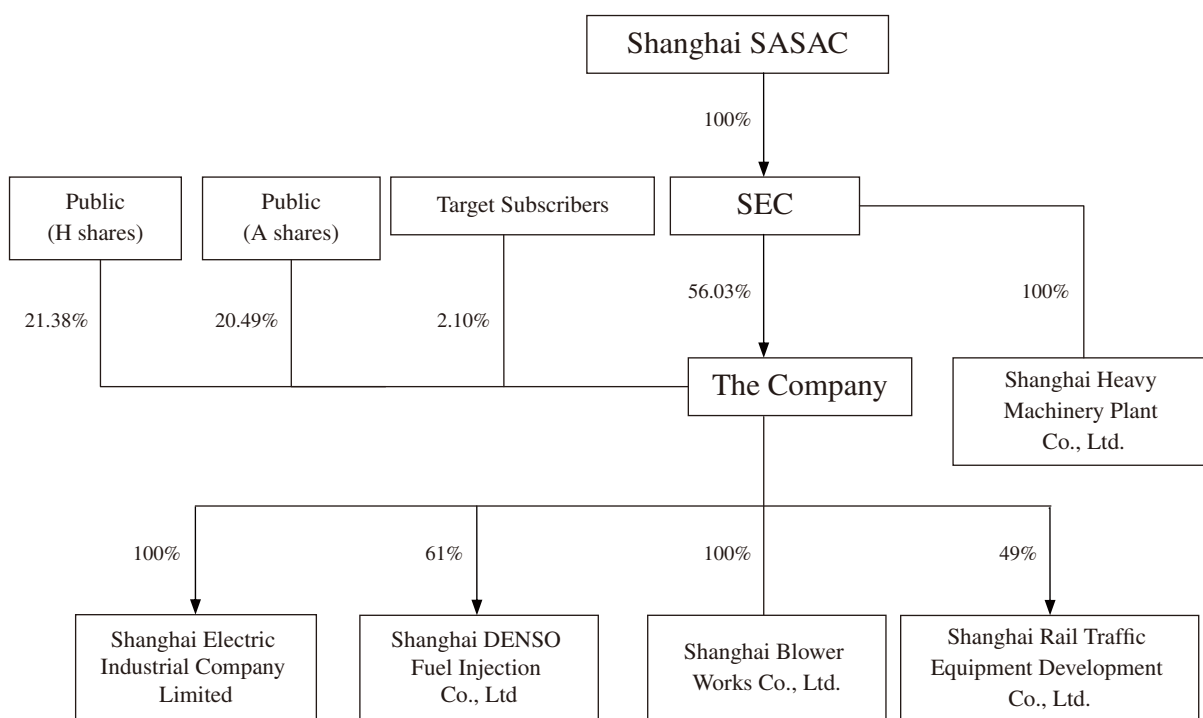


(ii) *immediately after completion of the Restructuring (but not taking into account the Proposed Issuance and Placing of A Shares)*



Note: For the purpose of illustration, assuming that save for the Consideration Shares and the placing of A Shares, no further Shares will be issued by the Company after the date of this announcement until completion of the Restructuring and the Proposed Issuance and Placing of A Shares.

(iii) *immediately after completion of the Restructuring and the Proposed Issuance and Placing of A Shares*



Note: For the purpose of illustration, assuming that save for the Consideration Shares and the placing of A Shares, no further Shares will be issued by the Company after the date of this announcement until completion of the Restructuring and the Proposed Issuance and Placing of A Shares.

V. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save and except for the fund raising activity mentioned below, the Company did not conduct any fund raising activities during the past 12 months immediately preceding the date of this announcement.

- | | |
|--|--|
| Fund raising activity | <ul style="list-style-type: none"> On 2 February 2015, the Company issued a total of 60,000,000 A share convertible corporate bonds with a nominal value of RMB100 each, amounting to RMB6 billion in aggregate. Such convertible corporate bonds have a term of six years from the date of the issuance, which commenced from 2 February 2015 and will end on 1 February 2021. |
| Date of the relevant announcements and circular | <ul style="list-style-type: none"> The relevant announcements: 5 June 2014, 4 August 2014, 24 December 2014, 20 January 2015, 28 January 2015, 11 February 2015, 24 June 2015, 24 June 2015 and 27 July 2015. The relevant circular: 30 June 2014. |

- | | |
|---------------------------------------|--|
| Proceeds raised | <ul style="list-style-type: none"> • RMB6,000,000,000 |
| Proposed use of the proceeds | <ul style="list-style-type: none"> • EPC and BTG projects • Increase of Capital in Shanghai Electric Leasing Co., Ltd. • Idle proceeds shall be used for temporary replenishment of the general working capital. |
| Actual application of proceeds | <p>As at 31 October 2015:</p> <ul style="list-style-type: none"> • RMB238,000,000 was used for the Iraq Wassit II Thermal Power Plant EPC project; • RMB636,000,000 was used for the India SASAN Thermal Power Plant BTG project; • RMB314,000,000 was used for the Vietnam Vinh Tan II Thermal Power Plant EPC project; • RMB2,500,000,000 was used to increase the capital in Shanghai Electric Leasing Co., Ltd; • RMB2,250,000,000 was temporarily used to replenish the general working capital; and • RMB37,000,000 was used to pay the expenses related to the issue. |

As at 31 October 2015, the Company actually used RMB3,725,000,000 for the above intended purposes (including RMB37,000,000 paid for the expenses related to the issue). The unutilized amount of RMB2,275,000,000 (including RMB2,250,000,000 used for temporary replenishment of the general working capital) will continue to be used for the above intended purposes.

VI. FINANCIAL IMPACT OF THE RESTRUCTURING

After the completion of the Restructuring, Shanghai Electric Industrial Company Limited, Shanghai DENSO Fuel Injection Co., Ltd., Shanghai Blower Works Co., Ltd. will become the subsidiaries of the Company and its financial results will be consolidated into the account of the enlarged Group: Shanghai Heavy Machinery Plant Co., Ltd. will not be the subsidiary of the Company and its financial results will not be consolidated into the account of the enlarged Group: the Company increased its equity interest in Shanghai Rail Traffic Equipment Development Co., Ltd. which is not a subsidiary of the Company. The Company will raise no more than RMB3,500,000,000 from the Proposed Issuance and Placing of A Shares.

The major financial information of the Company for the year ended 31 December 2014 and nine months ended 30 September 2015 before and after the Restructuring is set out as below:

Financial indicators	Prior to the Restructuring (consolidated)	After the Restructuring (pro forma consolidated)	Prior to the Restructuring (consolidated)	After the Restructuring (pro forma consolidated)
	RMB'000	RMB'000	RMB'000	RMB'000
Financial indicators	31 December 2014		30 September 2015	
Total assets	143,550,564	150,119,369	159,338,649	166,394,744
Total liabilities	98,125,496	95,575,126	110,808,143	108,531,178
Equity attributable to owners of the company	34,236,392	43,105,175	36,894,864	45,971,491
Net assets per share attributable to owners of the company (RMB/share)	2.67	3.13	2.88	3.34
Debt to assets ratio	68.36%	63.67%	69.54%	65.23%
Financial indicators	For the year ended 31 December 2014		For the nine months ended 30 September 2015	
Revenue	76,784,516	77,083,891	53,909,588	54,271,526
Net profit attributable to owners of the company	2,554,487	3,601,554	1,892,220	2,461,880
Basic earnings per share (RMB/share)	0.20	0.26	0.15	0.18
Return on net assets	7.46%	8.36%	5.13%	5.36%

Note:

- (1) the impact of the Proposed Issuance and Placing of A Shares has been considered in preparing the above financial information.
- (2) the above financial information was prepared in accordance with PRC generally accepted accounting principles.

VII. PROSPECTS OF THE GROUP

The Group will dispose of the non-profitable assets through the Restructuring in order to further accelerate the integrated use of resources, eliminate outdated production facilities, consolidate asset quality and enhance core competitiveness. After the completion of the Restructuring, the scale of the corporate assets, revenue, profits and earnings of the Group will substantially increase, thus the overall financial performance of the Group will also improve.

After the completion of the Restructuring, the Group will acquire core assets in respect of industrial equipment, clean energy and environmental protection based on the original business. By leveraging on the horizontal and vertical product extension, the Group intends to integrate the industrial chain and establish a platform for integrated electric power industry in order to achieve the optimization of industrial structure and increase of the profitability.

After the completion of the Restructuring, the Group will focus on the development of three segments including energy, industrial equipment and services. The Group will further increase its investment in green, high efficiency and clean energy and new energy industry, consolidate and enhance the competitiveness in nuclear power and wind power markets; proactively accelerate the transformation from traditional manufacturing industry to intelligent manufacturing industry, and realize digitization, automation and intelligentization; speed up the construction of power station service industry and proactively foster environmental protection industry with focus on three business areas including solid waste treatment, water treatment and distributed energy system, so as to become an influential comprehensive energy saving and environmental protection industrial conglomerates in China.

The Directors are of the view that the Restructuring is conducive to raising the asset quality of the Group, strengthening its diversity of products, enhancing its continued profitability and core competitiveness, which are in the interests of the Company and the Shareholders as a whole.

VIII. AUTHORIZATION

To ensure a smooth proceeding of the relevant matters of the transactions contemplated under the Restructuring Agreement and the Proposed Issuance and Placing of A Shares (the “**Transaction**”), the Board proposed to grant an authorization to the Board at the general meeting to deal with relevant matters of the Transaction at its absolute discretion, including but not limited to:

1. stipulate and implement specific plans of the Transaction, and be solely responsible for dealing with and deciding any specific matters of the Transaction;
2. to the extent permitted by laws and regulations, regulatory documents and the Articles of Association, sign, amend, supplement, submit, report, execute or announce all relevant agreements and documents of the Transaction (including but not limited to Assets Swap and Issuance of Shares for Acquisition of Assets Agreement and other related agreements or documents);

3. in case of any adjustments made by the competent state-owned assets authorities on the asset valuation reports of the Incoming Assets or the Outgoing Assets, make necessary adjustments accordingly to the consideration for the Incoming Assets or the Outgoing Assets and other relevant parts in the Transaction;
4. in case of any new stipulations or specific requirements in relation to the Transaction by competent authorities or any changes in market conditions, make adjustments to plans of the Transaction in accordance with new stipulations, specific requirements and the actual conditions of the market; prepare, amend and dispatch the reportable documents of the Transaction pursuant to the requirements of CSRC;
5. in case of any new stipulations or specific requirements in relation to the material asset reorganization by competent authorities or any changes in market conditions, make adjustments to certain terms of the agreements of the Transaction (including but not limited to, transitional arrangements, income and losses during the period and tax-sharing policy) in accordance with new stipulations, specific requirements and the actual conditions of the market;
6. deal with the transfer, inheritance and succeeding procedures of the assets, liabilities, rights, obligations, responsibilities and business involved in the Transaction, including but not limited to signing of the relevant legal documents and handling of change of business registration;
7. upon completion of the Transaction, make amendments to the Articles of Association, increase in the registered capital, share registration and restricted shares, listing matters and relevant announcements and change of business registration; and
8. deal with other matters relating to the Transaction.

This authorization shall be valid for a period of 12 months commencing from the date of consideration and approval at the EGM and Class Meetings. However, if the approval documents in respect of the plan of the Transaction have been obtained by the Company from CSRC in such validity period, the validity period of such authorization will be automatically extended to the completion date of the Transaction.

IX. THE IMPLICATION OF PRC LAWS AND REGULATIONS

The Company has prepared “The Report involving the Assets Swap and Issuance of Share for Acquisition of Assets as well as Supporting Fund Raising (Connected Transaction) by Shanghai Electric Group Company Limited (Draft)” and its summary in accordance with relevant PRC Laws and Regulations.

The Directors, after considering the actual condition of the Company and related matters, consider that the assets swap and issuance of shares for acquisition of assets as well as supporting fund raising by the Company comply with relevant PRC Laws and Regulations, including Clause 4 under Requirements on Certain Issues Concerning Regulating the Material Asset Reorganizations of Listed Companies.

X. OTHERS

Orient Appraisal Co., Ltd. appraised the Incoming Assets and issued the assets valuation reports while Shanghai Lixin Appraisal Co., Ltd. appraised the Outgoing Assets and issued the assets valuation report. Directors are of the view that: (i) the above-mentioned valuers engaged by the Company are qualified independent valuers on relevant matters concerning securities and futures; (ii) the assumptions of the above-mentioned assets valuation reports are conducted in accordance with relevant PRC regulations and requirements, which follows common practices or criteria of the market and comply with the actual conditions of the appraisal objects, therefore the appraisal assumptions are reasonable; (iii) the appraisal approaches adopted comply with relevant rules issued by the CRSC, and the appraisal results reflected the market value of the appraisal objects as at the Valuation Benchmark Date in an objective and fair way, which provides reference basis for price in the transaction, and shows that there is relativity between the appraisal approach and the appraisal purposes; and (iv) the assets scope of the actual appraisal performed by the valuer is consistent with those of the engaged appraisal, and necessary appraisal procedures have been conducted in accordance with the requirements of relevant PRC laws and regulations and industry codes, thus the appraisal valuation is fair and the consideration of the Outgoing Assets and the Incoming Assets with reference of their valuation is fair and reasonable without any compromise to the interests of the Company and its shareholders.

The Board has considered and approved the audit reports and assets valuation reports for the Outgoing Assets and Incoming Assets in relation to the transaction conducted by the engaged auditor and valuers.

XI. OPINIONS OF THE BOARD

Mr. Huang Dinan, Mr. Wang Qiang and Mr. Zheng Jianhua, all being Directors, hold directorship(s) or act as senior management in SEC Group and its associates and thus have material interests in the transaction contemplated under the Restructuring Agreement and the Proposed Issuance and Placing of A Shares. They have therefore abstained from voting on the board resolutions approving the above matters except the resolution in relation to the report on the use of proceeds from the previous fund raising activity by the Company. Other than as disclosed above, none of the other Directors has material interests in this transaction.

The Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Restructuring Agreement and the Proposed Issuance and Placing of A Shares are conducted after arm's length negotiations and on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

XII. GENERAL INFORMATION

A circular containing, among other things, (1) details of the proposed discloseable and connected transaction, including major terms of the Restructuring Agreement and the transactions contemplated under the Restructuring Agreement; (2) details of the proposed issuance and placing of A Shares; (3) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (4) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, is expected to be dispatched to Shareholders on 28 December 2015.

XIII. RESUMPTION OF TRADING OF H SHARES

Trading of H Shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on 8 October 2015 pending the release of this announcement. The Company intended to make an application to the Hong Kong Stock Exchange for the resumption of trading of H Shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on 7 December 2015.

XIV. DEFINITIONS

Unless the context otherwise requires, the following expressions in this announcement shall have the following meanings:

“A Share(s)”	the domestic ordinary share(s) of nominal value RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB;
“Articles of Association”	the articles of association of the Company as amended from time to time;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of directors of the Company;
“Class Meetings”	the A Shares Class Meeting and the H Shares Class Meeting;
“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;
“Consideration Share(s)”	a total of 606,843,370 A Shares to be issued by the Company to SEC pursuant to the Restructuring Agreement as the settlement of the difference between the consideration for the equity assets of the Incoming Assets and that for the Outgoing Assets and the consideration for the Target Properties;

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會);
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Monday, 18 January 2016 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC;
“Group”	the Company and its subsidiaries;
“H Share Class Meeting”	the H Share Class Meeting of the Company to be convened on Monday, 18 January 2016 immediately after the conclusion or adjournment of the class meeting for holders of A Shares of the Company to be convened on Monday, 18 January 2016 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC;
“H Share(s)”	the overseas listed foreign capital share(s) of nominal value RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Incoming Assets”	100% equity interests in Shanghai Electric Industrial Company Limited, 61% equity interests in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interests in Shanghai Blower Works Co., Ltd., 14.79% equity interests in Shanghai Rail Traffic Equipment Development Co., Ltd. held by SEC and Target Properties owned by SEC as at the date of this announcement as more particularly described in the section headed “Information on the Incoming Assets” in this announcement;
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely, Dr. Lui Sun Wing, Mr. Kan Shun Ming and Dr. Chu Junhao, formed to consider, among others, Restructuring Agreement and the transactions contemplated under the Restructuring Agreement and the Proposed Issuance and Placing of A Shares;

“Independent Financial Adviser”	Guotai Junan Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders;
“Independent Shareholders”	the Shareholders other than SEC and its associates who are legally and/or beneficially interested in the shares of the Company;
“Last Trading Day”	7 October 2015;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Outgoing Assets”	100% equity interests in Shanghai Heavy Machinery Plant Co., Ltd. held by the Company as at the date of this announcement as more particularly described in the section headed “Information on the Outgoing Assets” in this announcement;
“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;
“Previous Transactions”	in relation to the disposal of Outgoing Assets, the previous transactions include (i) the connected transaction entered into between SEC and Shanghai Electric Wind Power Equipment Co., Ltd. (上海電氣風電設備有限公司) on 25 June 2015 in respect of the capital injection into Shanghai Electric Wind Power Equipment Co., Ltd. by SEC; and (ii) the connected transaction entered into between SEC, Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司) and Goss International Corporation (美國高斯國際有限公司) on 27 July 2015 in respect of the conversion of debt interest into equity interest in Goss International Corporation by SEC and Shanghai Mechanical & Electrical Industry Co., Ltd. (details of which are set out in the announcements of the Company published on 25 June 2015 and 27 July 2015, respectively), and in relation to the acquisition of the Incoming Assets, there is no previous transactions during the past 12 months preceding the date of this announcement to be aggregated with;

“Pricing Benchmark Date”	5 December 2015, the publication date of the Board resolution announcement in relation to the Restructuring Agreement and transactions contemplated under the Restructuring Agreement and in relation to the Proposed Issuance and Placing of A Shares on the Shanghai Stock Exchange;
“Proposed Issuance and Placing of A Shares”	the proposed issuance of 336,215,171 A Shares by the Company at the issue price of RMB10.41 per A Share to nine specific investors (including SEC);
“Restructuring”	the transactions contemplated under the Restructuring Agreement, including the assets swap and the assets acquisition by issuance of the Consideration Shares;
“Restructuring Agreement”	the agreement dated 2 December 2015 entered into between the Company and SEC in relation to the assets swap and the assets acquisition by issuance of the Consideration Shares;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council;
“SEC”	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司), the controlling shareholder of the Company (as defined in the Listing Rules) holding approximately 55.05% interests in the total issued share capital of the Company as at the date of this announcement;
“SEC Group”	SEC, its subsidiaries and its associates, but excluding the Group;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended and supplemented from time to time;
“Shanghai SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of Shanghai Municipal Government;
“Share Subscription Agreement”	the share subscription agreement dated 2 December 2015 entered into between the Company and target subscribers in relation to the subscription for A Shares under the Proposed Issuance and Placing of A Shares;

“Share(s)”	the ordinary share(s) of nominal value RMB1.00 each in the share capital of the Company, including both A Share(s) and H Share(s);
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of both A Share(s) and H Share(s);
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“Transfer Completion Date for the Outgoing Assets”	the date of completion of the industrial and commercial registration procedures in relation to the transfer of the Outgoing Assets to SEC in accordance with the Restructuring Agreement;
“Transfer Completion Date for the Incoming Equity Assets”	the date of completion of the industrial and commercial registration procedures in relation to the transfer of the equity assets of the Incoming Assets to the Company in accordance with the Restructuring Agreement;
“Target Properties”	the properties owned by SEC and to be acquired by the Company pursuant to the Restructuring Agreement. Details of the Target Properties are set out in the paragraph headed “II. Proposed Discloseable and Connected Transaction – 4. Information of the Incoming Assets – 4.5 Target Properties” in this announcement;
“Valuation Benchmark Date”	30 September 2015; and
“%”	per cent.

* *All the financial data in this announcement were presented in RMB unless otherwise indicated.*

By order of the Board
Shanghai Electric Group Company Limited
Huang Dinan
Chairman of the Board

Shanghai, the PRC, 6 December 2015

As at the date of this announcement, the executive directors of the Company are Mr. HUANG Dinan, Mr. ZHENG Jianhua and Mr. HUANG Ou; the non-executive directors of the Company are Mr. Wang Qiang, 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*