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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02727)

CONNECTED TRANSACTION PROPOSED ACQUISITION OF 3.23% EQUITY INTERESTS IN WIND POWER COMPANY

The Board is pleased to announce that on 26 August 2016, the Board resolved to approve the acquisition of 3.23% equity interests in Wind Power Company held by SEC at a consideration of RMB33,611,050.54 by the Company.

SEC is our controlling shareholder holding approximately 56.04% equity interests in the total issued share capital of the Company as at 31 July 2016. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and this transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for this transaction is more than 0.1% but less than 5%, this transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 26 August 2016, the Board resolved to approve the acquisition of 3.23% equity interests in Wind Power Company held by SEC at a consideration of RMB33,611,050.54 by the Company.

KEY TERMS OF THE EQUITY TRANSFER AGREEMENT TO BE SIGNED

Parties

(a) Transferor: SEC; and

(b) Transferee: the Company

Interests to be transferred

The interests to be transferred refer to 3.23% equity interests in Wind Power Company held by SEC. According to the asset valuation conducted by the Independent Valuer, as at 30 June 2016, the book value of the net assets of Wind Power Company was approximately RMB1,077,129.4 thousand and the assessed value of the net assets of Wind Power Company was approximately RMB1,040,589.8 thousand.

Financial information of Wind Power Company

Set out below is the audited consolidated financial information of Wind Power Company for the two years ended 31 December 2015 prepared in accordance with generally accepted accounting principles in the PRC:

	For the year ended 31 December	
	2014	2015
	<i>(RMB in millions)</i>	
Net profit (before taxation)	39.4	-229.6
Net profit (after taxation)	59.4	-229.6

BASIS OF CONSIDERATION AND PAYMENT

The consideration of the proposed Acquisition is RMB33,611,050.54 and shall be paid by the Company to SEC in cash. Such consideration was determined after arm's length negotiations between the parties based on the valuation of such assets as at the valuation benchmark date, 30 June 2016, as confirmed in the assets valuation report issued by the qualified Independent Valuer. Valuation result based on the asset-based approach was adopted by the Independent Valuer for Wind Power Company and the valuation was RMB1,040,589.8 thousand, but the final valuation is subject to filing with and acceptance by Shanghai SASAC.

REASONS FOR AND BENEFITS FROM THE TRANSACTION

After the completion of the Acquisition, Wind Power Company will be a wholly-owned subsidiary of the Company, which will then help (i) simplify the organizational structure of the Group and reduce its management costs, and (ii) promote the integration and expansion of the wind power business of the Group and thus enhance its capability of resources integration.

OPINIONS OF THE BOARD

Mr. Huang Dinan, Mr. Zheng Jianhua and Mr. Li Jianjin, all being Directors, hold directorship(s) or act as senior management in SEC Group and its associates and thus

have material interests in the proposed Acquisition. They have therefore abstained from voting on the relevant board resolution approving the proposed Acquisition. 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 proposed Acquisition is 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.

LISTING RULES IMPLICATIONS

SEC is our controlling shareholder holding 56.04% equity interests in the total issued share capital of the Company as at 31 July 2016. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules and this transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined in the Listing Rules) for this transaction is more than 0.1% but less than 5%, this transaction is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Group is one of the largest industrial equipment manufacturing conglomerates in China engaged in the following principal activities: (i) design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components, and provide a solution package for comprehensive utilisation of solid waste, sewage treatment, power generation environment protection and distributed energy systems; (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 products and services, and functional services including international trading services, financial lease and related consulting services and insurance brokerage services.

SEC is our controlling shareholder holding approximately 56.04% equity interests in the total issued share capital of the Company as at 31 July 2016. The principal business of SEC is the management of state-owned assets and investment activities.

Wind Power Company is a non-wholly owned subsidiary of the Company and is a new energy equipment manufacturer specializing in research and development, design, manufacture and technical consultancy as well as general contracting of large-scale wind turbines. The principal business of Wind Power Company is the production and sale of

wind power equipment and spare parts and provision of after-sales service.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of 3.23% equity interests in Wind Power Company held by SEC for a consideration of RMB33,611,050.54, details of which are set out in the section “Key Terms of the Equity Transfer Agreement To Be Signed” in this announcement;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Shanghai Electric Group Company Limited (上海電氣集團股份有限公司), a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange 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;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Valuer”	Shanghai Lixin Appraisal Co., Ltd.;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Wind Power Company”	Shanghai Electric Wind Power Equipment Co., Ltd. (上海電氣風電設備有限公司), a non-wholly owned subsidiary of the Company, as at the date of this announcement, approximately 96.77% equity interests of its total share capital being held by the Company and its remaining 3.23%

equity interests being held by SEC through the capital injection for a total amount of RMB69,421,430.12, details of which are set out in the announcement of the Company dated 25 June 2015;

“SEC”	Shanghai Electric (Group) Corporation (上海電氣(集團) 總公司), the controlling shareholder (as defined in the Listing Rules) of the Company holding approximately 56.04% equity interests in the total issued share capital of the Company as at 31 July 2016;
“SEC Group”	SEC, its subsidiaries and its associates, but excluding the Group;
“Shanghai SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of Shanghai Municipal Government;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Shanghai, the PRC, 26 August 2016

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. LI Jianjin, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive Directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. CHU Junhao.

** For identification purpose only*