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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 DISPOSAL OF CERTAIN ASSETS IN SHANGHAI BLOWER WORKS**

The Board is pleased to announce that on 23 September 2016, the Board resolved to approve the disposal of certain assets in Shanghai Blower Works (a wholly owned subsidiary of the Company) to Enterprise Development Company at a consideration of RMB241.7243 million.

As at the date of this announcement, Enterprise Development Company is a wholly owned subsidiary of SEC, and SEC is the controlling shareholder of the Company, holding approximately 58.12% equity interests in the total issued share capital of the Company. Therefore, Enterprise Development Company 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 23 September 2016, the Board resolved to approve the disposal of certain assets in Shanghai Blower Works (a wholly owned subsidiary of the Company) to Enterprise Development Company at a consideration of RMB241.7243 million.

## KEY TERMS OF THE ASSETS DISPOSAL AGREEMENT TO BE SIGNED

### *Parties*

(a) Vendor: Shanghai Blower Works; and

(b) Purchaser: Enterprise Development Company

### *Assets to be disposed*

The assets under the Proposed Disposal refer to certain fixed assets, inventories and accounts receivable of Shanghai Blower Works. Set out below is the book value information of such assets as at 31 December 2015 and 30 June 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	As at 31 December 2015 (audited) (RMB in ten thousand )	As at 30 June 2016 (unaudited) (RMB in ten thousand )
Fixed assets:		
Original book value	16,767	16,767
Depreciation	13,494	13,673
Net book value	3,273	3,094
Inventories:		
Original book value	1,761	1,761
Impairment	812	812
Net book value	949	949
Accounts receivable:		
Original book value	21,378	21,378
Impairment	2,373	2,373
Net book value	19,005	19,005

According to the asset valuation conducted by the Independent Valuer, as at 30 September 2015, the book value and the assessed value of such assets are set out as below:

	<b>Book value</b> <i>(RMB in ten thousand )</i>	<b>Assessed value</b> <i>(RMB in ten thousand )</i>
Fixed assets	3,374.48	4,218.52
Inventories	948.77	948.77
Accounts receivable	19,005.14	19,005.14
<b>Total</b>	<b>23,328.39</b>	<b>24,172.43</b>

### *Financial information of Shanghai Blower Works*

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

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>(RMB in ten thousand)</i>	
Net profit (before taxation)	1,359	-11,588
Net profit (after taxation)	753	-11,708

### **BASIS OF CONSIDERATION AND PAYMENT TERMS**

The consideration of the Proposed Disposal is RMB241.7243 million and shall be paid by Enterprise Development Company to the Company 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 September 2015, 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 the assets to be disposed and the valuation was RMB241.7243 million.

The estimated gain from the Proposed Disposal will be an amount equal to the consideration net of the net book value of the assets to be disposed and relevant tax charges. The proceeds from the Proposed Disposal will be used as the working capital of the Group.

## **REASONS FOR AND BENEFITS FROM THE TRANSACTION**

As the assets under the Proposed Disposal consist of surplus assets of Shanghai Blower Works due to product transformation, idle assets and assets which are difficult to be realized into cash in short term, the disposal of such assets will (i) supplement the working capital of Shanghai Blower Works and lower its debt to asset ratio; and (ii) optimize asset structure of Shanghai Blower Works and enhance its capability to achieve sustainable development.

## **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 Disposal. They have therefore abstained from voting on the relevant board resolution approving the Proposed Disposal. 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 Disposal 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**

As at the date of this announcement, Enterprise Development Company is a wholly owned subsidiary of SEC, and SEC is the controlling shareholder of the Company, holding approximately 58.12% equity interests in the total issued share capital of the Company. Therefore, Enterprise Development Company 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 provision of 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.

Shanghai Blower Works is a wholly owned subsidiary of the Company and 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 mining etc.

SEC is our controlling shareholder holding approximately 58.12% equity interests 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.

Enterprise Development Company is a wholly owned subsidiary of SEC and is primarily engaged in assets operation, restructuring, disposal, management, enterprises custody and industry investment etc.

## **DEFINITIONS**

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

“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;
“Enterprise Development Company”	Shanghai Electric Enterprise Development Co., Ltd., a company incorporated in the PRC with limited liability and a wholly owned subsidiary of SEC as at the date of this announcement;
“Group”	the Company and its subsidiaries from time to time;

“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Valuer”	Orient 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;
“Proposed Disposal”	the proposed disposal of certain assets in Shanghai Blower Works to Enterprise Development Company at a consideration of RMB241.7243 million, details of which are set out in the section “Key Terms of the Assets Disposal Agreement To Be Signed” in this announcement. The Proposed Disposal has been approved by the board of directors of SEC;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 58.12% equity 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;
“Shanghai Blower Works”	Shanghai Blower Works Co., Ltd. is a wholly owned subsidiary of the Company as at the date of this announcement. On 18 January 2016, the assets restructuring of the Company was approved in the general meeting of the Company, among which, the Company proposed to acquire 100% equity interests in Shanghai Blower Works held by SEC at a consideration of RMB784,920,959. As at 26 August 2016, the incoming assets under the assets restructuring, including 100% equity interests in Shanghai Blower Works, have all been transferred to the Company. Further details are set out in the circular of the Company dated 31 December 2015, and the announcements of the Company dated 18 January 2016 and 26 August 2016;

“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, 23 September 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*