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**SHANGHAI ELECTRIC GROUP COMPANY LIMITED**  
**上海電氣集團股份有限公司**

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

**(Stock Code: 02727)**

**ANNOUNCEMENT ON PROGRESS OF THE MATERIAL MATTERS IN  
CONTEMPLATION**

This announcement is made by the board of directors of Shanghai Electric Group Company Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

References are made to the trading halt announcement of the Company dated 31 August 2016, the trading resumption announcement of the Company dated 1 September 2016 and the progress announcements of the Company dated 6 September 2016, 13 September 2016 and 22 September 2016 in relation to (i) certain material matters contemplated by Shanghai Electric (Group) Corporation (“**SEC**”) which may involve the Company’s acquisition of assets by issuance of A shares including but not limited to the transfer of domestic shares of Shanghai Prime Machinery Company Limited (a company listed on the Stock Exchange of Hong Kong Limited under the stock code of 02345) by SEC to the Company (the “**Possible Transactions**”), and (ii) the Possible Transactions shall be regarded as an action of assets acquisition by share issuance under the Measures for the Administration of the Material Asset Restructuring of Listed Companies in China.

**I. INTRODUCTION TO THE POSSIBLE TRANSACTIONS FRAMEWORK**

**(1) Counterparty of the Possible Transactions**

The counterparty involved in the assets acquisition by share issuance is SEC, the controlling shareholder of the Company, thus the Possible Transactions constitute connected transactions.

## (2) Mode of transaction for the Possible Transactions

The Possible Transactions may involve assets acquisition by share issuance as well as supporting funds raising.

## (3) Business segments for the underlying assets

The underlying assets of the Possible Transactions are mainly equity assets and properties in relation to industrial equipment and modern services segments of the Company.

## **II. PROGRESS OF THE POSSIBLE TRANSACTIONS**

Since the suspension of trading of A shares of the Company, the Company has organised relevant intermediaries to carry out various works. As at the date of this announcement, business and legal due diligence exercises, audit, assets appraisal and other works involved in the Possible Transactions are still in progress and yet to be completed. The Company has worked out certain preliminary transaction plans which will be subject to approvals of relevant government authorities. As at the date of this announcement, relevant parties have not entered into any restructuring framework agreement or agreement of intent in respect of the Possible Transactions.

## **III. CONTINUED SUSPENSION OF TRADING OF A SHARES**

Trading of A shares of the Company listed on The Shanghai Stock Exchange has been suspended from 31 August 2016. Since the Possible Transactions cover a large scale of assets and relevant matters involved are complicated, further negotiation on various transaction plans between the Company and relevant parties are required. As a result, the Company is not yet able to apply for resumption of trading of its A shares as scheduled. After application by the Company, trading of A shares of the Company will remain suspended and the suspension is expected to last no more than one month as from 30 September 2016. During the trading suspension of the A shares of the Company, the Company will fulfill its obligation on timely disclosure of information according to the progress of the Possible Transactions and will publish progress announcements regarding the Possible Transactions every five trading days.

**The Possible Transactions may or may not proceed and if it proceeds, may be subject to shareholders' approval, regulatory approvals and various conditions precedent. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

Shanghai, the PRC, 29 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*