

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Electric Group Company Limited, you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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
NOTICE OF EXTRAORDINARY GENERAL MEETING
AND NOTICE OF H SHARE CLASS MEETING
AND
SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING
AND SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING**

All capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 8 to 79 of this circular.

A notice convening the EGM to be held at 9:00 a.m. on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC has been despatched to the Shareholders on 17 February 2017, which is set out on pages 138 to 141 of this circular. A supplemental notice of the EGM has been despatched to the Shareholders on 23 March 2017, which is set out on pages 146 to 150 of this circular. A notice convening the H Share Class Meeting and a supplemental notice are set out on pages 142 to 145 and pages 151 to 155 of this circular, respectively.

Reply slips and the original forms of proxy for use at the EGM and the H Share Class Meeting have been despatched to the Shareholders on 17 February 2017 and the revised forms of proxy have been despatched to the Shareholders on 23 March 2017, which are also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). Shareholders who intend to attend the EGM and/or the H Share Class Meeting in person or by proxy shall complete and return the reply slips in accordance with the instructions printed thereon on or before Tuesday, 21 March 2017. Whether or not Shareholders are able to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the revised forms of proxy in accordance with the instructions printed thereon, as soon as possible and in any event by not less than 24 hours before the time fixed for holding the EGM and/or the H Share Class Meeting or any adjournment thereof (as the case may be). Completion and return of the original forms of proxy and the revised forms of proxy will not preclude Shareholders from attending the EGM and/or the H Share Class Meeting and voting in person if you so wish.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	8
Letter from the Independent Board Committee	80
Letter from the Independent Financial Adviser	82
Notice of Extraordinary General Meeting	138
Notice of H Share Class Meeting	142
Supplemental Notice of Extraordinary General Meeting	146
Supplemental Notice of H Share Class Meeting	151
Appendix I — Property Valuation Report	I-1
Appendix II — Valuation Report for Thales Saic	II-1
Appendix III — Valuation Report for SEC Property	III-1
Appendix IV — Valuation Report for Target Properties	IV-1
Appendix V — General Information	V-1

DEFINITIONS

Unless the context otherwise requires, the following expressions in this circular 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;
“Acquisition Agreement”	the agreement dated 14 November 2016 entered into between the Company and SEC in relation to the assets acquisition by issuance of the Shares;
“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;
“Completion Date”	the last day of the preceding month of the latest of the following date: (a) Completion Date for Transfer of the Incoming Equity Assets A; (b) Completion Date for Transfer of the Incoming Equity Assets B; (c) Completion Date for Transfer of the Target Properties; or (d) Date of the Consideration Shares to be registered under SEC;

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consideration Share(s)”	a total of 877,918,006 A Shares to be issued by the Company to SEC pursuant to the Acquisition Agreement;
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會);
“Directors”	the directors of the Company;
“Effective Date of the Acquisition Agreement”	the date when all conditions precedent under the Acquisition Agreement being satisfied and the Acquisition Agreement being effective;
“EGM”	the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Group”	the Company and its subsidiaries;
“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;
“H Share Class Meeting”	the H Share Class Meeting of the Company to be convened on Monday, 10 April 2017 immediately after the conclusion or adjournment of the class meeting for holders of A Shares of the Company to be convened on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC;
“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;

DEFINITIONS

“Huatai Financial Holdings (Hong Kong) Limited”	Huatai Financial Holdings (Hong Kong) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement and the Proposed Issuance and Placing of A Shares to SEC;
“Incoming Assets”	47.18% equity interest (domestic shares) in Shanghai Prime, 50.10% equity interest in Thales Saic, 100% equity interest in SEC Property held by SEC and Target Properties owned by SEC as at the Latest Practicable Date, as more particularly described in the paragraph headed “II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION – 4. Information of the Incoming Assets” in this circular;
“Incoming Equity Assets A”	50.10% equity interest in Thales Saic and 100% equity interest in SEC Property held by SEC as at the Latest Practicable Date;
“Incoming Equity Assets B”	47.18% equity interest in Shanghai Prime held by SEC as at the Latest Practicable Date;
“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 (i) Acquisition Agreement and the transaction contemplated under the Acquisition Agreement; and (ii) the Proposed Issuance and Placing of A Shares to SEC;
“Independent Shareholders”	the Shareholders other than SEC and its associates (as defined in the Listing Rules);
“Latest Practicable Date”	20 March 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PBOC”	the People’s Bank of China;

DEFINITIONS

“percentage ratio”	has the meaning ascribed thereto under Chapter 14 of the Listing Rules;
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;
“Previous Transactions”	in relation to the Proposed Acquisition, the previous transactions include (i) the assets swap and the assets acquisition by issuance of the shares under the agreement dated 2 December 2015 entered into between the Company and SEC, pursuant to this agreement, the Company acquired 100% equity interest in Shanghai Electric Industrial Company Limited, 61% equity interest in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interest in Shanghai Blower Works Co., Ltd., 14.79% equity interest in Shanghai Rail Traffic Equipment Development Co., Ltd., and land use rights for the 14 parcels of land and the buildings and structures erected thereon, auxiliary facilities together with equipment and machines held by SEC, by way of issuance of consideration shares; and (ii) the proposed acquisition of 3.23% equity interest in Shanghai Electric Wind Power Equipment Co., Ltd. held by SEC by the Company, which was approved by the Board on 26 August 2016, details of which are set out in the announcements of the Company published on 6 December 2015 and 26 August 2016, respectively;
“Pricing Benchmark Date for Consideration Shares”	15 November 2016, the publication date of the Board resolution announcement in relation to the Acquisition Agreement and transaction contemplated under the Acquisition Agreement;

DEFINITIONS

“Profit Compensation Agreement”	the agreement dated 14 November 2016 entered into between the Company and SEC in relation to the compensation arrangement, details of which are set out in the section headed “II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION – 13. Compensation Arrangement” of the letter from the Board contained in this circular;
“Proposed Acquisition”	the transaction contemplated under the Acquisition Agreement, namely, the assets acquisition by issuance of the Consideration Shares;
“Proposed Issuance and Placing of A Shares”	the proposed issuance of A Shares to no more than 10 specific target subscribers (including SEC and Shanghai Guosheng Group Investment Co., Ltd.) to raise supporting funds of no more than RMB3,000,000,000; the number of the A Shares to be issued under the Proposed Issuance and Placing of A Shares shall not exceed 20% of the total number of shares for the total share capital of the Company prior to the Proposed Acquisition, i.e. 2,686,231,286 A 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 58.12% interests in the total issued share capital of the Company as at the Latest Practicable Date;
“SEC Group”	SEC, its subsidiaries and its associates, but excluding the Group;
“SEC Property”	Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司) and further details as defined in the paragraph headed “II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION – 4.3 SEC Property” in this circular;
“SFC”	the Securities and Futures Commission of Hong Kong;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended and supplemented from time to time;
“Shanghai Prime”	Shanghai Prime Machinery Company Limited (上海集優機械股份有限公司), and further details as defined in the paragraph headed “II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION – 4.1 Shanghai Prime” in this circular;
“Shanghai SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of Shanghai Municipal Government;
“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);
“Share Subscription Agreement(s) and its supplemental agreement(s)”	the share subscription agreement(s) dated 14 November 2016 entered into between the Company and the target subscriber(s) in relation to the share subscription under the Proposed Issuance and Placing of A Shares and its supplemental agreement(s);
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules;
“Surplus Fund(s)”	the temporary surplus fund of the Group comprising mainly of advance payments from customers to the Group less advance payments to suppliers by the Group;
“Takeovers Code”	the Codes on Takeovers and Mergers;
“Target Properties”	the properties owned by SEC and to be acquired by the Company pursuant to the Acquisition Agreement. Details of the Target Properties are set out in the paragraph headed “II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION – 4.4 Target Properties” in this circular;

DEFINITIONS

“Thales Saic”	Thales Saic Transportation System Limited Company (上海自儀泰雷茲交通自動化系統有限公司), and further details as defined in the paragraph headed “II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION – 4.2 Thales Saic” in this circular;
“Transactions”	the transactions contemplated under the Acquisition Agreement and the Proposed Issuance and Placing of A Shares;
“Valuation Benchmark Date”	30 September 2016; and
“%”	per cent.

* Unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00: HK\$1.1361.



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)

Executive Directors:

Mr. Huang Dinan
Mr. Zheng Jianhua

Non-executive Directors:

Mr. Li Jianjin
Mr. Zhu Kelin
Ms. Yao Minfang

Independent non-executive Directors:

Dr. Lui Sun Wing
Mr. Kan Shun Ming
Dr. Chu Junhao

Registered office:

30th Floor, Maxdo Center
No. 8 Xingyi Road
Shanghai
PRC

*Principal place of business
in Hong Kong:*

Room 2602, Tower One
Lippo Centre
89 Queensway
Hong Kong

23 March 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSED DISCLOSEABLE AND
CONNECTED TRANSACTION
PROPOSED ISSUANCE AND PLACING OF A SHARES
NOTICE OF EXTRAORDINARY GENERAL MEETING
AND NOTICE OF H SHARE CLASS MEETING
AND
SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING
AND SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING**

I. INTRODUCTION

The purpose of this circular, to which this letter forms a part of, is to give you a notice and a supplemental notice of the EGM, a notice and a supplemental notice of the H Share Class Meeting and to provide you with (1) all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM and the H Share Class Meeting; (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to (i)

* For identification purpose only

LETTER FROM THE BOARD

the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement, and (ii) the Proposed Issuance and Placing of A Shares to SEC; (3) a letter of recommendation from Huatai Financial Holdings (Hong Kong) Limited, as an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement and (ii) the Proposed Issuance and Placing of A Shares to SEC.

References are made to the announcements of the Company dated 14 November 2016 and 17 March 2017, and the circular of the Company dated 12 December 2016, in relation to, among other things, the Proposed Acquisition and the Proposed Issuance and Placing of A Shares. On 17 February 2017, CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and relevant regulatory questions and answers. According to the aforementioned documents and regulatory requirements, the pricing principles of the Proposed Issuance and Placing of A Shares should be consistent with the amended Implementing Rules on Non-public Issuance of Shares by Listed Companies, meaning the pricing benchmark date, which was originally “the publication date of the Board resolution announcement in relation to the Proposed Issuance and Placing of A Shares”, shall be revised to “the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.” Meanwhile, according to the relevant PRC regulatory requirements, the financial information of the entities within the Incoming Assets and the Company as at 30 September 2016 will lapse for the purpose of making application to CSRC. Therefore, such relevant financial information has been updated to 31 December 2016 accordingly. On 17 March 2017, the Board considered and approved the revised proposals in relation to the Proposed Issuance and Placing of A Shares and the updated relevant financial information in respect of the Transactions. Accordingly, the Board resolved to withdraw the relevant resolutions to be proposed at the EGM and the H Share Class Meeting, including the 1st, 2nd, 5th and 6th special resolutions set out in the original notices of EGM and H Share Class Meeting of the Company dated 17 February 2017, as well as the 3rd and 4th ordinary resolutions set out in the original notice of EGM dated 17 February 2017.

On 17 March 2017, SEC, the controlling shareholder holding approximately 58.12% of the shares of the Company, as entrusted by the Company, submitted the abovementioned revised and updated resolutions to the EGM and the H Share Class Meeting for consideration, including the 1st, 2nd, 5th and 6th special resolutions set out in the supplemental notices of EGM and H Share Class Meeting of the Company dated 23 March 2017, as well as the 3rd and 4th ordinary resolutions set out in the supplemental notice of EGM dated 23 March 2017. Pursuant to relevant provisions of the PRC laws, regulations and the Articles of Association, the Board presented the aforementioned interim proposal submitted by SEC to the EGM and the H Share Class Meeting for consideration.

LETTER FROM THE BOARD

At the EGM, the following special resolutions will be proposed for Shareholders to approve: (i) the proposal of assets acquisition by issuance of shares and supporting funds raising (connected transaction) (the “**Transaction**”) by the Company; (ii) the “The Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Connected Transaction) by Shanghai Electric Group Company Limited (Draft) (Revised Version)” and its summary; (iii) the execution of the Assets Acquisition by Issuance of Shares Agreement between Shanghai Electric (Group) Corporation and Shanghai Electric Group Company Limited with conditions precedent; (iv) the execution of the Profit Compensation Agreement with conditions precedent; (v) the execution of the Share Subscription Agreements between the target subscribers and the Company with conditions precedent and its supplemental agreements; (vi) the possible dilution of the Company’s current earnings per share as a result of the Transaction and its remedial measures; (vii) the grant of the authorization to the board and its authorized representative(s) at the general meeting to deal with relevant matters of the Transaction; and (viii) the report on the use of proceeds from the previous fund raising activities by the Company.

At the EGM, the following ordinary resolutions will be proposed for Shareholders to approve: (i) the connected transactions involving assets acquisition by issuance of shares and supporting funds raising by the Company; (ii) the independence of the appraisal firms, the reasonableness of the appraisal assumptions, the relevance between the appraisal methodology and purpose and the fairness of the valuation in connection with the Transaction; (iii) the relevant reports issued by audit firms and asset appraisal firms in respect of the Transaction; (iv) the compliance with the relevant laws and regulations of the assets acquisition by issuance of shares and supporting funds raising (connected transaction) by the Company; (v) the compliance by the Company with Clause 4 under the Requirements on Certain Issues Concerning Regulating the Material Asset Reorganizations of Listed Companies in respect of the Transaction.

At the H Share Class Meeting, the following special resolutions will be proposed for Shareholders to approve: (i) the proposal of assets acquisition by issuance of shares and supporting funds raising (connected transaction) (the “**Transaction**”) by the Company; (ii) the “The Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Connected Transaction) by Shanghai Electric Group Company Limited (Draft) (Revised Version)” and its summary; (iii) the execution of the Assets Acquisition by Issuance of Shares Agreement between Shanghai Electric (Group) Corporation and Shanghai Electric Group Company Limited with conditions precedent; (iv) the execution of the Profit Compensation Agreement with conditions precedent; (v) the execution of the Share Subscription Agreements between the target subscribers and the Company with conditions precedent and its supplemental agreements; (vi) the possible dilution of the Company’s current earnings per share as a result of the Transaction and its remedial measures; (vii) the grant of the authorization to the board and its authorized representative(s) at the general meeting to deal with relevant matters of the Transaction; and (viii) the report on the use of proceeds from the previous fund raising activities by the Company.

LETTER FROM THE BOARD

II. PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION

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, the announcements of the Company dated 6 September 2016, 13 September 2016, 22 September 2016, 29 September 2016, 13 October 2016, 20 October 2016, 28 October 2016, 4 November 2016 and 17 March 2017 in relation to the progress of the material matters in contemplation, the announcements of the Company dated 14 November 2016 and 17 March 2017 in relation to the proposed discloseable and connected transaction and the Proposed Issuance and Placing of A Shares and other relevant announcements of the Company dated 14 November 2016 and 17 March 2017.

On 14 November 2016, the Company and SEC entered into the Acquisition Agreement, pursuant to which, the Company proposed to acquire 47.18% equity interest (domestic shares) in Shanghai Prime, 50.10% equity interest in Thales Saic, 100% equity interest in SEC Property and Target Properties held by SEC. The consideration of RMB6,628,280,951.50 for the Incoming Assets shall be satisfied by the issuance of 877,918,006 Consideration Shares by the Company to SEC at the issue price of RMB7.55 per Consideration Share.

1. Principal Terms of the Acquisition Agreement

Date	14 November 2016
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) Incoming Equity Assets A, being 50.10% equity interest in Thales Saic and 100% equity interest in SEC Property held by SEC (ii) Incoming Equity Assets B, being 47.18% equity interest (domestic shares) in Shanghai Prime held by SEC (iii) Target Properties owned by SEC

LETTER FROM THE BOARD

- Consideration (i) Consideration for the Incoming Equity Assets A and the Target Properties

The consideration for the Incoming Equity Assets A and the Target Properties of RMB5,644,345,484.70 was 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. As at the date of this circular, the Company has completed the filing of the valuation reports with Shanghai SASAC, and has obtained the confirmation for the valuation results from Shanghai SASAC.

- (a) Valuation result based on the income approach was adopted for 50.10% equity interest in Thales Saic, being RMB263,025,000.00. Thales Saic is primarily engaged in the research and development and manufacture of the urban rail transit signaling system and automatic train control system. It is very difficult to quantify its intangible assets, such as inassignable goodwill, including research and development capabilities, business qualification, service platform, and management team, per asset-based approach. In addition, Thales Saic has recorded a stable historical operating performance, thus the income approach can better reflect its intrinsic value objectively and comprehensively. The asset-based approach is to appraise the value of the appraised object by reasonably appraising the itemized assets and liabilities, which means calculating the value of the total shareholders' equity by subtracting the appraised value of liabilities from the total value of itemized assets. The income approach aims to reflect the enterprise value with a perspective of future profitability for enterprise.

LETTER FROM THE BOARD

- (b) Valuation result based on the asset-based approach was adopted for 100% equity interest in SEC Property, being RMB2,575,759,144.53. The asset-based approach can reflect the value of the enterprise from the perspective of replacement cost (by way of replacing historical cost with market value of individual assets and liabilities). Taking into account that the assets of SEC Property mainly consist of investment real estate having been obtained by SEC Property for a long time, and the market price for real estate surged recently, thus the asset-based approach can better reflect the market value of the relevant assets. As the revenue generated from rental income will be the main revenue source of SEC Property in the future and the rental market of real estate is suffering fluctuations currently, thus the income approach is not appropriate for the valuation of such assets.

LETTER FROM THE BOARD

- (c) Valuation result based on the additive method of single item asset was adopted for the Target Properties, being RMB2,805,561,340.17: (i) Valuation results based on the replacement cost approach were adopted for industrial buildings and structures as well as equipment. Replacement cost method refers to a valuation method to determine the value of the target asset by all such costs required for a brand-new status asset identical or similar to the target asset reconstructed under the current conditions and reaching the state of being capable of use, then deducting amounts for various depreciation or impairment occurred. Considering the aforementioned buildings and structures specifically constructed for individual users and such equipment being used for years, the qualified PRC valuers determined the valuation based on total replacement cost and depreciation rate, which can basically reflect market value of the aforementioned buildings, structures and equipment. (ii) Valuation results based on the market comparison approach were adopted for the office buildings and commercial buildings and intangible assets (land use rights). There have been plenty of property transactions completed near the office buildings and the rental market of similar buildings in such area has also been prosperous. In addition, the office buildings could be operated independently with fixed income and the profits could be calculated separately. Thus market comparison approach could better reflect market value of the office buildings. Since abovementioned lands belong to industry and scientific research lands and there are many transaction cases of similar lands in the surrounding areas, market comparison approach can also be adopted to better reflect the market value of such land use rights.

LETTER FROM THE BOARD

For further details of the valuation of the Incoming Equity Assets A and the Target Properties, please refer to the valuation reports set out in Appendix II to IV to this circular and in the relevant announcements published by the Company on the websites of Hong Kong Stock Exchange on 14 November 2016. The documents No. are HDZZPBZ No. [2016] 0930348, HDZZPBZ No. [2016] 0937166 and HDZZPBZ No. [2016] 0944196. Copies of the documents will be available for inspection at Hong Kong and please refer to the paragraph headed "8. DOCUMENTS AVAILABLE FOR INSPECTION" of APPENDIX V to this circular for more relevant details.

(ii) Consideration for the Incoming Equity Assets B

The consideration for the Incoming Equity Assets B (47.18% equity interest in Shanghai Prime) of RMB983,935,466.80 was determined in accordance with the Interim Measures for the Administration of State-owned Shareholders' Transfer of Their Shares of Listed Companies (Order No. 19 of the State-owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission) (《國有股東轉讓所持上市公司股份管理暫行辦法》(國務院國有資產監督管理委員會、中國證券監督管理委員會令第19號)) and after arm's length negotiations, being the arithmetic average of the daily weighted average stock price of H Shares of Shanghai Prime for 30 trading days prior to the date of the Acquisition Agreement (i.e. 14 November 2016) (i.e. RMB1.45 per share) multiplying the number of shares corresponding to 47.18% equity interest in Shanghai Prime (i.e. 678,576,184 shares).

LETTER FROM THE BOARD

In the event that Shanghai Prime 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 date of the Acquisition Agreement to the Completion Date, the corresponding adjustments shall not be made to the consideration for the Incoming Equity Assets B. Shares or cash arising from dividends distribution, bonus shares granting and conversion of capital reserve into share capital, as the fructus of the Incoming Equity Assets B, shall belong to the Company. Such new shares shall be transferred to the Company along with the Incoming Equity Assets B, and such cash shall be paid by SEC to the Company when the Incoming Equity Assets B transfers.

Based on the above, the total consideration for the Incoming Assets is RMB6,628,280,951.50.

Payment method

The consideration for the Incoming Assets of RMB6,628,280,951.50 shall be satisfied by the issuance of 877,918,006 Consideration Shares by the Company to SEC at the issue price of RMB7.55 per Consideration Share, and the portion less than one share shall be paid by the Company in cash.

Arrangement for profit or loss for the period

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

LETTER FROM THE BOARD

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 for Consideration Shares, which is RMB7.55 per A Share. The average trading price of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date for Consideration Shares was calculated by dividing the total trading amount of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date for Consideration Shares by the total trading volume of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date for Consideration Shares. 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 circular.
- (ii) the number of the Consideration Shares to be issued by the Company to SEC is 877,918,006 calculated by dividing the consideration for the Incoming Assets (which is RMB6,628,280,951.50) by the issue price of the Consideration Shares of RMB7.55 per share (rounded down).
- (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 for Consideration Shares to the date of issuance of the Consideration Shares, the corresponding adjustments shall be made to the issue price and number of the Consideration Shares.

LETTER FROM THE BOARD

- (a) The formula for adjustment of issue price is as follows:

Distributing dividends: $P1=P0-D$

Granting bonus shares or converting capital reserve into share capital:
 $P1=P0/(1+N)$

Issuance of new shares or placing of share: $P1=(P0+AK)/(1+K)$

Assuming the aforementioned three activities take place at the same time:
 $P1=(P0-D+AK)/(1+K+N)$

Note: P0 is the effective issue price before adjustment, N is the rate of granting bonus shares or the rate of converting capital reserve into share capital, K is the rate of share placement, D is the cash dividend delivered per share, and P1 is the effective issue price after the adjustment.

- (b) The formula for adjustment of the number of shares is as follows:

The adjusted number of Consideration Shares = the amount of consideration of the Incoming Assets / adjusted issue price of the Consideration Share

The above adjustments to the issue prices and the number of shares do not contravene the relevant laws and regulations in the PRC and are in line with market practices.

Place of listing The A Shares to be issued pursuant to the Acquisition Agreement will be listed and traded on the Shanghai Stock Exchange.

Conditions precedent The Acquisition Agreement shall become effective upon, among other things, all following conditions being satisfied:

LETTER FROM THE BOARD

- (i) the approval by way of special resolutions of the Shareholders (excluding SEC and its associates) at the EGM and the Class Meetings of the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement;
- (ii) the approval by the competent state-owned assets supervision and administration commission of the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement;
- (iii) the approval by the CSRC of the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement;
- (iv) the approval by the relevant foreign affairs department of the shareholding transfer in Thales Saic in relation to the transaction contemplated under the Acquisition Agreement; and
- (v) other necessary prior approvals, authorizations or consents as and may be required by the laws and regulations and governmental authorities in respect of the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement (if applicable).

LETTER FROM THE BOARD

Completion

(i) Incoming Equity Assets A

As from the date of completion of the industrial and commercial registration procedures in relation to transfer of 50.10% equity interest in Thales Saic and 100% equity interest in SEC Property to the Company in accordance with the Acquisition Agreement (the “**Completion Date for Transfer of the Incoming Equity Assets A**”), the acquisition of the Incoming Equity Assets A is deemed to be completed. Both parties agreed that the Company shall then be entitled to the rights and assume the corresponding obligations relating to the Incoming Equity Assets A under the articles of association of Thales Saic and SEC Property, respectively, as from the Completion Date for Transfer of the Incoming Equity Assets A.

(ii) Incoming Equity Assets B

As from the date of completion of the share registration procedures in relation to the transfer of 47.18% equity interest in Shanghai Prime to the Company in accordance with the Acquisition Agreement (the “**Completion Date for Transfer of the Incoming Equity Assets B**”), the acquisition of the Incoming Equity Assets B is deemed to be completed. Both parties agreed that the Company shall then be entitled to the rights and assume the corresponding obligations relating to the Incoming Equity Assets B under the articles of association of Shanghai Prime as from the Completion Date for Transfer of the Incoming Equity Assets B.

LETTER FROM THE BOARD

(iii) Target Properties

As from the date of completion of the registration procedures in relation to the transfer of the Target Properties of the Incoming Assets to the Company in accordance with the Acquisition Agreement (the “**Completion Date for Transfer of the Target Properties**”), 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 listed and traded or 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 the 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 issuance of the Consideration Shares, or the closing price of the A Shares as at the end of the above-mentioned six-month period is below the issue price of the Consideration Shares, the lock-up period will be automatically extended for at least 6 months.

If this transaction is investigated by judiciary authorities or the CSRC due to false representations, misleading statements or material omissions in the information provided or disclosed in relation to this transaction, SEC shall not transfer its interest in shares of the Company until the investigation results are published. Upon the completion of the issuance of the Consideration Shares, 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, and provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power generation environmental 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.

3. Information of SEC

SEC is our controlling shareholder holding approximately 58.12% equity interest in the total issued share capital of the Company as at the Latest Practicable Date. 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 Prime*

Shanghai Prime is a joint stock company incorporated in the PRC with limited liability on 30 September 2005, the H Shares of which have been listed on the Main Board of the Hong Kong Stock Exchange under the stock code of 02345 since 2006. As at the Latest Practicable Date, SEC directly holds 678,576,184 domestic shares and indirectly holds 63,882,000 H Shares of Shanghai Prime through one of its subsidiaries, which amount to 47.18% and 4.44% of Shanghai Prime's total issued share capital, respectively. SEC has been the controlling shareholder of Shanghai Prime since its incorporation date in 2005. Upon the completion of the Proposed Acquisition, the Company will directly hold 47.18% equity interest in Shanghai Prime. Upon the completion of the Proposed Acquisition, Shanghai Prime will be a subsidiary of the Company and SEC will continue to be the ultimate controlling shareholder of Shanghai Prime.

LETTER FROM THE BOARD

Shanghai Prime is primarily engaged in the design, manufacture and sale of turbine blades, bearings, cutting tools, electric motors, fasteners and others, the provision of related technical consultancy services, domestic trade, the provision of manpower service, industrial investment and entrepot trade of goods and technical services.

Set out below is the audited consolidated financial information of Shanghai Prime for the two years ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	31 December 2016 <i>RMB Ten Thousand</i>	31 December 2015 <i>RMB Ten Thousand</i>
Total assets	912,020.38	882,396.83
Total liabilities	577,371.46	562,613.50
Equity attributable to owners of the parent company	330,076.58	315,470.32
	For the year ended 31 December 2016 <i>RMB Ten Thousand</i>	For the year ended 31 December 2015 <i>RMB Ten Thousand</i>
Revenue	778,496.72	729,690.80
Profit before taxation	30,055.62	28,172.76
Net profit after taxation	20,314.89	18,647.98
Net profit attributable to owners of the parent company	20,340.09	18,520.32
Net profit attributable to owners of the parent company after deduction of non-recurring profit and loss	17,327.40	12,218.05

As at 31 December 2016, the audited net asset value of Shanghai Prime was approximately RMB3,346,489,162.72.

The audit report for Shanghai Prime is set out in the relevant announcement published by the Company on the websites of Hong Kong Stock Exchange on 17 March 2017. The document number is De Shi Bao (Shen) Zi [17] No. S00055. Copies of the documents will be available for inspection at Hong Kong and please refer to the paragraph headed "8. DOCUMENTS AVAILABLE FOR INSPECTION" of APPENDIX V to this circular for more relevant details.

LETTER FROM THE BOARD

4.2 *Thales Saic*

Thales Saic is a company established under the PRC law with limited liability on 25 November 2011. Since the date of incorporation, Thales Saic has been a subsidiary of SEC. Upon the completion of the Proposed Acquisition, Thales Saic will become a 50.10% subsidiary of the Company.

Thales Saic is primarily engaged in the provision of comprehensive solutions for automatic train control system to urban rail transit users, the provision of products introduced from Thales Group such as SelTrac[®] CBTC signaling system, TSTCBTC[®] 2.0 signaling system, and TSTram[®] modern tram management and control system, and the maintenance service in respect of system operation based on customers' demands, including the daily inspection, patrol, maintenance and repair of the equipment.

Set out below is the audited consolidated financial information of Thales Saic for the two years ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	31 December 2016	31 December 2015
	<i>RMB Ten Thousand</i>	<i>RMB Ten Thousand</i>
Total assets	98,655.63	80,050.11
Total liabilities	63,505.12	50,917.67
Owner's equity	35,150.51	29,132.44
	For the year ended 31 December 2016	For the year ended 31 December 2015
	<i>RMB Ten Thousand</i>	<i>RMB Ten Thousand</i>
Revenue	86,084.52	68,261.93
Profit before taxation	8,036.71	6,396.63
Net profit after taxation	7,411.63	5,806.49
Net profit after deduction of non-recurring profit and loss	6,685.60	5,574.76

As at 31 December 2016, the audited net asset value of Thales Saic was approximately RMB351,505,107.33.

LETTER FROM THE BOARD

The audit report for Thales Saic is set out in the relevant announcement published by the Company on the websites of Hong Kong Stock Exchange on 17 March 2017. The document number is PWC Zhongtian Te Shen Zi [2017] No. 0620. Copies of the documents will be available for inspection at Hong Kong and please refer to the paragraph headed “8. DOCUMENTS AVAILABLE FOR INSPECTION” of APPENDIX V to this circular for more relevant details.

4.3 SEC Property

SEC Property is a company established under the PRC law with limited liability on 29 April 1998. Since the date of incorporation, SEC Property has been a subsidiary of SEC. Upon the completion of the Proposed Acquisition, SEC Property will be a wholly-owned subsidiary of the Company.

SEC Property is a specialized platform for operation and management of real estate assets under SEC, which focuses on management of real estate, disposal of the real estate resources on hand and development of industrial real estate on hand.

Set out below is the audited financial information of SEC Property for the two years ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	31 December 2016	31 December 2015
	<i>RMB Ten Thousand</i>	<i>RMB Ten Thousand</i>
Total assets	146,993.42	182,436.03
Total liabilities	39,623.44	27,787.52
Owner’s equity	107,369.98	154,648.51
	For the year ended 31 December 2016	For the year ended 31 December 2015
	<i>RMB Ten Thousand</i>	<i>RMB Ten Thousand</i>
Revenue	117,229.34	40,004.69
Profit before taxation	26,996.57	13,899.50
Net profit after taxation	20,358.34	10,423.68
Net profit after deduction of non-recurring profit and loss	18,321.48	5,364.67

As at 31 December 2016, the audited net asset value of SEC Property was approximately RMB1,073,699,799.14.

LETTER FROM THE BOARD

The audit report for SEC Property is set out in the relevant announcement published by the Company on the websites of Hong Kong Stock Exchange on 17 March 2017. The document number is Baker Tilly China [2017] No. 5326. Copies of the documents will be available for inspection at Hong Kong and please refer to the paragraph headed “8. DOCUMENTS AVAILABLE FOR INSPECTION” of APPENDIX V to this circular for more relevant details.

As at 30 September 2016, SEC Property owned 66 properties located in Shanghai, the PRC, of which the total floor area is 180,747.92 square metres and the book value is RMB591,753,176.47, representing 38.57% of the total assets of SEC Property in value. As at 30 September 2016, the valuation of aforementioned properties as conducted by qualified PRC valuer was RMB2,380,564,756.72, representing 92.42% of the valuation of 100% equity interest in SEC Property. The Company has not yet made detailed plans to change the existing operating schedules and future usages of the aforementioned 66 properties, in light of the fact that the Company focuses on the acquisition of SEC Property as a professional operation and management platform of real estate for the Company. The Company expects that after the completion of the Transactions, it will consider possible overall comprehensive planning to combine the original industrial development plan of the Company with that of SEC Property.

Among the aforementioned 66 properties owned by SEC Property, 22 properties were government allocated land, granted land (government assigned land without purchase price payment), authorized operation land or land used to perform responsibilities and obligations under land use agreement, and three properties do not have title certificates (together with the aforementioned 22 properties referred to as the “**Improperly Used Properties**”).

In respect of the abovementioned 22 properties, as confirmed by SEC Property, such properties were legally obtained by SEC Property for historical reasons and are currently under normal use by SEC Property. As inspected by the PRC legal advisor of the Company, SEC Property has the legitimate title certificates of the aforementioned 22 properties but such 22 properties are subject to the completion of relevant land granting procedures and change of the nature of the land use rights before SEC Property can have legal rights to use, transfer, lease, mortgage or dispose of such properties through other legal means pursuant to the relevant PRC laws and regulations. SEC Property is proactively in the process of completing land granting procedures to replace relevant title certificates for abovementioned 22 properties, the progress of which and the Company’s plan as at the Latest Practicable Date are as follows:

- (i) SEC Property has already entered into land use rights grant contracts for the 18 properties. As confirmed by SEC Property, it is still in the process of paying the landing transfer fees and completing title certificates registration. The PRC legal advisor of

LETTER FROM THE BOARD

the Company is of the opinion that there would be no legal impediment for SEC Property to change the nature of the land use rights of such 18 properties and replace their title certificates after satisfaction of relevant procedural requirements. The Company and SEC will make every effort to procure SEC Property to complete the replacement of relevant title certificates for such 18 properties. Taking into account the progress of land granting procedures and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

- (ii) in respect of two properties (two parcels of land located at Tiantongan Road No. 121 and Tiantongan Road No. 465), which have been listed in the scope of land reservation by local government, SEC Property has received notices of land reservation from Shanghai Jingan District Land Reservation Centre, and will enter into land reservation contracts in due course. The PRC legal advisor is of the opinion that the implementation of the aforementioned land reservation process will not be affected by the current status of such properties failing to complete land granting procedures or replace relevant title certificates. The Company will negotiate with relevant counterparties to determine the compensation amount based on various factors (including but not limited to market conditions, regulatory policies and relevant cost) when entering into the relevant land reservation and compensation contracts. Taking into account the arrangement of land reservation for such two properties and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.
- (iii) in respect of two properties (two parcels of land located at No. 203 Fenzhou Road and No. 9, Lane 735, Jiangpu Road), SEC Property could not complete land granting procedures for such two properties due to relevant PRC governmental policies. SEC Property may be subject to restrictions in offering such properties for transfer, lease, as security for mortgage or otherwise in disposal of such properties through other legal means. As confirmed by SEC Property, SEC Property can continue to occupy and use in normal ways such two properties (as residential properties) currently, which are expected to be occupied and used for the original purposes by the Company in the future. The total floor area and valuation of such properties are approximately

LETTER FROM THE BOARD

117.53 sq.m. and RMB5,322,471.00, accounting for 0.065% and 0.22% in the total floor area and in total valuation of all properties owned by SEC Property. Taking into account that the total floor area and valuation of such two properties only account for a small portion of the total floor area and total valuation of all properties owned by SEC Property, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

In respect of the three properties without title certificates, SEC Property is subject to restrictions in possession, utilization, entitlement to profit from and disposal of such properties according to the relevant PRC laws and regulations. As at the Latest Practicable Date, the progress for obtaining the title certificates of such three properties and the Company's plan are as follows:

- (i) in respect of two properties (two parcels of land located at Tianshui Road No. 109 and Chenhang Branch Road No. 365) which have been listed in the scope of demolition and expropriation, SEC Property has received the relevant notices of demolition and expropriation from the local government and would enter into the compensation contracts concerning the relevant demolition and expropriation in due course. The PRC legal advisor of the Company is of the opinion that the implementation of such demolition and expropriation process will not be affected by the current status of such properties without title certificates. The Company will negotiate with relevant counterparties to determine the compensation amount based on various factors (including but not limited to market conditions, regulatory policies and relevant cost) when entering into the relevant demolition and compensation contracts. Taking into account the arrangement of demolition and expropriation for such two properties and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such lands without title certificates will not have material adverse impact on the Company.
- (ii) in respect of the remaining one property (one building located at Hill No. 1 Block 76, Jinqiao Export Processing Zone), SEC Property owns the land title certificate of such land where the building is located, but SEC Property is still in the process of obtaining building title certificate of such building. The PRC legal advisor of the Company is of the opinion that there would be no legal impediment for SEC Property to obtain relevant title

LETTER FROM THE BOARD

certificate upon the fulfillment of relevant planning, construction and acceptance procedures according to relevant laws. The Company and SEC will try their uttermost to procure SEC Property to obtain such building title certificate. Taking into account the progress of obtaining building title certificates and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such property without building title certificates will not have material adverse impact on the Company.

The total floor area and valuation of three properties without title certificates are approximately 25,186.7 sq.m. and RMB49,666,830, accounting for 13.93% and 2.09% of the total floor area and total valuation of all properties owned by SEC Property.

As confirmed by SEC Property, as at the Latest Practicable Date, SEC Property has neither received any warnings or penalties from regulators nor received any claims filed by any third party in relation to the Improperly Used Properties. According to the Acquisition Agreement, SEC has undertaken to compensate the Company for relevant economic losses incurred if the Company is deprived of the normal rights of use of any of such properties due to the aforementioned improper use of lands and buildings. 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.

Taking into account that (i) SEC Property is in the process of completing land granting procedures of abovementioned 18 properties, (ii) four properties are within the scope of land reservation or demolition and expropriation, (iii) the total floor area and valuation of two properties for which SEC Property could not complete land granting procedures due to relevant governmental policies only account for a small portion of the total floor area and total valuation of all properties owned by SEC Property, (iv) the total floor area and valuation of properties without title certificates account for a small portion of the total floor area and total valuation of all properties owned by SEC Property, and (v) the undertakings provided by SEC, the PRC legal advisor of the Company is of the opinion that the aforementioned situations would neither have material adverse impact to the Company and the Shareholders as a whole nor create any legal obstacles for the Transactions.

In the Proposed Acquisition, the Company proposes to acquire 100% equity interest in SEC Property. The PRC legal advisor is of the opinion that the ownership of 100% equity interest in SEC Property is clear and there does not exist any legal obstacle in the transfer of such equity interest. The Improperly Used Properties do not constitute a legal obstacle to the transfer of 100% equity interest in SEC Property and thus do not constitute a condition precedent to the completion of the Transactions. Therefore the Proposed

LETTER FROM THE BOARD

Acquisition will still proceed normally if any of the title certificates of The Improperly Used Properties is not obtained by SEC Property in the course of completion of the Transactions.

The Improperly Used Properties along with other properties of SEC Property constitute self-owned properties of SEC Property. Upon completion of the Transactions, the Company will, based on its real estate layout and management planning, transform SEC Property into a specialized platform for operation and management of real estate assets under the Company, to operate property assets with potential value increment and improve management efficiency and professionalization. Upon completion of the Transactions, SEC Property will continue to focus on management of the real estate, disposal and development of industrial real estate resources on hand within the Group. The professional management of the self-owned properties of SEC Property in a way mentioned above constitutes an important part of the main business of SEC Property. Given that the self-owned properties and the main business of SEC Property are closely integrated and non-separable, the acquisition of SEC Property and its self-owned properties as a whole will ensure the completeness of the main business and self-owned properties of SEC Property, which is beneficial for the continuous development of SEC Property in the future.

Along with the acceleration of industrialization and urbanization, the conflicts between demand and supply of construction land have sharpened, which led to difficulties in addressing the reasonable land demands generated by urbanization and industrialization. Land is a requisite element in the development process of an enterprise. However, due to the shortage of resources and high pricing, land has become a significant factor restricting the enterprise expansion, in particular for the first-tier cities. Taking into account the scarcity of land and resources and their appreciation potential in Shanghai, injecting the rare high-quality self-owned properties of SEC Property into the Company will increase the premium resource reserves of the Group effectively. Given that self-owned properties of SEC Property, which are similar to the Incoming Assets, have higher market values and greater appreciation potential, they can be treated as the value reserve of the Company's strategic development and provide support for future medium and long-term development of the Company. In addition, with the impacts of the national policies and the need of upgrading the Company's businesses, the Company has been actively seeking transformation of certain existing businesses. Taking into account the business transformation, the Company foresees a larger demand for industrial sites. As certain self-owned properties of SEC Property can be used as industrial sites by the Company, which can form a solid foundation for the Company towards business exploration and industrial transformation in the future, provide a strategic protection and supports for the medium and long-term development of the Company, and in turn promote the shareholders value.

LETTER FROM THE BOARD

Taking into account above facts and the opinion of the PRC legal advisor, the Board is of the view that the proposed acquisition of 100% equity interest in SEC Property is fair and reasonable and in the interest of the Company and its shareholders as a whole even though situation involving improper use of the abovementioned properties exists.

For the details of the abovementioned 25 properties, please see “XII. Additional Disclosure Items – 6 and 7” of the Valuation Report for SEC Property, which is set out in Appendix III to this circular and in the announcement published by the Company on the websites of Hong Kong Stock Exchange on 14 November 2016. The documents No. is HDZZPBZ No. [2016] 0937166. Copies of the documents will be available for inspection at Hong Kong and please refer to the paragraph headed “8. DOCUMENTS AVAILABLE FOR INSPECTION” of APPENDIX V to this circular for more relevant details.

As at 30 September 2016, the valuation of aforementioned 66 properties as conducted by qualified PRC valuer was RMB2,380,564,756.72. The valuation by the qualified PRC valuer was conducted in accordance with relevant PRC laws and regulations on the valuation of assets, in order to provide a reference price in relation to the assets to be acquired. The aforementioned valuation for the 66 properties was different from the valuation of RMB1,042,841,000 as at 31 January 2017 conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), the qualified international property valuer. Up to 31 January 2017, among the aforementioned 66 properties, one property^{note 1} has been transferred to Shanghai Jingan District Land Reservation Centre, and the other one property^{note 2} has been transferred to Shanghai Jingan Metro Investment Co., Ltd., therefore such two properties have been excluded from the valuation scope of JLL, of which the valuation as conducted by qualified PRC valuer was RMB247,550,167 as at 30 September 2016. For the remaining 64 properties, JLL only took into consideration of the 39 pieces of granted land (including the land and buildings on the land) and the land of the property located at Hill No. 1, Block 76, Jinqiao Export Processing Zone, Pudong New District,

Note 1: In respect of the property located at Wenshui Road No.51, Shanghai Jingan District Land Reservation Centre and SEC Property have entered into the State-owned Land Use Rights Reservation Purchase Contract in respect of such property on 16 May 2016, pursuant to which the reservation land area is approximately 10,442 sq.m and the gross floor area is approximately 5,869.28 sq.m. The reservation price for above property is RMB266,630,000. SEC Property has received part of the considerations for the transferral of the property located at Wenshui Road No.51 while the remaining part is expected to be received within 6 months.

Note 2: In respect of the property located at Shimenyi Road No. 239 to 243, Shanghai Jingan Metro Investment Co., Ltd. and Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property) have entered into the Non-Residential Building Demolishment Compensation Contract in respect of such property on 16 January 2014, pursuant to which such property has a site area of approximately 1,589 sq.m and a gross floor area of approximately 5,099.92 sq.m. The total compensation amount for such property is RMB171,248,303. The compensation is expected to be received in the next year.

LETTER FROM THE BOARD

Shanghai (the land title certificate has been obtained) (the valuation of these pieces of lands as of 30 September 2016 is RMB1,033,590,092 according to the valuation made by the qualified PRC valuer). As for the 24 properties and the buildings of the property located at Hill No. 1, Block 76, Jinqiao Export Processing Zone, Pudong New District, Shanghai (the building title certificate has not been obtained), JLL is of the opinion that, since the aforementioned pieces of land are under above circumstances as at 31 January 2017 (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 pieces of land (including the land and buildings and structures on the land) as at 31 January 2017 would be RMB1,122,560,000, 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 aforementioned pieces of land, which has not obtained proper title certificate or has been listed in the scope of land reservation or demolishing 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.

The property valuation report for the properties held by SEC Property prepared by JLL is set out in Appendix I to this circular.

LETTER FROM THE BOARD

4.4 Target Properties

The Target Properties to be acquired under the Acquisition Agreement includes land use rights for 26 parcels of land in Shanghai, the PRC, the buildings and structures erected thereon, together with equipment, held by SEC.

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

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of Land Use Rights	Use of Land	Use of Building	Future Plans and Usage by the Company
1	No.815 Changjiang West Road	10,739.90	8,201.82	Granted	Industrial	Industrial building	For the Company's future use in the development of relevant industrial robots business, such as warehousing and logistics, sales services, and product demonstrations, etc.
2	No.110 Sichuan Middle Road	996.00	6,479.98	Government allocated (Authorized Operation)	Office	Office building	Will continue to be leased by Shanghai Electric Group Finance Co., Ltd., a subsidiary of the Company
3	No. 10-20 Lane 126 Sichuan Middle Road	1,617.00	6,855.00	Granted (Authorized Operation)	Commercial -		Will continue to be leased by Shanghai Electric Group Finance Co., Ltd., a subsidiary of the Company
4	No. 18 & 28 Changji Road Anting Town	81,412.00	31,062.58	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	For the Company's future use in the manufacture of high-efficiency photovoltaic, biomass power generation and plant energy saving systems, etc.
5	No.950 Huyi Highway Nanxiang Town	16,101.00	12,503.86	Granted	Industrial	Industrial building	For the Company's future use in the research and development and manufacture of energy storage battery

LETTER FROM THE BOARD

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of Land Use Rights	Use of Land	Use of Building	Future Plans and Usage by the Company
6	No. 1 Lane 4299 Longwu Road	51,598.70	35,177.55	Granted	Industrial	-	For the Company's future use in the development of power plant services business, including technical renovation, repairs and maintenance, performance improvement and remote fault diagnosis, etc.
7	No. 4399 Yindu Road	54,453.90	32,834.24	Granted	Industrial	Industrial building	Will continue to be leased by Shanghai Tian An Bearing Company Limited, a subsidiary of Shanghai Prime
8	No. 250 Jinggu Road	28,727.00	15,075.00	Granted	Industrial	Industrial building	For the Company's future use in the research and development, manufacture and sales of sensors, control cabinets and other products in the industrial automation business
9	No. 1111 Humin Road	73,542.00	27,248.32	Granted	Industrial	-	Will continue to be leased by Shanghai United Bearing Company Limited, a subsidiary of Shanghai Prime
10	No. 555 Jiangchuan Road	761.00	24.00	Granted (Government assigned land without purchase price payment)	Industrial	-	Will continue to be leased by Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., a subsidiary of the Company
11	No. 668 Ningqiao Road	26,411.00	21,327.68	Transfer	Industrial	Industrial building	For the Company's future use in development, trial production, sales and service of aviation automated production line system

LETTER FROM THE BOARD

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of Land Use Rights	Use of Land	Use of Building	Future Plans and Usage by the Company
12	No.8 Guangxing Road Songjiang District	59,134.50	23,886.65	Government allocated	Industrial	Industrial building	For the Company's future use in the research and development, manufacture, and sales services of a new generation sensors and system integration in automated production line
13	No. 35 Yongfeng Road	22,658.00	12,529.00	Government allocated	Industrial	Industrial building	For the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.
14	No. 255 Ledu Road	35,159.00	14,670.00	Government allocated	Industrial	Industrial building	For the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.
15	No. 236 Fangta North Road	42,946.00	26,643.04	Granted	Industrial	Industrial building	For the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.
16	No.32 Beinei Road	107,605.00	41,576.00	Transfer	Industrial	Industrial building	For the future use by SEC Property in its supporting fund raising projects

LETTER FROM THE BOARD

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of Land Use Rights	Use of Land	Use of Building	Future Plans and Usage by the Company
17	No.141 Shijie Road	7,613.00	6,517.00	Granted	Industrial	-	For the future use by Shanghai Electric Power Transmission and Distribution Group Co., Ltd., a subsidiary of the Company, in its technology research and development of intelligent distribution network and as office buildings
18	No. 1076 Jungong Road	923.00	53.00	Government allocated	Industrial	Industrial building	Will continue to be leased by Shanghai Fujikura Cable Co., Ltd., a subsidiary of the Company
19	No.1050, 1060 Jungong Road	20,761.00	19,497.56	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
20	No.1140 Jungong Road (1/5 Qiu, 240 Block, Changbai Street)	9,012.00	8,069.33	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
21	No.1140 Jungong Road (1/4 Qiu, 240 Block, Changbai Street)	3,701.00	2,792.10	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
22	No. 1140 Jungong Road (1/7 Qiu, 240 Block, Changbai Street)	6,301.00	4,558.99	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime

LETTER FROM THE BOARD

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of Land Use Rights	Use of Land	Use of Building	Future Plans and Usage by the Company
23	No. 1140 Jungong Road (1/6 Qiu, 240 Block, Changbai Street)	3,851.00	2,678.80	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
24	No.3301 Gonghe New Road	68,336.00	18,996.00	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	For the future use by SEC Property in its supporting fund raising projects
25	No.191 West Guangzhong Road	65,237.00	45,479.67	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	For the Company's future use in the research and development, manufacture, system integration and sales service of the automatic control system for municipal engineering and energy engineering in industrial automation business
26	No.571 North Tibet Road	851.70	3,223.71	Transfer	Office	Office building	For the Company's future use in the research and development of forward-looking technologies, such as wind, solar, energy, storage, multi-energy complementary, rehabilitative robot, etc.

LETTER FROM THE BOARD

15 pieces of land among the Target Properties are government allocated land, authorized operation land or government assigned land without purchase price payment. According to article 11(4) of 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》), the ownership of the incoming assets to be acquired in the Transactions shall be clear, and there should not exist any legal obstacle in the transfer of the ownership of such assets. Therefore, the completion of the land granting procedures and obtaining relevant title certificates of such assets by SEC is a condition precedent for the completion of the Proposed Acquisition. According to the Acquisition Agreement, SEC has made an undertaking that, in relation to the aforementioned 15 pieces of land, it will enter into land use rights grant contracts before 28 December 2016, and complete the land granting procedures and obtain relevant title certificates before 31 March 2017. As of the Latest Practicable Date, SEC has entered into land use rights grant contracts in respect of the abovementioned 15 pieces of land. As confirmed by SEC, it is still in the process of paying land transfer fees and completing title certificates registration. Our PRC legal advisor is of the opinion that, there does not exist any legal obstacle for transfer of such land after the completion of land granting procedures and obtaining relevant title certificates of aforementioned 15 pieces of land. In the event that SEC could not obtain the relevant title certificates for such lands before 31 March 2017, the Company and SEC will assess the actual situation and negotiate to postpone the Proposed Acquisition.

According to the Acquisition Agreement, SEC has undertaken to compensate the Company for relevant economic losses incurred if the Company is deprived of the normal rights of use of any of such properties due to the aforementioned improper usage of lands and buildings. 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. According to normal market practice, the aforesaid compensation includes but not limited to cash settlement.

As at 30 September 2016, the audited book value of the Target Properties was approximately RMB1,001,726,500. The valuation of the Target Properties as conducted by the qualified PRC valuer was RMB2,805,561,340.17 as at 30 September 2016, (including the valuation of the aforementioned 15 pieces of land (including the land, buildings and structures on the land and equipments) of RMB1,725,667,597.80 and the valuation of the remaining 11 pieces of land (including the land and buildings on the land) of RMB1,079,893,742.37. The valuation by the qualified PRC valuer was conducted in accordance with relevant PRC laws and regulations on the valuation of assets, in order to provide a reference price in relation to the assets to be acquired.

LETTER FROM THE BOARD

As at 31 January 2017, the unaudited book value of the Target Properties was approximately RMB968,943,725.56. The above valuation was different from the valuation of RMB1,112,466,000 as at 31 January 2017 conducted by JLL. JLL only took into consideration of the 11 pieces of granted land (including the land and buildings and structures on the land) and portion of the land of the property located at No.18 & 28, Changji Road, Anting Town, Jiading District, Shanghai, of which the title certificates have been obtained (the valuation of these pieces of lands as of 30 September 2016 is RMB1,099,709,832 according to the valuation made by the qualified PRC valuer). As for the 14 pieces of land and the remaining portion of the land of the property located at No. 18 & 28, Changji Road, Anting Town, Jiading District, Shanghai in respect of which the land use rights grant contracts are in the process of being signed and the title certificates of which have not been obtained, JLL is of the opinion that, since the title certificates of the aforementioned pieces of land were still in the process of being obtained as at 31 January 2017 (i.e. 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 pieces of land (including the land and buildings and structures on the land) as at 31 January 2017 would be RMB1,700,975,000 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 aforementioned 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.

The property valuation report for the Target Properties prepared by JLL is set out in Appendix I to this circular.

The valuation report for the Target Properties prepared by the qualified PRC valuer is set out in Appendix IV to this circular.

5. Reasons and Benefits for the Proposed Acquisition

5.1 *Enhancing the Overall Strength of the Company by Acquiring Equity Assets*

- (1) *Enhancing the completeness of the industry layout of the Company and bringing synergy effects*

The existing main business of the Company consists of four segments including the new energy and environmental protection

LETTER FROM THE BOARD

equipment, high-efficiency and clean-energy equipment, industrial equipment and modern services, involving multiple links of the manufacturing industry chain. SEC will incorporate mechanical parts manufacturing, transit, signal system and some other business in the Company through this transaction, which will help the Company enhance its existing industry layout. Meanwhile, the target company will enhance the strength of high-end manufacturing of the Company, improve its competitive advantages in each business segment and link of value, and assist it in becoming the leading integrated solution provider in the industry.

(2) *Reducing connected transactions and enhancing the independence of the Company*

The Company and the proposed incoming target company in this transaction have business relations in respect of power generation, power transmission and power distribution, which constitute long-term routine connected transactions. The incoming of target companies into the Company is conducive to reducing the amounts of connected transactions, enhancing the independence of the Company, and thus improving the quality of the Company's assets and its financial positions, boosting its sustainable profitability and better protecting the interests of minority shareholders. The Company's operation will better meet the requirements of market supervision, which is beneficial to promote the Company's future capital operation.

(3) *Realizing resources sharing and enhancing the Company's research and marketing capabilities*

Among the entities within the incoming target companies, Shanghai Prime holds industry-leading machinery components and parts manufacturing technologies, and Thales Saic holds industry-leading rail transit signaling system technologies. Through this Transaction, the Company and the entities within the Incoming Assets will better share their resources, reduce research and development costs and enhance their overall research and development capabilities, leading to innovation and industrial transformation. The subsidiary of Shanghai Prime, Nedschroef located in Holland, has a broad marketing network in Europe. The incoming of this company will improve channels sharing between the Company and Nedschroef and therefore boost their marketing capabilities in own countries and abroad.

LETTER FROM THE BOARD

5.2 *Increasing the High-quality Resources Reserves of the Company by Acquiring Land Assets*

- (1) *Increasing the rare resource reserves and providing strong support to the medium and long term development of the Company*

This Transaction injects a large number of rare high-quality land resources needed in the industry, effectively increasing the high-quality resources reserves and land reserves for industrial development of the Company. The land properties of the Incoming Assets are of relatively high market value and economic value, and can be used as valuable reserves for the strategic development of the Company, as well as to strongly support the medium and long-term development of the Company.

- (2) *Reserving industrial land and preparing the Company for industrial transformation*

Taking into consideration the influence of national policy and its own demand for business upgrade, the Company is actively seeking for transformation of part of its original business. The Company's demand for industrial lands may increase along with the business transformation. Through this Transaction, the Company will acquire certain high-quality industrial land of SEC, effectively releasing the pressure of land demand in the process of the industrial transformation. Through reasonable plan and layout, the land acquisition will be closely connected to the Company's future industrial plan, and provide strong support to its industrial transformation.

5.3 *Achieving Lengthways Deepening and Lateral Extension of the Business of the Company*

The incoming of equity assets in respect of high-end manufacturing owned by SEC in this Transaction is conducive to upgrading the Company's traditional manufacturing business to high-end and intelligent manufacturing business. Meanwhile, through the incoming of equity assets in respect of professional services, the Company will further transform from the equipment manufacturing model to the "manufacturing + service" model, realize the lateral extension of its business, so as to facilitate the Company's upgrading, transformation and sustainable development.

6. Possible Disadvantages of the Proposed Acquisition

In the Proposed Acquisition, the principal businesses of the entities within the Incoming Assets are exposed to greater impact due to the policies. However, up to now the Company considers that the relevant industrial policies are favorable to the future development of the entities within the Incoming Assets as a whole. According

LETTER FROM THE BOARD

to the current plan of the Company, the entities within the Incoming Assets will operate independently under its original management team in the future, thus there are uncertainties as to the integration effect of such entities. As such, the Company has formulated a comprehensive integration plan in an attempt to fully develop the synergy effect of the Proposed Acquisition in the group. There are situations of improper use of certain parcels of land and buildings in the Target Properties and the properties under the incoming equity assets. However, taken into account the information set out from page 26 to page 31 of this circular, the Company considers that the Proposed Acquisition is beneficial to the future development of the Company, and also is in the interests of the Independent Shareholders. Save as mentioned above, the Company is not aware of any other material adverse factor brought by the Proposed Acquisition, which may affect the interests of the Company and the Shareholders.

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 take care of both parties' interests.

8. The Validity of the Resolution

The resolution in relation to the issuance of shares for assets acquisition as well as supporting funds raising shall be valid for 12 months commencing from the date of the adoption and approval 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 one of the average trading prices of A Shares for the preceding 20 trading days, 60 trading days or 120 trading days before the publication date of the Board resolution announcement on the Shanghai Stock Exchange regarding the transaction contemplated under the Acquisition Agreement (the "Pricing Benchmark Date for Consideration Shares"). The average trading prices of A Shares for the preceding 20 trading days, 60 trading days and 120 trading days before the Pricing Benchmark Date for Consideration Shares are RMB8.38, RMB8.06 and RMB8.39, respectively. According to the analysis of the A-share price-to-earning ratios of A-share listed companies in the same industry as at 30 June 2016, the price-to-earning ratio of the Company is relatively low, and considering the influence of fluctuation in the domestic secondary market, by setting the market reference price as the average trading price of 20 trading days prior to the Pricing Benchmark Date for Consideration Shares can better match the valuation of the A shares market. Accordingly, the Company determined that the issue price of the Consideration Shares shall be RMB7.55 per Consideration Share

LETTER FROM THE BOARD

(equivalent to HK\$8.58 with the exchange rate of RMB1: HK\$1.1361), with the average trading price of the A Shares for 20 trading days prior to the Pricing Benchmark Date for Consideration Shares 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 131.89% over the closing price of HK\$3.70 per H Share as quoted on the Hong Kong Stock Exchange on the last trading day before the Pricing Benchmark Date for Consideration Shares; and
- (b) a premium of approximately 136.36% over the average closing price of HK\$3.63 per H Share as quoted on the Hong Kong Stock Exchange for the preceding 20 trading days before the Pricing Benchmark Date for Consideration Shares.

10. Listing Rules Implications

The transaction contemplated under the Acquisition Agreement consists of the acquisition of the Incoming Assets and the issuance of Consideration Shares. The counterparty of the transaction is SEC.

SEC is our controlling shareholder holding approximately 58.12% equity interest in the total issued share capital of the Company as at the Latest Practicable Date. Therefore, SEC is a connected person of the Company as defined under Chapter 14A of the Listing Rules. The highest applicable percentage ratio for the Proposed Acquisition, aggregated with the applicable ratios for the Previous Transactions according to Rule 14.22 and Rule 14A.81 of the Listing Rules, is consideration ratio, being more than 25% but less than 100%, and therefore the Proposed Acquisition constitutes a major transaction and a connected transaction under Chapter 14 and Chapter 14A of the Listing Rules, respectively. Pursuant to Rule 1.01 and Rule 14.20 of the Listing Rules as well as Listing Decision HKEx-LD83-1, the Company applied for and the Hong Kong Stock Exchange has approved an alternative test for the calculation of consideration ratio required under Rule 14.07(4) of the Listing Rules (“**Alternative Size Test**”). After adopting the Alternative Size Test, the highest applicable percentage ratio for the Proposed Acquisition, aggregated with the applicable ratios for the Previous Transactions, is more than 5% but less than 25%, and therefore the Proposed Acquisition 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 Proposed Acquisition 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 the Proposed Acquisition pursuant to Rule 19A.38 of the Listing Rules.

LETTER FROM THE BOARD

11. Disclosure in relation to Rules 14.60A, 14.61 and 14.62 of the Listing Rules

The valuation result of 50.10% equity interest in Thales Saic was arrived at based on the income approach, which takes into account the discounted cash flows of Thales Saic, and thus constitutes a profit forecast (the “**Profit Forecasts**”) under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

The reporting accountant of the Company, PricewaterhouseCoopers, confirmed that they have reviewed the calculations of the Profit Forecasts. The Board has reviewed the principal assumptions upon which the Profit Forecasts are based and is of the view that the Profit Forecasts have been made after due and careful enquiry by the directors of the Company.

The Profit Forecasts are prepared based on the following principal assumptions:

1. Basic Assumptions:
 - (1) Assumption on Open Market: open market represents the fully developed and comprehensive market conditions, and is a market in which voluntary purchasers and sellers compete with each other on an equal basis. In the market, both purchasers and sellers have ample opportunity and time to acquire sufficient market information and their trading are on a voluntary, rational and not mandatory, or unrestricted basis.
 - (2) Assumption on Sustainable Use: firstly, it is assumed that the appraised assets are being used (including assets being used and reserved assets); secondly, based on the relevant data and information, it is assumed that these assets being used will continuously be used. Assumption on sustainable use not only explains what market conditions or environment the appraised assets are subject to, but also focuses on the explanation of the continued existence of the assets.
 - (3) Assumption on Going Concern: the appraised enterprise, based on its existing assets, resources and conditions, is assumed to continue to operate legally, and will not cease to operate in the foreseeable future due to whatever reasons.

LETTER FROM THE BOARD

2. General Assumptions:

- (1) Unless specifically stated, the abnormal factors affecting the appraised value, such as mortgages and guarantees, which exist presently or may occur in the future, as well as special transaction model, have not been considered.
- (2) There will be no material changes in the existing relevant laws and policies and industrial policies of the country as well as the national macroeconomic conditions; the political, economic and social environment of the region where the appraised enterprise is located would not experience material changes; and there will be no other material and adverse impacts resulting from force majeure or unforeseeable circumstances.
- (3) There will be no material changes to the policies such as tax levied and tax rates implemented by the appraised enterprise. The credit policies, interest rates and exchange rates remain basically stable.
- (4) The type of value has been confirmed as the market value as per the appraisal purpose. Any pricing standard adopted for the appraisal is based on the valid pricing standard and value system as at the valuation benchmark date.

3. Assumptions under the Income Approach:

- (1) The business contracts as provided by the appraised enterprise, as well as all the evidence and information, such as business licenses, articles of association, executed agreements, audited reports, and financial information, are true and valid.
- (2) The existing and future management team of the appraised enterprise has exercised and will exercise due diligence, will not involve any material non-compliance that might impact the company's development and revenue generation, and will maintain the existing operation and management model to continue the business as a going concern.
- (3) The contracts executed by the appraised enterprise in previous years and the current year are valid and can be fulfilled.
- (4) The future forecast in the valuation is a reasonable forward-looking projection based on the existing market conditions, taking no consideration of any material changes and fluctuations in future market, such as political turmoil, economic crisis or malignant inflation that are unforeseeable at present.

LETTER FROM THE BOARD

- (5) The revenues, relevant prices and costs as the basis of the valuation conclusion are of the professional judgments by the appraiser based on its due diligence investigation and on the historical data provided by the appraised enterprise.

The statements in respect to the Profit Forecasts from PricewaterhouseCoopers are set out in its letter dated 14 November 2016, and such letter was made for incorporation in Appendix II to this circular and in the announcement published by the Company on the websites of Hong Kong Stock Exchange on 14 November 2016 with the document No. of HDZZPBZ No. [2016]0930348 (the “**Thales Saic Valuation Report Announcement**”).

Further details of the Profit Forecasts, the letter from the reporting accountant and the letter from the Board in respect of the Profit Forecasts are set out in Thales Saic Valuation Report Announcement.

12. Takeovers Code Implications

As the Company will hold no less than 30% voting rights of Shanghai Prime upon the completion of the Proposed Acquisition, the Company is required to make a mandatory general offer for all the issued shares of Shanghai Prime pursuant to Rule 26.1 of the Takeovers Code unless a waiver is granted by the Executive. The Company applied for, and the Executive has granted, a waiver pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code of the obligation of the Company to make a general offer for the shares of Shanghai Prime arising from the Proposed Acquisition.

13. Compensation Arrangement

In the Proposed Acquisition, the valuation result based on the income approach was adopted for 50.10% equity interest in Thales Saic, and the valuation results based on the market comparison approach was adopted for parts of the properties among the Target Properties and SEC Property. On 14 November 2016, pursuant to relevant laws and regulations issued by the CSRC, the Company and SEC entered into the Profit Compensation Agreement through friendly negotiations, pursuant to which, parties introduced terms for profit compensation and impairment tests in respect of the acquisition of the 50.10% equity interest in Thales Saic, and introduced terms for impairment tests in respect of the acquisition of parts of the properties assets and parts of the Target Properties of SEC Property. The Profit Compensation Agreement shall become effective upon the Effective Date of the Acquisition Agreement. The Profit Compensation Agreement has been considered and approved by the Board and shall be subject to Shareholders’ approvals by way of special resolutions at the EGM and the Class Meetings.

LETTER FROM THE BOARD

Principal Terms of the Profit Compensation Agreement

1. *Date*

14 November 2016

2. *Parties*

(i) The Company; and

(ii) SEC

3. *Target Assets*

(i) 50.10% equity interest in Thales Saic (the "**Target Assets C**"); and

(ii) (a) in respect of the 100% equity interest of SEC Property, the real estates and corresponding land use rights under the inventory account (except for the property and its land use right located in No. 365 Chenhang Branch Road), the land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights beyond the inventory account; and (b) the land for industrial use and its corresponding land use rights, residential properties, office buildings as well as the commercial properties and their land use rights contained in the Target Properties (the "**Target Assets D**").

According to the valuation reports ("**Valuation Reports**") prepared by Orient Appraisal Co., Ltd., the valuation of the Target Assets C under income approach is RMB263,025,000.00 as at the Valuation Benchmark Date (30 September 2016). In respect of the Proposed Acquisition, the consideration for the Target Assets C based on arm's length negotiations is RMB263,025,000.00 (the "**Consideration for Target Assets C**").

According to the Valuation Reports, the valuation of the Target Assets D under market comparison approach is RMB4,544,762,478.60 as at the Valuation Benchmark Date (30 September 2016). In respect of the Proposed Acquisition, the consideration for the Target Assets D based on arm's length negotiations is RMB4,544,762,478.60 (the "**Consideration for Target Assets D**").

LETTER FROM THE BOARD

4. *Guaranteed Net Profit Amount*

SEC undertakes that the audited actual net profit attributable to the owners of the parent company after deduction of non-recurring profit and loss (the “**Actual Net Profit Amount**”) of Thales Saic for the years of 2017, 2018 and 2019 shall be no less than RMB54,475.9 thousand, RMB62,945.8 thousand and RMB64,280.2 thousand (the “**Guaranteed Net Profit Amount**”), respectively, failing which, SEC will compensate the Company in accordance with relevant rules.

The above profit guarantee made by SEC does not represent the anticipated level of future profit of Thales Saic and does not constitute a profit forecast under Rule 14.61 of the Listing Rules. If the Actual Net Profit Amount fails to meet the Guaranteed Net Profit Amount, the Company shall disclose relevant information required under Rule 14A.63 of the Listing Rules in an announcement and in its next annual report.

5. *Recognition of the Net Profit Difference*

The Company will separately disclose the difference between the Actual Net Profit Amount and the Guaranteed Net Profit Amount of Thales Saic in the annual reports for the years of 2017, 2018 and 2019. The Company will engage an accounting firm with securities qualification to issue the specific audit opinion on the Actual Net Profit Amount, thus the special audit opinion shall form the basis for determining the difference between the Actual Net Profit Amount and Guaranteed Net Profit Amount.

6. *Compensation for Net Profit Difference*

During the years of 2017, 2018 and 2019 (the “**Profit Compensation Period**”), if the Actual Net Profit Amount of Thales Saic in any year is less than the corresponding Guaranteed Net Profit Amount, SEC shall make compensation to the Company for the deficiency.

(1) *Profit Compensation Amount*

Compensation amount of Target Assets C for the current period = (Accumulated Guaranteed Net Profit Amount of Thales Saic as at the end of the current period – Accumulated Actual Net Profit Amount of Thales Saic as at the end of the current period) / Total Guaranteed Net Profit Amount of Thales Saic during the Profit Compensation Period × Consideration for Target Assets C – Accumulated compensated amount

LETTER FROM THE BOARD

When calculating the compensation amount to be paid by SEC during the Profit Compensation Period on an annual basis, the value shall be taken as 0 if the compensation amount of the current period calculated based on the above formulas is less than 0, i.e. the compensation amount paid previously shall not be reversed.

(2) *Profit Compensation Method*

SEC shall make compensation with the Consideration Shares of the Company acquired in the Proposed Acquisition. If the Consideration Shares are insufficient for compensation, the balance shall be settled by SEC in cash.

- (i). Number of the compensation shares shall be calculated based on the following formula: Number of the compensation shares for the current year = Sum of the compensation amounts for the current period / Issue price of the Consideration Shares
- (ii). During the Profit Compensation Period, in the event of capitalization issue by conversion or bonus issue by the Company, the number of compensation shares shall be adjusted correspondingly based on the following formula: Number of the compensation shares (adjusted) = Number of the compensation shares for the current year × (1 + Proportion of capitalization issue by conversion or bonus issue)
- (iii). During the Profit Compensation Period, if the Company distributes cash dividend, the cash dividend shall be correspondingly refunded based on the following formula: Amount to be refunded = Allocated cash dividend per share × Number of compensation shares

The Company shall repurchase and cancel the shares compensated by SEC for the relevant year at a total consideration of RMB1.00. The share repurchase and cancellation plan shall be considered and approved at the general meeting of the Company, approved by the competent state-owned assets regulatory authorities and subject to the completion of the relevant procedures for the reduction in registered capital as required by laws and regulations, such as notifying creditors etc. In the event that SEC pledged the consideration shares held by it with third party or the company is unable to obtain approval of competent state-owned assets supervision and administration authority for relevant compensation plans during the lock-up period, the consideration shares held by SEC may be insufficient for compensation or SEC will be unable to compensate with consideration shares held, and SEC shall then compensate the Company by way of cash.

LETTER FROM THE BOARD

7. *Impairment Tests and Compensation*

(1) *Impairment Test on Target Assets C*

Upon the expiry of the Profit Compensation Period, the Company and SEC shall jointly engage an accounting firm with securities qualification to conduct impairment tests on Target Assets C and issue an audit report on the corresponding impairment tests on or before the date of issuance of the Company's annual audit report for the last year of the Profit Compensation Period.

If the impairment amount of Target Assets C as at the end of the period is larger than the compensated amount of Target Assets C during the compensation period, SEC shall offer additional compensation shares to the Company. If the shares are insufficient for compensation, SEC shall settle the balance in cash. The treatment for the compensation shares in respect of the impairment tests shall follow the aforementioned proposal for the repurchase and cancellation of profit compensation shares.

The number of compensation shares shall be calculated based on the following formula: Number of compensation shares for Target Assets C = (Impairment of Target Assets C as at the end of Profit Compensation Period – Compensated amount of Target Assets C during the Profit Compensation Period) / Issue price of the Consideration Shares

Impairment of Target Assets C at the end of the period shall be the consideration for Target Assets C net of the appraised value of Target Assets C at the end of the period, excluding the effect of capital increase and reduction, contribution and profits distribution of the shareholders during the Profit Compensation Period.

The total compensation shares and compensation cash to be paid by SEC resulted from the difference in net profits of Target Assets C as well as the impairment tests shall not exceed the corresponding Consideration for Target Assets C.

(2) *Impairment Test on Target Assets D*

During the years of 2017, 2018 and 2019, the Company and SEC shall jointly engage an accounting firm with securities qualification to conduct impairment tests on Target Assets D and issue an audit report on the corresponding impairment tests on or before the date of issuance of the Company's annual audit report for the years of 2017, 2018 and 2019.

LETTER FROM THE BOARD

If there is impairment to Target Assets D, SEC shall make compensation to the Company with the Consideration Shares. If the Consideration Shares are insufficient for compensation, the balance shall be settled by SEC in cash. The treatment for the compensation shares in respect of the impairment tests shall follow the aforementioned proposal for the repurchase and cancellation of profit compensation shares.

The number of compensation shares shall be calculated based on the following formula: Number of compensation shares for Target Assets D = Impairment amount of Target Assets D as at the end of the period / Issue price of the Consideration Shares in the Transactions – Total number of compensated shares for Target Assets D during the compensation period

Impairment of Target Assets D at the end of the period shall be the consideration for Target Assets D net of the appraised value of Target Assets at the end of the period, excluding the effect of capital increase and reduction, contribution and profits distribution of the shareholders during the Profit Compensation Period.

The total compensation shares and compensation cash to be paid by SEC resulted from the impairment tests shall not exceed the corresponding Consideration for Target Assets D.

III. PROPOSED ISSUANCE AND PLACING OF A SHARES

Subject to the completion of the transaction contemplated under the Acquisition Agreement, the Company proposed to issue A Shares to no more than 10 specific target subscribers (including SEC and Shanghai Guosheng Group Investment Co., Ltd.). The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares will be no more than RMB3,000,000,000 and the number of the A Shares to be issued under the Proposed Issuance and Placing of A Shares shall not exceed 20% of the total number of shares for the total share capital of the Company prior to the Proposed Acquisition, i.e. 2,686,231,286 A Shares. The result of the Proposed Issuance and Placing of A Shares, whether successful or not, shall not affect the implementation of the transaction contemplated under the Acquisition 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
Target subscribers	No more than 10 specific target subscribers, including SEC and Shanghai Guosheng Group Investment Co., Ltd.

LETTER FROM THE BOARD

The Company has separately entered into Share Subscription Agreement with SEC and Shanghai Guosheng Group Investment Co., Ltd., respectively, on 14 November 2016. On 17 February 2017, CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and relevant regulatory questions and answers, pursuant to which, pricing principles of the Proposed Issuance and Placing of A Shares shall be amended, meaning the pricing benchmark date, which was originally “the publication date of the Board resolution announcement in relation to the Proposed Issuance and Placing of A Shares”, shall be revised to “the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.” Therefore, the Company further negotiated with SEC and Shanghai Guosheng Group Investment Co., Ltd. and made corresponding amendments to certain original terms in Share Subscription Agreement, and entered into the supplemental agreement to Share Subscription Agreement with SEC and Shanghai Guosheng Group Investment Co., Ltd. on 17 March 2017 respectively.

Other than SEC and Shanghai Guosheng Group Investment Co., Ltd., other target subscribers shall be securities investment and fund management companies, securities companies, trust investment companies, financial companies, insurance institutional investors, qualified foreign institutional investors and other domestic corporate investors as well as natural persons in accordance with the requirements of CSRC. Fund management companies engaging in the subscription of the A Shares through more than two funds under its management shall be deemed as one single subscriber. Trust companies who are deemed as subscribers shall only subscribe for the A Shares with their own funds.

LETTER FROM THE BOARD

The final subscribers, other than SEC and Shanghai Guosheng Group Investment Co., Ltd., will be determined by the Board or other authorized persons by the Board in accordance with the authorization granted at the general meetings, with the PRC financial advisor and lead underwriters based on the price quoted by investors for subscription and principles such as price priority (i.e. the investor who offers higher price has the priority to obtain the stock allocation over the investor who offers lower price in the process of market enquiry while the offer price for all subscribers will be determined at the lowest price offered among the selected subscribers), in accordance with the requirements of relevant laws, regulations and other normative documents. Subject to obtaining of approvals from CSRC and completion of the Proposed Acquisition, the Company will determine an offering period when appropriate to start the market enquiry process, and after which, final subscribers will be finally determined based on principles such as price priority as mentioned above.

Other than SEC, to the best knowledge and belief of the Directors, as at the Latest Practicable Date, the Company was not aware of any above target subscribers or any of their respective ultimate beneficial owners who were 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.

LETTER FROM THE BOARD

Issue price

The pricing benchmark date of the Proposed Issuance and Placing of A Shares is the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares. The issue price shall not be lower than the benchmark price, being 90% of the average trading price of the A Shares during the 20 trading days immediately preceding the pricing benchmark date, which is calculated by dividing the total trading amount of the A Shares during the 20 trading days immediately preceding the pricing benchmark date by the total trading volume of the A Shares during the 20 trading days immediately preceding the pricing benchmark date. The market price of the Company's A Shares and H Shares on the date when the Board approved the Proposed Issuance and Placing of A Shares is RMB8.42 per share and HKD4.09 per share, respectively.

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, 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, corresponding adjustments shall be made to the abovementioned benchmark price.

The formula for adjustment of issue price is as follows:

Distributing dividends: $P1=P0-D$

Granting bonus shares or converting capital reserve into share capital: $P1=P0/(1+N)$

Issuance of new shares or placing of share:
 $P1=(P0+AK)/(1+K)$

Assuming the aforementioned three activities take place at the same time: $P1=(P0-D+AK)/(1+K+N)$

Note: P0 is the effective issue price before adjustment, N is the rate of granting bonus shares or the rate of converting capital reserve into share capital, K is the rate of share placement, D is the cash dividend delivered per share, and P1 is the effective issue price after the adjustment.

LETTER FROM THE BOARD

The above adjustments to the issue prices do not contravene the relevant laws and regulations in the PRC and are in line with market practices.

Based on the abovementioned benchmark price, the final issue price will be determined by the Board or other authorized persons by the Board in accordance with the authorization granted at the general meetings, with the PRC financial advisor and lead underwriters, after the Company obtains approvals from CSRC for the Transactions and according to the requirements of relevant laws, regulations and other normative documents as well as the price quoted by investors for subscription.

The Directors are mindful that if the issue price falls below RMB2.33 per share, the basic earnings per share of the Company may be diluted. As such, and having made due and careful consideration, the Company will re-comply with the approval requirements, including, among others, the shareholders approvals under the Hong Kong Listing Rules in the event the issue price is expected to fall below RMB2.33 per share. Such new issue price shall not be lower than 90% of the average trading price of the A Shares during the 20 trading days immediately preceding the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.

In arriving at the abovementioned issue price of RMB2.33 per share, the Company calculated as follows:

Weighted average total ordinary share capital of the Company after considering the Proposed Acquisition as at 31 December 2016 = 14,122,306,134.

LETTER FROM THE BOARD

The minimum shares to dilute earnings per share post the Proposed Acquisition = Net profit of the Company attributable to the shareholder for the year ended 31 December 2016 (pro forma) (RMB2,396,852,000) / Earnings per share of the Company for the year ended 31 December 2016 prior to the Proposed Acquisition (RMB0.1556) = 15,408,844,015.

The minimum amount of shares under the Proposed Issuance and Placing of A shares to dilute the earnings per shares of the Company = The minimum shares to dilute earnings per share post the Proposed Acquisition (15,408,844,015) – Weighted average total ordinary share capital of the Company after considering the Proposed Acquisition as at 31 December 2016 (14,122,306,134) = 1,286,537,881.

The maximum issue price to dilute earnings per share = The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares (RMB3,000,000,000) / The minimum amount of shares under the Proposed Issuance and Placing of A shares to dilute the earnings per shares of the Company (1,286,537,881) = RMB2.33 per share.

SEC and Shanghai Guosheng Group Investment Co., Ltd. will not participate in the inquiry process about the issue price, but both undertake to accept the market enquiry results and subscribe for the A Shares at the same subscription price as other target subscribers.

LETTER FROM THE BOARD

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 RMB3,000,000,000, which amounts to no more than 100% of the consideration for the Incoming Assets.

The number of the A Shares to be issued under the Proposed Issuance and Placing of A Shares shall not exceed 20% of the total number of shares for the total share capital of the Company prior to the Proposed Acquisition, i.e. 2,686,231,286 A Shares.

Subject to the above issue limit, the final number of A Shares to be issued under the Proposed Issuance and Placing of A Shares will be determined by the Board or other authorized persons, in accordance with the authorization granted at the general meetings, with the PRC financial advisor and lead underwriters according to the market conditions.

SEC intends to subscribe for not more than RMB1.5 billion (the number of the A Shares to be subscribed = proposed amounts to be contributed / issue price of the issuance) and Shanghai Guosheng Group Investment Co., Ltd. intends to subscribe for not more than RMB500 million (the number of the A Shares to be subscribed = proposed amounts to be contributed / issue price of the issuance). 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, 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, corresponding adjustments shall be made to the number of A Shares to be issued under the Proposed Issuance and Placing of A Shares and the number of A Shares to be subscribed by SEC and Shanghai Guosheng Group Investment Co., Ltd.

LETTER FROM THE BOARD

The formula for adjustment of the number of A Shares to be subscribed is as follows:

The adjusted number of A Shares to be subscribed = the proposed amount to be contributed / the adjusted issue price of the A Shares

The above adjustments to the number of shares do not contravene the relevant laws and regulations in the PRC and are in line with market practices.

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 RMB3,000,000,000 and will be used for the following purposes:

Intended use of proceeds	Total investment of the project <i>(RMB ten thousand)</i>	Proposed amount of proceeds to be applied <i>(RMB ten thousand)</i>
1. Emerging Industrial Park Development Project at Gonghe New Road	181,530.00	105,500.00
2. Innovative Industry Park Reformation Project at Beinei Road	26,484.00	22,600.00

LETTER FROM THE BOARD

Intended use of proceeds	Total investment of the project <i>(RMB ten thousand)</i>	Proposed amount of proceeds to be applied <i>(RMB ten thousand)</i>
3. Technology Innovative Park Reformation Project at Jinshajiang Branch Road	38,459.00	32,800.00
4. Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road	137,029.00	116,600.00
5. Relevant Tax Fees and Other Expenses of the Transactions	22,500.00	22,500.00
Total	<hr style="border: 0.5px solid black;"/> 406,002.00	<hr style="border: 0.5px solid black;"/> 300,000.00

Details of the above projects are set out as below:

1. Emerging Industrial Park Development Project at Gonghe New Road

The project is located at Jing'an District, Shanghai, PRC. The total site area of the project accounts for 68,300 sq.m., of which the major construction work includes six five-storey science and research buildings and auxiliary servicing rooms. Upon the completion, the gross floor area of the project is expected to be 119,900 sq.m. The project is expected to provide a platform for the development of emerging industries, including intelligent equipment, software and information service industries. The construction of the project is expected to commence in October 2017. The proceeds raised from the Proposed Issuance and Placing of A Shares will be applied to such project after the commencement of the construction.

LETTER FROM THE BOARD

2. Innovative Industry Park Reformation Project at Beinei Road

The project is located at Songjiang District, Shanghai, PRC. The total site area of the project accounts for 107,600 sq.m., of which the major construction work includes 14 single layer buildings and two buildings with two floors. After the reformation, the gross floor area of the project is expected to be 54,000 sq.m. The project will be developed into a modernized innovative industrial park zone. The construction of the project is expected to commence in October 2017. The proceeds raised from the Proposed Issuance and Placing of A Shares will be applied to such project after the commencement of the construction.

3. Technology Innovative Park Reformation Project at Jinshajiang Branch Road

The project is located in Shanghai, PRC. The total site area of the project accounts for 126,500 sq.m., of which the major construction work includes 14 single layer buildings and two buildings with two floors. Upon the completion, the gross floor area of the project is expected to be 76,900 sq.m. The project will be developed into a technology innovative park zone, being a research and development, designing and information servicing base for the Group, which is intended to be used in the development of high-efficiency photovoltaic, biomass power generation and the research and development, designing, trial manufacturing of plant energy saving systems as well as system integration businesses. The construction of the project is expected to commence in October 2017. The proceeds raised from the Proposed Issuance and Placing of A Shares will be applied to such project after the commencement of the construction.

LETTER FROM THE BOARD

4. Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jun Gong Road

The project is located at the Yangpu District, Shanghai, PRC. The total site area of the project accounts for 35,900 sq.m., of which the major construction work includes 12 science and research buildings with two floors and one single layer plant. Upon the completion, the gross floor area of the project is expected to be 274,100 sq.m. The project will be developed into an industrial research, development and design and high-end equipment manufacturing base for the Company, which is intended to be used mainly in the research, development, manufacturing, sales of the high voltage cables, special type of cables and submarine cables as well as the research, development, testing and sales of the 3D printing equipment system in the intelligent manufacturing industry. In addition, the base can provide a science and research platform for the energy saving transformation of traditional electromechanical facilities and the research, development, manufacturing and sales of high-efficiency clean energy system manifested by intelligent grid and distributed energy. The construction of the project is expected to commence in October 2017. The proceeds raised from the Proposed Issuance and Placing of A Shares will be applied to such project after the commencement of the construction.

If the actual supporting funds raised are insufficient, the Company shall cover the shortfall by its self-financing funds. 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 replacement once proceeds are raised from the Proposed Issuance and Placing of A Shares.

LETTER FROM THE BOARD

Conditions precedent	<p>Completion of the Proposed Issuance and Placing of A Shares is subject to, among other things, the following conditions being satisfied:</p> <ul style="list-style-type: none">(i) 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;(ii) the approval by the competent state-owned assets authorities of the Proposed Issuance and Placing of A Shares;(iii) the approval by the CSRC of the Proposed Issuance and Placing of A Shares; and(iv) other necessary prior approvals, authorizations or consents as and may be required by laws and regulations and governmental authorities in respect of the Proposed Issuance and Placing of A Shares (if applicable).
Lock-up period	<p>The A Shares subscribed by SEC and Shanghai Guosheng Group Investment Co., Ltd. under the Proposed Issuance and Placing of A Shares shall not be listed, traded or transferred within 36 months upon the completion of the issuance of A Shares, and the A Shares subscribed by other target subscribers under the Proposed Issuance and Placing of A Shares shall not be listed, traded or transferred within 12 months upon the completion of the issuance of A Shares, but such A Shares may be transferrable thereafter subject to the relevant requirements of the CSRC and the Shanghai Stock Exchange.</p> <p>If the transaction is investigated by judiciary authorities or the CSRC due to false representations, misleading statements or material omissions in the information provided or disclosed in relation to this transaction, target subscribers shall not transfer its interest in shares of the Company until the investigation results are published.</p>
Governing law	PRC law

2. Information of the Target Subscribers

2.1. SEC

SEC is our controlling shareholder holding approximately 58.12% equity interest in the total issued share capital of the Company as at the Latest Practicable Date. 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 on 26 January 2010 with limited liability. The company is primarily engaged in the investment of leading industries, emerging industries, real estate 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.

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 Transactions.

3.1 *Effectively enhancing the integrated performance of the Transactions*

The Company intended to acquire equity assets of SEC Property and to develop an operation and management platform which can help professionally manage the Company's real estate through the Transactions. The raised funds shall be applied to the update and development of the RAM industry real estate of the Group by SEC Property, and transform it into an industrial research and development platform, a manufacturing base of high-end equipment and an innovative industrial park, which will enhance the utilization rate of the real estate reserves, increase the value of the real estate reserves, as well as fulfill the need of business development of the Company. The raised funds shall facilitate one of the incoming assets SEC Property to play a role as regard to real estate operation and management platform, and thus enhance the integrated performance of the Transactions.

3.2 *Facilitating the Business Development of the Company*

The Company focuses on the transformation and upgrade of operations to develop towards a high-end and intelligent direction. It shall also vigorously develop modern service industry to transform from “merely manufacturing” to “manufacturing and service dual”. The raised funds shall be applied to the construction of a building for technological research, with the leading industries of intelligent equipment industry, software and information service industry, energy saving and environmental industry, and high-end manufacturing industry. It is in line with the transformation and upgrade goal of the Company, and meet the expansion needs of the abovementioned businesses. The raised funds shall also be applied to the construction of an innovative industrial park, which shall enhance the capability of the Company in the service industry area, and realize the long-term development goal of the Company.

3.3 *In accordance with the District Development and Upgrading of Business*

The “13th Five-Year plan of the Transformation and Upgrading of Manufacturing Industry in Shanghai” points out that, in the 13th Five-Year period, the development of manufacturing industry in Shanghai will adhere to the development in relation to “high-end, intelligence, green and service”, and fill in the business development short board. Meanwhile, Shanghai will boost the modern service level to form a new industry system with modern service as main part, strategic emerging industry as lead part, and advanced manufacturing as support part with strong capabilities. Each district also makes prospective planning for the development of manufacturing and service industries in the 13th Five-Year period in accordance with its respective circumstance. The 13th Five-Year plan requires an escalation for the level of high-end products, intelligence, green and service. The raised fund shall be applied to commence the research and development of high-end manufacturing industry, intelligent equipment industry, software and information service industry, energy saving and environmental protection industry, and the development of innovative industrial park, so as to comply with the requirement of regional development and industrial upgrading.

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 take care of both parties’ interests.

LETTER FROM THE BOARD

5. The Validity of the Resolution

Taking into account market practice and certain time for obtaining regulatory approval and completing the Transaction, the resolution in relation to the issuance of shares for assets acquisition as well as supporting funds raising shall be valid for 12 months commencing from the date of the adoption and approval of the resolution at the EGM and the Class meetings.

6. 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.

In addition, SEC is our connected person 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 upon completion of the Proposed Acquisition and the Proposed Issuance and Placing of A Shares.

LETTER FROM THE BOARD

IV. EFFECTS OF THE PROPOSED ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Proposed Acquisition (not taking into account the Proposed Issuance and Placing of A Shares):

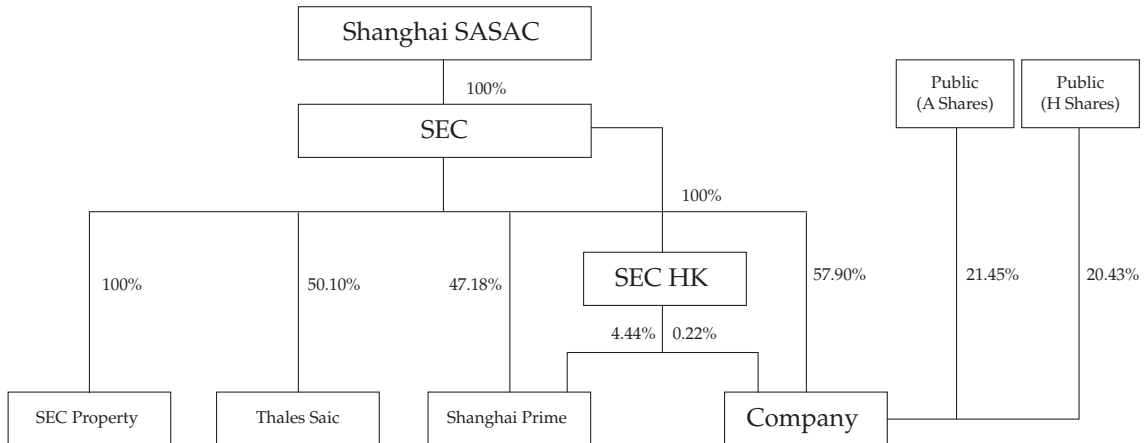
	As at the Latest Practicable Date		Immediately after completion of the Proposed Acquisition (not taking into account the Proposed Issuance and Placing of A Shares)	
	Number of Shares	% to the existing total issued shares	Number of Shares	% to the existing total issued shares
	<i>(ten thousand shares)</i>	<i>%</i>	<i>(ten thousand shares)</i>	<i>%</i>
SEC (A shares)	757,691.70	56.41%	845,483.50	59.09%
SEC (H shares)	22,933.40	1.71%	22,933.40	1.60%
Public (A shares)	288,132.74	21.45%	288,132.74	20.14%
Public (H shares)	274,357.80	20.43%	274,357.80	19.17%
Total	<u>1,343,115.64</u>	<u>100.00%</u>	<u>1,430,907.44</u>	<u>100.00%</u>

Note: For the purpose of illustration, assuming that save for the Consideration Shares, no further Shares will be issued by the Company after the Latest Practicable Date until completion of the Proposed Acquisition.

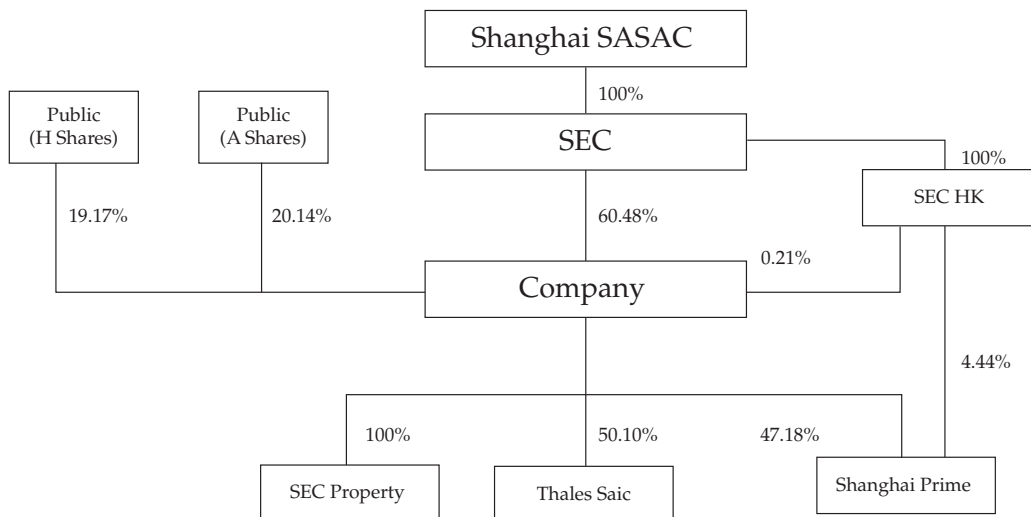
LETTER FROM THE BOARD

The following diagrams illustrate the corporate structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Proposed Acquisition (not taking into account the Proposed Issuance and Placing of A Shares):

(i) as at the Latest Practicable Date



(ii) immediately after completion of the Proposed Acquisition (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, no further Shares will be issued by the Company after the Latest Practicable Date until completion of the Proposed Acquisition.

LETTER FROM THE BOARD

V. FINANCIAL IMPACTS OF THE TRANSACTIONS

After the completion of the Transactions, Shanghai Prime, Thales Saic and SEC Property will become the subsidiaries of the Company and their financial results will be consolidated into the accounts of the Group. The Company will raise no more than RMB3,000,000,000 upon completion of the Proposed Issuance and Placing of A Shares.

The major financial information of the Company for the year ended 31 December 2016 before and after the Transactions is set out as below:

Financial indicators	Prior to the Transactions (consolidated) <i>RMB Ten Thousand</i> 31 December 2016
Total assets	17,563,391.10
Total liabilities	11,798,678.00
Total equity attributable to owners of the parent company	4,509,275.40
Fully diluted net assets per share attributable to owners of the parent company (RMB/share)	3.36
Debt to assets ratio	67.18%
Financial indicators	
	For the year ended 31 December 2016
Revenue	7,907,836.10
Net profit attributable to owners of the parent company	206,017.00
Basic earnings per share (RMB/share)	0.1556
Fully diluted return on net assets	4.57%

After the Transaction, total assets of the Company will increase RMB13,772,641,000 compared with that prior to the Transaction for the year ended 31 December 2016; total liabilities of the Company will increase RMB6,195,383,000 compared with that prior to the Transaction for the year ended 31 December 2016; total equity attributable to owners of the parent company of the Company will increase RMB5,612,669,000 compared with that prior to the Transaction for the year ended 31 December 2016; fully diluted net assets per share attributable to owners of the parent company of the Company will increase RMB0.18 per share compared with that prior to the Transaction for the year ended 31 December 2016; while debt to assets ratio of the Company will decrease 1.62% compared with that prior to the Transaction for the year ended 31 December 2016. Moreover, after the Transaction, revenue of the Company will increase RMB9,429,023,000 compared with that

LETTER FROM THE BOARD

prior to the Transaction for the year ended 31 December 2016; net profit attributable to owners of the parent company of the Company will increase RMB336,682,000 compared with that prior to the Transaction for the year ended 31 December 2016; basic earnings per share of the Company will increase RMB0.0141 per share compared with that prior to the Transaction for the year ended 31 December 2016; fully diluted return on net assets of the Company will increase 0.16% compared with that prior to the Transaction for the year ended 31 December 2016.

The review report of the Company are set out in the relevant announcements published by the Company on the websites of Hong Kong Stock Exchange on 17 March 2017. The document number is PWC ZT Yue Zi [2017] No. [001]. Copies of the documents will be available for inspection at Hong Kong and please refer to the paragraph headed “8. DOCUMENTS AVAILABLE FOR INSPECTION” of APPENDIX V to this circular for more relevant details.

Risk Alert on the Dilution on the Current Returns and the Remedial Measures

According to the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), in order to protect the interests of small and medium investors, the Company analyzed the major financial indicators of the Transactions.

Based on the audited financial statements for the year ended 31 December 2016 and the review report, the relevant financial indicators before and after the Transactions are set out as below:

Items	Year ended 31 December 2016 Prior to the Proposed Acquisition
Net profit attributable to owners of the parent company (RMB/ten thousand)	206,017.00
Basic earnings per share (RMB/share)	0.1556

After the Transaction, net profit attributable to owners of the parent company of the Company will increase RMB336,682,000 compared with that prior to the Transaction for the year ended 31 December 2016; basic earnings per share of the Company will increase RMB0.0141 per share compared with that prior to the Transaction for the year ended 31 December 2016.

LETTER FROM THE BOARD

The figures set out in the above table are only forecasts of the impacts of the Transactions on the earnings per share of the Company, and do not represent the judgment of the Company on its operating performance and trends in 2016, neither do they constitute a profit forecast. Investors should not make investment decisions based on these grounds, and the Company will not be held liable for any losses of investors thus incurred.

Upon completion of the Transactions, the earnings per share of the Company will increase and thus the Transactions will not dilute the current returns of the Company. However, due to the effects of uncertain factors such as macro economy, industry policies and competitive environment, the operating results of the Company and entities within the Incoming Assets may be subject to operational risks, market risks and other uncertainties. Upon the completion of the Transactions, the net assets and total share capital scale of the Company will increase, and the failure of its profitability capabilities to meet expectations may result in a possible dilution of the Company's current returns incurred by a short-term decrease of the earnings per share of the Company in the future.

In order to prevent the risk arising from a possible dilution of the Company's current returns, the Company will adopt the following measures to mitigate the impacts of the Transactions on dilution of current returns. Details are as follows:

- (1) to strengthen the management of funds raised from the Proposed Issuance and Placing of A Shares to ensure lawful and effective use of such funds.
- (2) to accelerate the integration of the Incoming Assets and relevant assets to further enhance the synergies.
- (3) to further improve the profit distribution policy and focus on the returns and rights protection of the investors.
- (4) to further strengthen the operational management and internal control to improve the operating performance.

The directors and senior management of the Company provided undertakings in relation to the remedial measures adopted in response to the dilution of current returns incurred by the Transactions of the Company:

- (1) I commit that I will not transfer any benefits to other units or individuals under gratuitous or unfair conditions, nor to damage the interest of the Company in any other ways.
- (2) I commit to constraint the consumption behavior relating to my work position.
- (3) I commit not to use the assets of the Company for investment and consumption activities not related to the performance of my duties.

LETTER FROM THE BOARD

- (4) I commit that the remuneration system established by the board of the directors or the remuneration committee shall be connected with the implementation of the remedial measures in relation to the dilution of return of the Company.
- (5) I commit that the conditions for exercise of the Company's share option incentive scheme to be announced shall be connected with the implementation of the remedial measures in relation to the dilution of return of the Company, in case the Company proposes to carry out a share option incentive scheme.

VI. PROSPECTS OF THE GROUP

Before the Transactions, the Company has four major business segments: new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services. By leveraging its advantages in product technology, production scale, customer resources, capital strength and brand recognition, the Company constantly optimize the product mix and actively explore the market, which contributes to its healthy and stable growth trend and the forming of a landscape of diversified industrial development surrounding its core businesses.

Through the Transactions, the Company will dramatically enhance the development of industrial equipment segment and modern service segment, thus extend the product range of aforementioned business segments and enhance the Company's product and service capability. The Company also acquires land assets through the Transactions, in view of the scarcity of land resources, which will provide strategic resources reserve for the Company's medium and long term development, and thus better facilitate the development of the Company's business.

The Company will continue to rely on the technology, human resources, capital, management and other advantages to implement internationalization, mergers and acquisitions, technology innovation, human resource thriving company and other strategy measures in order to expand and strengthen four major business segments, i.e. the new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services segments, and thus to maintain the Company's sustainable and healthy development as well as enhance profitability and risk-resist ability.

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

LETTER FROM THE BOARD

VII. AUTHORIZATION

To ensure a smooth proceeding of the relevant matters of the Proposed Acquisition and the Proposed Issuance and Placing of A Shares, the Board proposed to grant an authorization to the Board or its authorized representative(s) at the general meeting to deal with relevant matters of the Transactions at its absolute discretion, including but not limited to:

1. stipulate and implement specific plans of the Transactions, and be solely responsible for dealing with and deciding any specific matters of the Transactions according to approvals from the CSRC and market conditions;
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 Transactions (including but not limited to Assets Acquisition by Issuance of Shares 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 Equity Assets A and the Target Properties, make necessary adjustments accordingly to the consideration for the Incoming Equity Assets A and the Target Properties and other relevant parts in the Transactions;
4. in case of any new stipulations or specific requirements in relation to the Transactions by competent authorities or any changes in market conditions, make adjustments to plans of the Transactions in accordance with new stipulations, specific requirements and the actual conditions of the market; prepare, amend and dispatch the reportable documents of the Transactions pursuant to the requirements of the CSRC;
5. in case of any new stipulations or specific requirements in relation to the Transactions by competent authorities or any changes in market conditions, make adjustments to terms of the Acquisition Agreement (including but not limited to, transitional arrangements, profit and loss 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 Transactions, including but not limited to signing of the relevant legal documents and handling of the industrial and commercial registration;
7. upon completion of the Transactions, make amendments to the Articles of Association, increase in the registered capital, share registration and implementation of terms for restricted shares, listing matters and relevant announcements and industrial and commercial registration; and
8. deal with other matters relating to the Transactions.

LETTER FROM THE BOARD

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

VIII. THE IMPLICATION OF PRC LAWS AND REGULATIONS

The Company has made relevant adjustments to the pricing benchmark date, the issue price, etc. under the Proposed Issuance and Placing of A Shares based on the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and relevant regulations issued by CSRC on 17 February 2017, and accordingly prepared The Report involving the Assets Acquisition by Issuance of Shares as well as Supporting Funds Raising (connected transaction) by Shanghai Electric Group Company Limited (Draft) (Revised Version) and its summary.

The Directors, after considering the actual conditions of the Company and related matters, consider that the revised proposals in respect of the assets acquisition by issuance of shares as well as supporting funds raising by the Company comply with relevant PRC laws and regulations, including Clause 4 under Requirements on Certain Issues Concerning Regulating the Material Asset Reorganization of Listed Companies (《關於規範上市公司重大資產重組若干問題的規定》).

IX. OTHERS

Orient Appraisal Co., Ltd. appraised the Incoming Equity Assets A and the Target Properties and issued the asset valuation reports. Directors are of the view that: (i) the above-mentioned valuers engaged by the Company are independent valuers with qualification for securities and futures appraisal business; (ii) the assumptions of the above-mentioned assets valuation reports are in accordance with relevant PRC regulations and requirements, which follow 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 CSRC, 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 provide reference basis for price in the Transactions, and show that there is relativity between the appraisal approach and the appraisal purposes; and (iv) the assets scope of the actual appraisal performed by the valuers 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 Incoming Equity Assets A and the Target Properties with reference to 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 Incoming Assets in relation to the Transactions conducted by the engaged auditors and valuer.

LETTER FROM THE BOARD

X. 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 Latest Practicable Date.

Fund raising activity	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	The relevant announcements: 5 June 2014, 4 August 2014, 24 December 2014, 20 January 2015, 28 January 2015, 11 February 2015, 24 June 2015, 25 June 2015 and 27 July 2015 The relevant circular: 30 June 2014
Total proceeds raised	RMB6,000,000,000
Proposed use of the net proceeds	<ul style="list-style-type: none"> • EPC and BTG projects • Capital increase in Shanghai Electric Leasing Co., Ltd. • Idle proceeds shall be used for temporary replenishment of the general working capital
Actual application of proceeds	As at 30 September 2016: <ul style="list-style-type: none"> • RMB324,000,000 was used for the Iraq Wassit II Thermal Power Plant EPC project; • RMB660,000,000 was used for the India SASAN Thermal Power Plant BTG project; • RMB411,000,000 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;

LETTER FROM THE BOARD

- RMB1,900,000,000 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 30 September 2016, the Company actually used RMB3,932,000,000 for the above intended purposes (including RMB37,000,000 paid for the expenses related to the issue). The unutilized amount of RMB2,068,000,000 (including RMB1,900,000,000 used for temporary replenishment of the general working capital) will continue to be used for the above intended purposes.

On 18 January 2016, the assets swap and assets acquisition by issuance of shares and supporting funds raising were approved by the shareholders of the Company at the 2016 first extraordinary general meeting, the 2016 first A shares class meeting and the 2016 first H shares class meeting, and approved by the CSRC on 26 April 2016. CSRC approved the issuance of 606,843,370 A Shares to SEC as the consideration for the acquisition of relevant assets, and non public issuance of 336,215,171 A Shares to raise supporting funds. As at 26 August 2016, the procedures in relation to the transfer of relevant assets involved in the transaction have been completed and the share registration and deposit procedures in relation to the consideration shares issued by the Company to SEC in the transactions have been completed. As at the Latest Practicable Date, the Company has not processed the non public issuance for supporting funds raising. For more details, please refer to the announcement of the Company dated 27 April 2016, 26 August 2016 and 31 August 2016 and the circular dated 31 December 2015.

XI. EGM AND H SHARE CLASS MEETING

A notice convening the EGM to be held at 9:00 a.m. on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, PRC and a supplemental notice are set out on pages 138 to 141 and pages 146 to 150 of this circular, respectively. A notice convening the H Share Class Meeting and a supplemental notice are set out on pages 142 to 145 and pages 151 to 155 of this circular, respectively.

In order to determine the list of Shareholders who are entitled to attend the EGM and the H Share Class Meeting, the share registrar for H Shares has been closed from Saturday, 11 March 2017 to Monday, 10 April 2017, both days inclusive, during which period no transfer of H Shares will be effected. The holders of H Shares whose names appear on the share registrar for H Shares on Friday, 10 March 2017 are entitled to attend the EGM and the H Share Class Meeting. In order to qualify for attending the EGM and the H Share Class Meeting, holders of H Shares whose transfers have not been registered must deposit transfer documents together with the relevant share certificates at the share registrar for H Shares, Computershare Hong Kong Investor Services Limited, no later than

LETTER FROM THE BOARD

4:30 p.m. on Friday, 10 March 2017. The address of Computershare Hong Kong Investor Services Limited is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Reply slips and the original forms of proxy for use at the EGM and the H Share Class Meeting have been dispatched to the Shareholders on 17 February 2017 and the revised forms of proxy have been despatched to the Shareholders on 23 March 2017, and are also published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). Shareholders who intend to attend the EGM and/or the H Share Class Meeting in person or by proxy shall complete and return the reply slips in accordance with the instructions printed thereon on or before Tuesday, 21 March 2017. Whether or not the Shareholders are able to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the revised forms of proxy in accordance with the instructions printed thereon, as soon as possible and in any event by not less than 24 hours before the time fixed for holding the EGM and/or the H Share Class Meeting or any adjournment thereof (as the case may be). Completion and return of the original forms of proxy and the revised forms of proxy will not preclude Shareholders from attending the EGM and/or the H Share Class Meeting and voting in person if you so wish.

Any Shareholder who has not yet lodged the original forms of proxy with the Company’s Hong Kong share registrar is requested to lodge the revised forms of proxy if he or she wishes to appoint proxy(ies) to attend the EGM and the H Share Class Meeting on his or her behalf. In this case, the original forms of proxy should not be lodged with the Company’s Hong Kong share registrar.

Any Shareholder who has already lodged the original forms of proxy with the Company’s Hong Kong share registrar shall note that:

- (i) if no revised form of proxy is lodged with the Company’s Hong Kong share registrar, the original forms of proxy will be treated as a valid form of proxy lodged by the relevant Shareholder if correctly completed. The proxy so appointed by the relevant Shareholder will be entitled to vote at his or her discretion or to abstain from voting on any resolution(s) properly put to the EGM and the H Share Class Meeting other than those as set out in the supplemental notices of EGM and H Share Class Meeting;
- (ii) if the revised forms of proxy is lodged with the Company’s Hong Kong share registrar 24 hours before the time appointed for holding of the EGM and H Share Class Meeting or any adjournment thereof (as the case may be) (the “**Closing Time**”), the revised forms of proxy will revoke and supersede the original forms of proxy previously lodged by the relevant Shareholder. The revised forms of proxy will be treated as a valid form of proxy lodged by the relevant Shareholder if correctly completed; and

LETTER FROM THE BOARD

- (iii) if the revised forms of proxy is lodged with the Company's Hong Kong share registrar after the Closing Time, or if lodged before the Closing Time but is incorrectly completed, the proxy appointment under the revised forms will be invalid. The original forms of proxy previously lodged by the relevant Shareholder, if correctly completed, will be treated as a valid proxy form. The proxy/proxies so appointed by the Shareholder under the original forms of proxy will be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the EGM and the H Share Class Meeting.

SEC is the controlling shareholder of the Company holding approximately 58.12% interest in the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 14A.70(12) of the Listing Rules, where shareholders' approval is required with regard to a connected transaction, any shareholder with a material interest in such transaction will not vote on such transaction. Accordingly, SEC shall at the EGM abstain from voting on all the resolutions except the resolution in relation to the report on the use of proceeds from the previous fund raising activities by the Company. SEC shall at H Share Class Meeting abstain from voting on all the resolutions except the resolution in relation to the report on the use of proceeds from the previous fund raising activities by the Company. As at the Latest Practicable Date, SEC and its associates controlled or were entitled to exercise control over the voting rights in respect of 7,806,251,017 A Shares and H Shares in the Company, representing approximately 58.12% of the entire issued share capital of the Company. To the extent that the Company is aware having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon SEC;
- (ii) the members of SEC were not subject to any obligation or entitlement whereby they had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their shares in the Company to a third party, whether generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between SEC's beneficial shareholding interest in the Company and the number of shares in the Company in respect of which they would control or would be entitled to exercise control over the voting right at the EGM and the H Share Class Meeting.

As far as the Directors are aware, other than SEC, no other Shareholder has a material interest in any of the resolutions and so has to abstain from voting at the EGM and H Share Class Meeting on the above-mentioned resolutions.

LETTER FROM THE BOARD

XII. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 80 to 81 of this circular and the letters from the independent financial advisers set out on pages 82 to 137 of this circular.

The Independent Board Committee, having taken into account of the advice of the independent financial advisers, considers that (i) Acquisition Agreement and the transaction contemplated under the Acquisition Agreement; and (ii) the Proposed Issuance and Placing of A Shares to SEC are on normal commercial terms and in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the H Shares Class Meeting.

Mr. Huang Dinan, Mr. Zheng Jianhua and Mr. Li Jianjin, all being Directors, hold directorship(s) or act as senior management in SEC and its associates and thus have material interests in the Acquisition Agreement and transaction contemplated under the Acquisition 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 resolutions in relation to the report on the use of proceeds from the previous fund raising activities by the Company. Other than as disclosed above, none of the other Directors has material interests in these transactions.

The Directors are of the view that all of the transactions described in this circular are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the members of the Independent Board Committee) recommend all the relevant Shareholders to vote in favour of all resolutions to be proposed at the EGM and the H Shares Class Meeting.

XIII. VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, all resolutions at the general meeting of the Company will be taken by way of poll.

LETTER FROM THE BOARD

XIV. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

The English text of this circular (except for the valuation reports included in the circular as Appendix II to Appendix IV) shall prevail over the Chinese text in the event of inconsistency. The Chinese text of the valuation reports included in the circular as Appendix II to Appendix IV shall prevail over the English text in the event of inconsistency.

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

Shanghai, the PRC

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to (i) the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement; and (ii) the Proposed Issuance and Placing of A Shares to SEC.



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)

23 March 2017

To the Independent Shareholders

Dear Sirs or Madams,

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

We refer to the circular dated 23 March 2017 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether (i) the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement; and (ii) the Proposed Issuance and Placing of A Shares to SEC are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Huatai Financial Holdings (Hong Kong) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in (i) the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement; and (ii) the Proposed Issuance and Placing of A Shares to SEC.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

After taking into account of the advice of Huatai Financial Holdings (Hong Kong) Limited as set out on pages 82 to 137 of the circular, we are of the view that (i) the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement; and (ii) the Proposed Issuance and Placing of A Shares to SEC are on normal commercial terms and in the ordinary and usual course of the business of the Company, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM and the H Shares Class Meeting (as applicable) to approve the (i) the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement; and (ii) the Proposed Issuance and Placing of A Shares to SEC.

Yours faithfully,

The Independent Board Committee

Dr. Lui Sun Wing Mr. Kan Shun Ming Dr. Chu Junhao

Independent non-executive Directors

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

The following is the text of the letter of advice from Huatai to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Acquisition Agreement and Proposed Issuance and Placing of A Shares to SEC, which has been prepared for the purpose of incorporation in this circular.



Units 5801-5 & 08-12, 58/F
The Center
99 Queen's Road Central
Hong Kong

23 March 2017

*To the Independent Board Committee and
the Independent Shareholders of
Shanghai Electric Group Company Limited*

Dear Sirs,

**PROPOSED DISCLOSEABLE AND CONNECTED TRANSACTION
PROPOSED ISSUANCE AND PLACING OF A SHARES TO SEC**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Acquisition Agreement and Proposed Issuance and Placing of A Shares to SEC, details of which are set out in the letter from the Board of the circular of the Company to the Shareholders dated 23 March 2017 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Circular.

Reference is made to the announcements of the Company dated 14 November 2016 and 17 March 2017 (the “**Announcements**”). On 14 November 2016, the Company entered into the Acquisition Agreement, pursuant to which, the Company proposed to acquire 47.18% equity interest (domestic shares) in Shanghai Prime, 50.10% equity interest in Thales Saic, 100% equity interest in SEC Property and Target Properties held by SEC. The consideration of RMB6,628,280,951.50 for the Incoming Assets shall be satisfied by the issuance of 877,918,006 Consideration Shares by the Company to SEC at the issue price of RMB7.55 per Consideration Share.

Subject to the completion of the transaction contemplated under the Acquisition Agreement, the Company proposed to issue A Shares to no more than 10 specific target subscribers (including SEC and Shanghai Guosheng Group Investment Co., Ltd.). The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares will be no more than RMB3,000,000,000 and the number of the A Shares to be issued shall not exceed 20% of the total number of shares for the total share capital of the Company prior to the Proposed Acquisition, i.e. 2,686,231,286 A Shares. The result of the Proposed Issuance and Placing of A Shares, whether successful or not, shall not affect the implementation of the transaction contemplated under the Acquisition Agreement.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

As at the Latest Practicable Date, SEC is the controlling shareholder of the Company holding approximately 58.12% equity interest in the total issued share capital of the Company, and hence a connected person of the Company. The highest applicable percentage ratio for the Proposed Acquisition, aggregated with the applicable ratios for the Previous Transactions according to Rule 14.22 and Rule 14A.81 of the Listing Rules, is consideration ratio, being more than 25% but less than 100%, and therefore the Proposed Acquisition constitutes a major transaction and a connected transaction under Chapter 14 and Chapter 14A of the Listing Rules, respectively. Pursuant to Rule 1.01 and Rule 14.20 of the Listing Rules as well as Listing Decision HKEx-LD83-1, the Company applied for and the Hong Kong Stock Exchange has approved an alternative test for the calculation of consideration ratio required under Rule 14.07(4) of the Listing Rules (“**Alternative Size Test**”). After adopting the Alternative Size Test, the highest applicable percentage ratio for the Proposed Acquisition, aggregated with the applicable ratios for the Previous Transactions, is more than 5% but less than 25%, and therefore the Proposed Acquisition 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 Proposed Acquisition 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 the Proposed Acquisition 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. As SEC is the connected person of the Company, 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 upon completion of the Proposed Acquisition and the Proposed Issuance and Placing of A Shares.

As the Company will hold no less than 30% voting rights of Shanghai Prime upon the completion of the Proposed Acquisition, the Company is required to make a mandatory general offer for all the issued shares of Shanghai Prime pursuant to Rule 26.1 of the Takeovers Code unless a waiver is granted by the Executive. The Company applied for, and the Executive has granted, a waiver pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code of the obligation of the Company to make a general offer for the shares of Shanghai Prime arising from the Proposed Acquisition.

Mr. Huang Dinan, Mr. Zheng Jianhua and Mr. Li Jianjin, all being Directors, hold directorship(s) or act as senior management in SEC and its associates and thus have material interests in the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement and the Proposed Issuance and Placing of A Shares to SEC. They have therefore abstained from voting on the relevant board resolutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER (HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)

References are made to the announcements of the Company dated 14 November 2016 and 17 March 2017, and the circular of the Company dated 12 December 2016, in relation to, among other things, the Proposed Acquisition and the Proposed Issuance and Placing of A Shares. On 17 February 2017, CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and relevant regulatory questions and answers. According to the aforementioned documents and regulatory requirements, the pricing principles of the Proposed Issuance and Placing of A Shares should be consistent with the amended Implementing Rules on Non-public Issuance of Shares by Listed Companies, meaning the pricing benchmark date, which was originally “the publication date of the Board resolution announcement in relation to the Proposed Issuance and Placing of A Shares”, shall be revised to “the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.” Meanwhile, according to the relevant PRC regulatory requirements, the financial information of the entities within the Incoming Assets and the Company as at 30 September, 2016 will lapse for the purpose of making application to CSRC. Therefore, such relevant financial information has been updated to 31 December 2016 accordingly. On 17 March 2017, the Board considered and approved the revised proposals in relation to the Proposed Issuance and Placing of A Shares and the updated relevant financial information in respect of the Transactions.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising Dr Lui Sun Wing, Mr. Kan Shun Ming and Dr. Chu Junhao, all being independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders on (a) whether (i) the transactions contemplated under the Acquisition Agreement and (ii) the Proposed Issuance and Placing of A Shares to SEC are entered on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and (b) how the Independent Shareholders should vote on the resolutions to be proposed at the EGM and Class Meetings. We, Huatai Financial Holdings (Hong Kong) Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

The Debt Capital Market Department (“DCM”) of Huatai Financial Holdings (Hong Kong) Limited was previously involved in a bond issue of the Company’s subsidiary, Shanghai Electric Newage Company Limited, details of which were disclosed in the Company’s announcement dated 17 March and 25 May 2015 (the “**Bond Issue**”). The Bond Issue and related matters (such as pricing, timing and procedures) were led by four other banks as joint global coordinators and these four banks coordinated with eight other joint bookrunners, including the DCM, on whether the bookrunners consented on the above mentioned matters. Thus, the DCM mainly focused on the marketing of the Bond Issue and did not provide financial advice.

As of 30 September 2016, our parent, Huatai Securities Co., Ltd., held in the A Shares of the Company and/or its subsidiary/associate. Set out below are the details of the shareholdings.

<p>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER (HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)</p>

Subject company	Number of A Shares held by Huatai Securities Co., Ltd.	% of total shares in issue of the subject Company
The Company	70,300	0.0005%
Shanghai Mechanical and Electrical Industry Co., Ltd. (A Share stock code: 600835) ¹	82,000	0.0080%

Note:

1. As at the Latest Practicable Date, the Company held approximately 47.83% of the total shares in issue of Shanghai Mechanical and Electrical Industry Co., Ltd.

Having considered that (i) our DCM's role as one of the joint bookrunners in the Bond Issue were mainly involved in the marketing the Bond Issue to investors, which does not fall within the ambit of financial adviser under Rule 13.84(5); and (ii) the shareholding of our parent in the Company and/or its subsidiary/associate is substantially below the 5% threshold under Rule 13.84(1), we are of the view that the aforementioned transaction or interest would not affect our independence as being independent financial adviser.

We confirm that (i) Huatai Financial Holdings (Hong Kong) Limited did not serve as a financial adviser to the Company and its subsidiaries (within the same meaning as defined in Listing Rule 13.84(5)) in the Bond Issue; and (ii) Huatai Financial Holdings (Hong Kong) Limited is independent pursuant to Listing Rule 13.84(5).

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group or where applicable, any of their respective associates. We consider ourselves being independent from and not connected with the Group or where applicable, any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the Acquisition Agreement and Proposed Issuance and Placing of A Shares to SEC.

BASIS OF OUR OPINION

In formulating our opinions and recommendations, we have relied on the statements, information, opinions and representations for matters relating to the Company contained in the Circular and the information and representations provided to us by the Company, the Directors and/or its management staff. We have assumed that all such statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular or otherwise provided or made or given by the Company, the Directors and/or its management staff and for which it is/they are responsible are true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete up to the date of the EGM and Class Meetings. We have assumed that all the opinions and representations for the matters

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

relating to the Company and its subsidiaries made or provided by the Company, the Directors and/or its management staff contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Company, the Directors and/or its management staff that no material facts have been withheld or omitted from the information supplied and referred to in the Circular.

We have also reviewed, among others, (i) the valuation reports with valuation date of 30 September 2016 in relation to each of the Incoming Equity Assets A provided by Orient Appraisal Co., Ltd.; (ii) the valuation reports with valuation date of 30 September 2016 in relation to the Target Properties prepared by Orient Appraisal Co. Ltd.; (iii) the property valuation report with valuation date of 31 January 2017 on the property rights of the Target Properties and the properties under SEC Property prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”); (iv) the audited report of the financial statements of Thales Saic issued by PricewaterhouseCoopers Zhong Tian LLP for the three years ended 31 December 2016; (v) the audited report of the financial statements of Shanghai Prime issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP for the three years ended 31 December 2016; (vi) the pro forma consolidated financial statements and review report of the Company, issued by PricewaterhouseCoopers Zhong Tian LLP for the two years ended 31 December 2016; (vii) the terms of engagement letters of Orient Appraisal Co., Ltd. and JLL (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the report, opinion or statements); (viii) the annual reports of the Company for each of the two years ended 31 December 2015; (ix) the interim reports of the Company for the six months ended 30 June 2015 and for the six months ended 30 June 2016; (x) the third quarterly report of the Company for the nine months ended 30 September 2016.

We have relied on such information and consider that the information we have reviewed is sufficient for us to reach an informed view and to justify our reliance on such information so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and the management of the Group and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospect of the Company, Incoming Assets or any of their respective subsidiaries and associates.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation, we have considered the following principal factors and reasons:

1. Background

(1) Background and general information of the Company and SEC

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.

SEC is the controlling shareholder of the Company holding approximately 58.12% equity interest in the total issued share capital of the Company as at the Latest Practicable Date. 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.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

(2) *Background and general information of the Incoming Assets*

(i) *Shanghai Prime*

Shanghai Prime is a joint stock company incorporated in the PRC with limited liability on 30 September 2005, the H Shares of which have been listed on the Main Board of the Hong Kong Stock Exchange under the stock code of 02345 since 2006. As at the Latest Practicable Date, SEC directly holds 678,576,184 domestic shares and indirectly holds 63,882,000 H Shares of Shanghai Prime through one of its subsidiaries, which amount to 47.18% and 4.44% of Shanghai Prime's total issued share capital, respectively. SEC has been the controlling shareholder of Shanghai Prime since its incorporation date in 2005. Upon the completion of the Proposed Acquisition, the Company will directly hold 47.18% equity interest in Shanghai Prime and SEC will indirectly hold 51.62% equity interest in Shanghai Prime, while the remaining 48.38% equity interest in Shanghai Prime will still be held by the public. Upon the completion of the Proposed Acquisition, Shanghai Prime will be a subsidiary of the Company and SEC will continue to be the ultimate controlling shareholder of Shanghai Prime.

Shanghai Prime is primarily engaged in the design, manufacture and sale of turbine blades, bearings, cutting tools, electric motors, fasteners and others, the provision of related technical consultancy services, domestic trade, the provision of manpower service, industrial investment and entrepot trade of goods and technical services.

Set out below is the audited consolidated financial information of Shanghai Prime for the three years ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	As at 31 December 2016 RMB <i>Ten Thousand</i>	As at 31 December 2015 RMB <i>Ten Thousand</i>	As at 31 December 2014 RMB <i>Ten Thousand</i>
Total assets	912,020.38	882,396.83	918,656.14
Total liabilities	577,371.46	562,613.50	593,780.75
Equity attributable to owners of the parent company	330,076.58	315,470.32	314,263.73

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

	For the year ended 31 December 2016 RMB Ten Thousand	For the year ended 31 December 2015 RMB Ten Thousand	For the year ended 31 December 2014 RMB Ten Thousand
Revenue	778,496.72	729,690.80	497,798.22
Profit before taxation	30,055.62	28,172.76	9,836.19
Net profit after taxation	20,314.89	18,647.98	8,004.34
Net profit attributable to owners of the parent company	20,340.09	18,520.32	7,997.67
Net profit attributable to owners of the parent company after deduction of non-recurring profit and loss	17,327.40	12,218.05	2,664.29

We noted that the post-tax non-recurring profit and loss attributable to shareholders of Shanghai Prime for each of the three years ended 31 December 2016 were approximately RMB53.33 million, RMB63.02 million and RMB30.13 million respectively, accounting for approximately 66.69%, 34.03% and 14.81% of the net profit attributable to shareholders of Shanghai Prime for each of the respective periods. The non-recurring profit and loss primarily represent government subsidies and proceeds from disposal of subsidiaries for the year ended 31 December 2014, government subsidies, discount in assets acquisition for the year ended 31 December 2015 and government subsidies for the year ended 31 December 2016. During the three years ended 31 December, 2016, the Company enjoyed growth in revenue and recurring profit and as a result, reducing its reliance on such non-recurring profit.

As at 31 December 2016, the audited net asset value of Shanghai Prime was approximately RMB3,346,489,162.72.

(ii) *Thales Saic*

Thales Saic is a company established under the PRC law with limited liability on 25 November 2011. Since the date of incorporation, Thales Saic has been a subsidiary of SEC. Upon the completion of the Proposed Acquisition, the Company will hold 50.10% equity interest in Thales Saic.

Thales Saic is primarily engaged in the provision of comprehensive solutions for automatic train control system to urban rail transit users, the provision of products introduced from Thales Group such as SelTrac[®] CBTC signaling system, TSTCBTC[®] 2.0 signaling system, and TSTram[®] modern tram management and control system, and the maintenance service in respect of system operation based on customers' demands, including the daily inspection, patrol, maintenance and repair of the equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER (HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)
--

Set out below is the audited consolidated financial information of Thales Saic for the three years ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	As at 31 December 2016 RMB <i>Ten Thousand</i>	As at 31 December 2015 RMB <i>Ten Thousand</i>	As at 31 December 2014 RMB <i>Ten Thousand</i>
Total assets	98,655.63	80,050.11	61,863.72
Total liabilities	63,505.12	50,917.67	36,730.28
Owners' Equity	35,150.51	29,132.44	25,133.44
	For the year ended 31 December 2016 RMB <i>Ten Thousand</i>	For the year ended 31 December 2015 RMB <i>Ten Thousand</i>	For the year ended 31 December 2014 RMB <i>Ten Thousand</i>
Revenue	86,084.52	68,261.93	51,792.76
Profit before taxation	8,036.71	6,396.63	5,072.65
Net profit after taxation	7,411.63	5,806.49	4,519.01
Net profit after deduction of non-recurring profit and loss	6,685.60	5,574.76	4,195.97

We note that the post-tax non-recurring profit and loss of Thales Saic for each of the three years ended 31 December 2016 were approximately RMB3.23 million, RMB2.32 million and RMB7.26 million respectively, accounting for approximately 7.15%, 3.99% and 9.80% of the net profit of Thales Saic for each of the respective periods. The non-recurring profit primarily represent government subsidies throughout this period.

As at 31 December 2016, the audited net asset value of Thales Saic was approximately RMB351,505,107.33.

(iii) SEC Property

SEC Property is a company established under the PRC law with limited liability on 29 April 1998. Since the date of incorporation, SEC Property has been a subsidiary of SEC. Upon the completion of the Proposed Acquisition, SEC Property will be a wholly-owned subsidiary of the Company.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

SEC Property is a specialized platform for operation and management of real estate assets under SEC, which focuses on management of real estate, disposal of the real estate resources on hand and development of industrial real estate on hand.

Set out below is the audited consolidated financial information of SEC Property for the three years ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC:

	As at 31 December 2016 RMB <i>Ten Thousand</i>	As at 31 December 2015 RMB <i>Ten Thousand</i>	As at 31 December 2014 RMB <i>Ten Thousand</i>
Total assets	146,993.42	182,436.03	171,524.30
Total liabilities	39,623.44	27,787.52	21,589.54
Owner's equity	107,369.98	154,648.51	149,934.76
	For the year ended 31 December 2016 RMB <i>Ten Thousand</i>	For the year ended 31 December 2015 RMB <i>Ten Thousand</i>	For the year ended 31 December 2014 RMB <i>Ten Thousand</i>
Revenue	117,229.34	40,004.69	108,445.68
Profit before taxation	26,996.57	13,899.50	21,594.81
Net profit after taxation	20,358.34	10,423.68	16,040.10
Net profit after deduction of non-recurring profit and loss	18,321.48	5,364.67	14,460.73

We note that the post-tax non-recurring profit and loss attributable to shareholders of SEC Property for each of the three years ended 31 December 2016 were approximately RMB15.79 million, RMB50.59 million and RMB20.37 million respectively, accounting for approximately 9.85%, 48.53% and 10.00% of the net profit attributable to shareholders of SEC Property for each of the respective periods. The non-recurring profits primarily represent government subsidies for the year ended 31 December 2014 and for the year ended 31 December, 2016. The non-recurring profit for the year ended 31 December, 2015 primarily represents government subsidies and compensation paid to SEC Property according to court decision on a legal proceeding.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

As at 31 December 2016, the audited net asset value of SEC Property was approximately RMB1,073,699,799.14.

As at 30 September 2016, SEC Property owned 66 properties located in Shanghai, the PRC, of which the total floor area is 180,747.92 square metres and the book value RMB591,753,176.47, representing 38.57% of the total assets of SEC Property in value. As at 30 September 2016, the valuation of above properties as conducted by qualified PRC valuer was RMB2,380,564,756.72, representing 92.42% of the valuation of 100% equity interest in SEC Property. The Company has not yet made detailed plans to change the existing operating schedules and future usages of the aforementioned 66 properties, in light of the fact that the Company focuses on the acquisition of SEC Property as a professional operation and management platform of real estate for the Company. The Company expects that after the completion of the Transactions, it will consider possible overall comprehensive planning to combine the original industrial development plan of the Company with that of SEC Property.

Among the aforementioned 66 properties owned by SEC Property, 22 properties were government allocated land, granted land (government assigned land without purchase price payment), authorized operation land or land used to perform responsibilities and obligations under land use agreement, and three properties do not have title certificates (together with the aforementioned 22 properties referred to as the “**Improperly Used Properties**”).

In respect of the abovementioned 22 properties, as confirmed by SEC Property, such properties were legally obtained by SEC Property for historical reasons and are currently under normal use by SEC Property. As inspected by the PRC legal advisor of the Company, SEC Property has the legitimate title certificates of the aforementioned 22 properties but such 22 properties are subject to the completion of relevant land granting procedures and change of the nature of the land use rights before SEC Property can have legal rights to use, transfer, lease, mortgage or dispose of such properties through other legal means pursuant to the relevant PRC laws and regulations. SEC Property is proactively in the process of completing land granting procedures to replace relevant title certificates for abovementioned 22 properties, the progress of which and the Company’s plan as at the Latest Practicable Date are as follows:

- (i) SEC Property has already entered into land use rights grant contracts for the 18 properties. As confirmed by SEC Property, it is still in the process of paying the landing transfer fees and completing title certificates registration. The PRC legal advisor of the Company is of the opinion that there would be no legal impediment for SEC Property to change the nature of the land use rights of such 14 properties and replace their title certificates after satisfaction of relevant procedural requirements. The Company

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

and SEC will make every effort to procure SEC Property to complete the replacement of relevant title certificates for such 18 properties. Taking into account the progress of land granting procedures and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

- (ii) in respect of two properties (two parcels of land located at Tiantongan Road No. 121 and Tiantongan Road No. 465), which have been listed in the scope of land reservation by local government, SEC Property has received notices of land reservation from Shanghai Jingan District Land Reservation Centre, and will enter into land reservation contracts in due course. The PRC legal advisor is of the opinion that the implementation of the aforementioned land reservation process will not be affected by the current status of such properties failing to complete land granting procedures or replace relevant title certificates. The Company will negotiate with relevant counterparties to determine the compensation amount based on various factors (including but not limited to market conditions, regulatory policies and relevant cost) when entering into the relevant land reservation and compensation contracts. Taking into account the arrangement of land reservation for such two properties and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

- (iii) in respect of two properties (two parcels of land located at No. 203 Fenzhou Road and No. 9, Lane 735, Jiangpu Road), SEC Property could not complete land granting procedures for such two properties due to relevant PRC governmental policies. SEC Property may be subject to restrictions in offering such properties for transfer, lease, as security for mortgage or otherwise in disposal of such properties through other legal means. As confirmed by SEC Property, SEC Property can continue to occupy and use in normal ways such two properties (as residential properties) currently, which are expected to be occupied and used for the original purposes by the Company in the future. The total floor area and valuation of such properties are approximately 117.53 sq.m. and RMB5,322,471.00, accounting for 0.065% and 0.22% in the total floor area and in total valuation of all properties owned by SEC Property. Taking into account that the total floor area and valuation of such two properties only account for a small

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

portion of the total floor area and total valuation of all properties owned by SEC Property, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

In respect of the three properties without title certificates, SEC Property is subject to restrictions in possession, utilization, entitlement to profit from and disposal of such properties according to the relevant PRC laws and regulations. As at the Latest Practicable Date, the progress for obtaining the title certificates of such three properties and the Company's plan are as follows:

- (i) in respect of two properties (two parcels of land located at Tianshui Road No. 109 and Chenhang Branch Road No. 365) which have been listed in the scope of demolition and expropriation, SEC Property has received the relevant notices of demolition and expropriation from the local government and would enter into the compensation contracts concerning the relevant demolition and expropriation in due course. The PRC legal advisor of the Company is of the opinion that the implementation of such demolition and expropriation process will not be affected by the current status of such properties without title certificates. The Company will negotiate with relevant counterparties to determine the compensation amount based on various factors (including but not limited to market conditions, regulatory policies and relevant cost) when entering into the relevant demolition and compensation contracts. Taking into account the arrangement of demolition and expropriation for such two properties and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such lands without title certificates will not have material adverse impact on the Company.
- (ii) in respect of the remaining one property (one building located at Hill No. 1 Block 76, Jinqiao Export Processing Zone), SEC Property owns the land title certificate of such land where the building is located, but SEC Property is still in the process of obtaining building title certificate of such building. The PRC legal advisor of the Company is of the opinion that there would be no legal impediment for SEC Property to obtain relevant title certificate upon the fulfillment of relevant planning, construction and acceptance procedures according to relevant laws. The Company and SEC will try their uttermost to procure SEC Property to obtain such building title certificate. Taking into account the progress of obtaining building title certificates and the above opinion of the PRC legal advisor, the Board is of the

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

view that the above status of such property without building title certificates will not have material adverse impact on the Company.

The total floor area and valuation of three properties without title certificates are approximately 25,186.7 sq.m. and RMB49,666,830, accounting for 13.93% and 2.09% of the total floor area and total valuation of all properties owned by SEC Property.

As confirmed by SEC Property, as at the Latest Practicable Date, SEC Property has neither received any warnings or penalties from regulators nor received any claims filed by any third party in relation to the Improperly Used Properties. According to the Acquisition Agreement, SEC has undertaken to compensate the Company for relevant economic losses incurred if the Company is deprived of the normal rights of use of any of such properties due to the aforementioned improper use of lands and buildings. 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.

As at 30 September 2016, the valuation of aforementioned 66 properties as conducted by qualified PRC valuer was RMB2,380,564,756.72. The valuation by the qualified PRC valuer was conducted in accordance with relevant PRC laws and regulations on the valuation of assets, in order to provide a reference price in relation to the assets to be acquired. The aforementioned valuation for the 66 properties was different from the valuation of RMB1,042,841,000 as at 31 January 2017 conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), the qualified international property valuer. Up to 31 January 2017, among the aforementioned 66 properties, one property^{note 1} has been transferred to Shanghai Jingan District Land Reservation Centre., and the other one property^{note 2} has been transferred to Shanghai Jingan Metro Investment Co., Ltd., therefore such two properties have been excluded from the valuation scope of JLL, of which the valuation as conducted by qualified PRC valuer

Note 1: In respect of the property located at Wenshui Road No.51, Shanghai Jingan District Land Reservation Centre and SEC Property have entered into the State-owned Land Use Rights Reservation Purchase Contract in respect of such property on 16 May 2016, pursuant to which the reservation land area is approximately 10,442 sq.m and the gross floor area is approximately 5,869.28 sq.m. The reservation price for above property is RMB266,630,000. SEC Property has received part of the considerations for the transferral of the property located at Wenshui Road No.51 while the remaining part is expected to be received within 6 months.

Note 2: In respect of the property located at Shimenyi Road No. 239 to 243, Shanghai Jingan Metro Investment Co., Ltd and Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property) have entered into the Non-Residential Building Demolishment Compensation Contract in respect of such property on 16 January 2014, pursuant to which such property has a site area of approximately 1,589 sq.m and a gross floor area of approximately 5,099.92 sq.m. The total compensation amount for such property is RMB171,248,303. The compensation is expected to be received in the next year.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

was RMB247,550,167 as at 30 September 2016. For the remaining 64 properties, JLL only took into consideration of the 39 pieces of granted land (including the land and buildings on the land) and the land of the property located at Hill No. 1, Block 76, Jinqiao Export Processing Zone, Pudong New District, Shanghai (the land title certificate has been obtained) (the valuation of these pieces of lands as of 30 September 2016 is RMB1,033,590,092 according to the valuation made by the qualified PRC valuer). As for the 24 properties and the buildings of the property located at Hill No. 1, Block 76, Jinqiao Export Processing Zone, Pudong New District, Shanghai (the building title certificate has not been obtained), JLL is of the opinion that, since the aforementioned pieces of land are under above circumstances as at 31 January 2017 (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 pieces of land (including the land and buildings and structures on the land) as at 31 January 2017 would be RMB1,122,560,000, 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 aforementioned pieces of land, which has not obtained proper title certificate or has been listed in the scope of land reservation or demolishing 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.

(iv) Target Properties

The Target Properties to be acquired under the Acquisition Agreement includes land use rights for the 26 parcels of land located at Shanghai, the PRC, the buildings and structures erected thereon, together with equipment and machines, held by SEC.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

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

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Use of Land	Use of Building	Future plans and use of lands by the Company
1	No. 815 Changjiang West Road	10,739.90	8,201.82	Granted	Industrial	Industrial building	For the Company's future use in the development of relevant industrial robots business, such as warehousing and logistics, sales services, and product demonstrations, etc.
2	No. 110 Sichuan Middle Road	996.00	6,479.98	Government allocated (Authorized Operation)	Office	Office building	Will continue to be leased by Shanghai Electric Group Finance Co., Ltd., a subsidiary of the Company
3	No. 10-20 Lane 126 Sichuan Middle Road	1,617.00	6,855.00	Granted (Authorized Operation)	Commercial	–	Will continue to be leased by Shanghai Electric Group Finance Co., Ltd., a subsidiary of the Company
4	No. 18 & 28 Changji Road Anting Town	81,412.00	31,062.58	Granted, (Government assigned land without purchase price payment)	Industrial	Industrial building	For the Company's future use in the manufacture of high-efficiency photovoltaic, biomass power generation and plant energy saving systems, etc.
5	No. 950 Huyi Highway Nanxiang Town	16,101.00	12,503.86	Granted	Industrial	Industrial building	For the Company's future use in the research and development and manufacture of energy storage battery
6	No. 1 Lane 4299 Longwu Road	51,598.70	35,177.55	Granted	Industrial	–	For the Company's future use in the development of power plant services business, including technical renovation, maintenance, performance improvement and remote fault diagnosis, etc.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Use of Land	Use of Building	Future plans and use of lands by the Company
7	No. 4399 Yindu Road	54,453.90	32,834.24	Granted	Industrial	Industrial building	Will continue to be leased by Shanghai Tian An Bearing Company Limited, a subsidiary of Shanghai Prime
8	No. 250 Jinggu Road	28,727.00	15,075.00	Granted	Industrial	Industrial building	For the Company's future use in the research and development, manufacture and sales of sensors, control cabinets and other products in the industrial automation business
9	No. 1111 Humin Road	73,542.00	27,248.32	Granted	Industrial	-	Will continue to be leased by Shanghai United Bearing Company Limited, a subsidiary of Shanghai Prime
10	No. 555 Jiangchuan Road	761.00	24.00	Granted (Government assigned land without purchase price payment)	Industrial	-	Will continue to be leased by Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., a subsidiary of the Company
11	No. 668 Ningqiao Road	26,411.00	21,327.68	Transfer	Industrial	Industrial building	For the Company's future use in development, trial production, sales and service of aviation automated production line system
12	No. 8 Guangxing Road Songjiang District	59,134.50	23,886.65	Government allocated	Industrial	Industrial building	For the Company's future use in the research and development, manufacture, and sales services of a new generation sensors and system integration in automated production line

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Use of Land	Use of Building	Future plans and use of lands by the Company
13	No. 35 Yongfeng Road	22,658.00	12,529.00	Government allocated	Industrial	Industrial building	For the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.
14	No. 255 Ledu Road	35,159.00	14,670.00	Government allocated	Industrial	Industrial building	For the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.
15	No. 236 Fangta North Road	42,946.00	26,643.04	Granted	Industrial	Industrial building	For the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.
16	No. 32 Beinei Road	107,605.00	41,576.00	Transfer	Industrial	Industrial building	For the future use by SEC Property in its supporting fund raising projects
17	No. 141 Shijie Road	7,613.00	6,517.00	Granted	Industrial	-	For the future use by Shanghai Electric Power Transmission and Distribution Group Co., Ltd., a subsidiary of the Company, in its technology research and development of intelligent distribution network and as office buildings

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Use of Land	Use of Building	Future plans and use of lands by the Company
18	No. 1076 Jungong Road	923.00	53.00	Government allocated	Industrial	Industrial building	Will continue to be leased by Shanghai Fujikura Cable Co., Ltd., a subsidiary of the Company
19	No. 1050, 1060 Jungong Road	20,761.00	19,497.56	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
20	No. 1140 Jungong Road (1/5 Qiu, 240 Block, Changbai Street)	9,012.00	8,069.33	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
21	No. 1140 Jungong Road (1/4 Qiu, 240 Block, Changbai Street)	3,701.00	2,792.10	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
22	No. 1140 Jungong Road (1/7 Qiu, 240 Block, Changbai Street)	6,301.00	4,558.99	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime
23	No. 1140 Jungong Road (1/6 Qiu, 240 Block, Changbai Street)	3,851.00	2,678.80	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	Will continue to be leased by Shanghai Tool Works Company Limited, a subsidiary of Shanghai Prime

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

No.	Location	Site Area (sq.m)	Gross Floor Area (sq.m)	Source of land use rights	Use of Land	Use of Building	Future plans and use of lands by the Company
24	No. 3301 Gonghe New Road	68,336.00	18,996.00	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	For the future use by SEC Property in its supporting fund raising projects
25	No. 191 West Guangzhong Road	65,237.00	45,479.67	Granted (Government assigned land without purchase price payment)	Industrial	Industrial building	For the Company's future use in the research and development, manufacture, system integration and sales service of the automatic control system for municipal engineering and energy engineering in industrial automation business
26	No. 571 North Tibet Road	851.70	3,223.71	Transfer	Office	Office building	For the Company's future use in the research and development of forward-looking technologies, such as wind, light multi-energy complementary, rehabilitative robot, etc.

15 pieces of land among the Target Properties are government allocated land, authorized operation land or government assigned land without purchase price payment. According to article 11(4) of 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》), the ownership of the incoming assets to be acquired in the Transactions shall be clear, and there should not exist any legal obstacle in the transfer of the ownership of such assets. Therefore, the completion of the land granting procedures and obtaining relevant title certificates of such assets by SEC is a condition precedent for the completion of the Proposed Acquisition. According to the Acquisition Agreement, SEC has made an undertaking that, in relation to the aforementioned 15 pieces of land, it will enter into land use rights grant contracts before 28 December 2016, and complete the land granting procedures and obtain relevant title certificates before 31 March 2017. As of the Latest Practicable Date, SEC has entered into land use rights grant contracts in respect of the abovementioned 15 pieces of land. As confirmed by SEC, it is still in the process of paying land

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

transfer fees and completing title certificates registration. The PRC legal advisor of the Company is of the opinion that, there does not exist any legal obstacle for transfer of such land after the completion of land granting procedures and obtaining relevant title certificates of aforementioned 15 pieces of land. In the event that SEC could not obtain the relevant title certificates for such lands before 31 March 2017, the Company and SEC will assess the actual situation and negotiate to postpone the Proposed Acquisition.

According to the Acquisition Agreement, SEC has undertaken to compensate the Company for relevant economic losses incurred if the Company is deprived of the normal rights of use of any of such properties due to the aforementioned improper usage of land and buildings. 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. According to normal market practice, the aforesaid compensation includes but not limited to cash settlement.

As at 30 September 2016, the audited book value of the Target Properties was approximately RMB1,001,726,500. The valuation of the Target Properties as conducted by the qualified PRC valuer was RMB2,805,561,340.17 as at 30 September 2016, including the valuation of the aforementioned 15 pieces of land (including the land, buildings and structures on the land and equipment) of RMB1,725,667,597.80 and the valuation of the remaining 11 pieces of land (including the land and buildings on the land) of RMB1,079,893,742.37. The valuation by the qualified PRC valuer was conducted in accordance with relevant PRC laws and regulations on the valuation of assets, in order to provide a reference price in relation to the assets to be acquired.

As at 31 January 2017, the unaudited book value of the Target Properties was approximately RMB968,943,725.56. The above valuation was different from the valuation of RMB1,112,466,000 as at 31 January 2017 conducted by JLL. JLL only took into consideration of the 11 pieces of granted land (including the land and buildings and structures on the land) and portion of the land of the property located at No.18 & 28, Changji Road, Anting Town, Jiading District, Shanghai of which the title certificates have been obtained (the valuation of these lands as of 30 September 2016 is RMB1,099,709,832 according to the valuation made by the qualified PRC valuer). As for the 14 pieces of land and the remaining portion of the land of the property located at No. 18 & 28, Changji Road, Anting Town, Jiading District, Shanghai in respect of which the land use rights grant contracts are in the process of being signed and the title certificates of which have not been obtained, JLL is of the opinion that, since the title certificates of the aforementioned pieces of land were still in the process of being obtained as at 31 January 2017 (i.e. 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

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

the opinion that the market value of the aforementioned pieces of land (including the land and buildings and structures on the land) as at 31 January 2017 would be RMB1,700,975,000, 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 aforementioned 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.

(3) *The Group’s business development strategy*

As stated in the Letter from the Board, 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 utilization 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.

As disclosed in the Annual Report 2014 and Interim Report 2015, the Company expected to expand its major businesses in the energy equipment segment, the high efficiency and clean energy equipment segment and the industrial equipment segment. As further disclosed in the Annual Report 2015 and Interim Report 2016, the Company strives to adhere to the development theme of innovation and development and one of the Company’s key goals is to transform itself into a multinational group with global presence and operations, international competitiveness and brand influence.

The Proposed Acquisition enables the Company to optimize its business structure by further transforming its traditional energy business to the clean energy business, upgrading its traditional manufacturing business to the intelligent manufacturing business and expanding its modern services. Furthermore, the Directors believe that the Company and the entities within the Incoming Assets will achieve enhancement in resources sharing and research and development capabilities, so as to promote innovation and industrial transformation.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

(4) Reasons and Benefits for the Proposed Acquisition

The Company proposed to acquire business segments in respect of key basic components manufacturing and rail transit which will be beneficial to the Company to enhance its strength of high-end manufacturing and grasp transit segment resources. It will improve the completeness of the Company's existing industry chain and its capability of diversified operation and assist it in becoming the leading integrated solution provider in the industry.

Acquiring Shanghai Prime provides the Company with an industry leading position in machinery components and parts manufacturing technologies. Shanghai Prime's products are used in the automotive, industrial application and service, energy (including traditional and new energy), railway and aerospace industries. Thus, Shanghai Prime will promote synergy with the Company in respect of the electrical machine businesses (such as thermal power, nuclear power and wind power) as well as rail transit business.

The Directors also believe that acquiring Thales Saic enables the Company to achieve industry-leading capabilities in rail transit signaling system technologies. Thales Saic provides comprehensive solutions for automatic train control systems to urban rail transit users and maintenance service in respect of system operation. Thus Thales Saic will enhance the synergy with the Company in respect of the rail transit business.

In addition, the Company and the proposed incoming target company in this transaction have business relations in respect of power generation, power transmission and power distribution, which constitute long-term routine connected transactions. The incoming of target companies into the Company is conducive to reducing the amounts of connected transactions, enhancing the independence of the Company, and thus improving the quality of the Company's assets and its financial positions, boosting its sustainable profitability and better protect the interests of minority shareholders. The Company's operation will better meet the requirements of market supervision, which is beneficial to promote the Company's future capital operation.

Acquiring the Target Properties provide important land reserves for the industrial development of the Company. In particular, the Company is actively transforming part of its original business and demand for industrial land may increase along such business transformation. The acquisition of SEC Property enables the Company to be equipped with management and development capabilities in respect of land and real estates (including industrial real estates).

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Having considered (i) the optimization of business and asset structures as mentioned above; (ii) increase in diversity of products as a result of enhancement of the existing industry chain; (iii) the increase of high quality resources reserves; and (iv) the addition of specialised operation and management skills in respect of land and real state, we concur with the view of the Directors that the Proposed Acquisition, taken as a whole, is in the interest of the Company and the Shareholders as a whole.

Upon Completion of the Proposed Acquisition, Shanghai Prime, Thales Saic and SEC Property will become subsidiaries of the Company and their financial results will be consolidated into the account of the enlarged Group. According to the audited reports of the financial statements of each of the Incoming Assets, the net asset value of each of the Incoming Assets is positive. According to the valuation reports provided by Orient Appraisal Co., Ltd, valuation of each of the Incoming Assets is positive.

The settlement by way of issuance of Consideration Shares could allow the Company to acquire the Incoming Assets without immediate cash outflow, which could enhance the financial flexibility and increase the capital base of the Company.

Having considered that (i) the issue of the Consideration Shares would allow the Company to own the Incoming Assets without incurring cash flow for the Proposed Acquisition; (ii) the issuance of Consideration Shares would not increase the debt to asset ratio and would not increase the future interest expenses to the Company; and (iii) the resources, technology and expertise of SEC would further facilitate the development of the industrial equipment manufacturing business of the Company, we concur with the view of the Directors that the issue of the Consideration Shares is in the interest of the Company and the Shareholders as a whole.

(5) *Reasons and Benefits for the Proposed Issuance and Placing of A Shares*

Subject to the completion of the transaction contemplated under the Acquisition Agreement, the Company proposed to issue A Shares to no more than 10 specific target subscribers (including SEC and Shanghai Guosheng Group Investment Co., Ltd.). The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares will be no more than RMB3,000,000,000 and the number of the A Shares to be issued shall not exceed 20% of the total number of shares for the total share capital of the Company prior to the Proposed Acquisition, i.e. 2,686,231,286 A Shares. The result of the Proposed Issuance and Placing of A Shares, whether successful or not, shall not affect the implementation of the transaction contemplated under the Acquisition Agreement. The proceeds will be used for different purposes as stated under the section headed "1. Principal Terms of the Proposed Issuance and Placing of A Shares" in "III. Proposed Issuance and Placing of A Shares" in the Letter from the Board. For each of the four investment projects which the Company intended to invest in fixed assets and the construction of, namely, (i) Emerging Industrial Park Development Project at Gonghe New Road

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

(which, upon completion, provides a platform for the development of emerging industries); (ii) Innovative Industry Park Reformation Project at Beinei Road (which involves the development of a modernised innovative industrial park zone); (iii) Technology Innovative Park Reformation Project at Jinshajiang Branch Road (which involves the development of a complex comprising a technology innovative park); and (iv) Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road (which involves the development of a complex comprising mainly research, development, manufacturing and sales of cables and 3D printing equipment system in the intelligent manufacturing industry), we have obtained and reviewed the feasibility studies prepared by the Company for evaluating such projects. Taking into account that (i) the aggregate investment amount of the abovementioned four projects and related tax fees and other expenses as contained in the management budget of the feasibility studies are estimated to amount to approximately RMB4,060 million, of which approximately RMB3,000 million of the proceeds is proposed to be applied in these four projects and relevant tax fees and other expenses of the transactions; (ii) the broad industry trend or information for each of these projects involved as contained in the feasibility studies as considered by the management is expected to have a positive outlook in the future and to be in line with the Company's development theme of innovation and development; and (iii) the expected implementation timetable for each of the projects as contained in the feasibility studies, the Proposed Issuance and Placing of A Shares therefore would help provide new business opportunities, such as in innovative and high-end manufacturing industries. Having considered the aforesaid, we are of the view that the size of the Proposed Issuance and Placing of A Shares, which the corresponding proceeds to be generated will be used for investment into different projects and related tax fees and other expenses, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Acquisition Agreement

2.1 Consideration for the Incoming Equity Assets A, Target Properties and Incoming Equity Assets B

(1) Basis of the consideration for the Incoming Equity Assets A, Target Properties and Incoming Equity Assets B

The consideration for the Incoming Equity Assets A and the Target Properties of RMB5,644,345,484.70 was 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. As at the date of this circular, the Company has completed the filing of the valuation reports with Shanghai SASAC, and has obtained the confirmation for the valuation results from Shanghai SASAC.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Set out below is a summary of book value as at 31 December 2016 and valuation as at 30 September 2016 of the net assets of Incoming Equity Assets A:

Asset	Book value as at 31 December 2016 (RMB Ten Thousand)	Valuation as at 30 September 2016 (RMB Ten Thousand)
50.10% of equity interest in Thales Saic	17,610.41	26,302.50
100% of equity interest in SEC Property	107,369.98	257,575.91

The consideration for each of the 50.10% of equity interest in Thales Saic and 100% of equity interest in SEC Property is equal to their valuation respectively. We noted that the valuation of Thales Saic is greater than its audited book value, mainly due to release of equity value under the income approach. For SEC Property, the valuation is greater than its audited book value, mainly due to the appreciation of the value of investment properties.

Set out below is a summary of book value and valuation of the Target Properties as at the Valuation Benchmark Date:

Items of Target Properties	Book Value (RMB Ten Thousand)	Valuation (RMB Ten Thousand)
Land use rights	41,661.99	159,715.59
Buildings	55,713.88	118,168.42
Equipment	2,796.78	2,672.12
Total	100,172.65	280,556.13

The consideration for the Target Properties is equal to its valuation. The valuation of Target Properties are greater than their book value mainly due to the appreciation of land use rights and office buildings.

The consideration for the Incoming Equity Assets B (47.18% equity interest in Shanghai Prime) of RMB983,935,466.80 was determined in accordance with the Interim Measures for the Administration of State-owned Shareholders' Transfer of Their Shares of Listed Companies (Order No. 19 of the State-owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission) (《國有股東轉

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

讓所持上市公司股份管理暫行辦法》(國務院國有資產監督管理委員會、中國證券監督管理委員會令第19號)) and after arm's length negotiations, being the arithmetic average of the daily weighted average stock price of H shares of Shanghai Prime for 30 trading days prior to the date of the Acquisition Agreement (i.e. 14 November 2016) (i.e. RMB1.45 per share) multiplying the number of shares corresponding to 47.18% equity interest in Shanghai Prime (i.e. 678,576,184 shares).

In the event that Shanghai Prime 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 date of the Acquisition Agreement to the Completion Date, the corresponding adjustments shall not be made to the consideration for the Incoming Equity Assets B.

Based on the above, the total consideration for the Incoming Assets is RMB6,628,280,951.50.

(2) *Agreement for profit or loss for the period*

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

(3) *Valuation method*

Pursuant to Rule 13.80(2)(d) of the Listing Rules, we have reviewed the qualification and experience of Orient Appraisal Co., Ltd. in relation to the performance of the valuation of the Incoming Equity Assets A and the Target Properties and the qualification and experience of JLL in relation to the property rights of the Target Properties and the properties under SEC Property based on the information available. We noted that Orient Appraisal Co., Ltd. and JLL have experience in performing valuation services for a large number of enterprises covering a wide range of industries in the PRC. According to the website of CSRC at <http://www.csrc.gov.cn> and the website of the Ministry of Finance <http://www.mof.gov.cn>, we further noted that Orient Appraisal Co., Ltd. is one of the qualified asset appraisal firms authorized by the CSRC and the Ministry of Finance of the PRC to perform asset appraisal works in the PRC. We are given the understanding that it has possessed sufficient qualifications and experience in valuing assets similar to that of Incoming Equity Assets A and the Target Properties for a number of listed companies in the PRC and Hong Kong over the years. Orient Appraisal Co., Ltd. and JLL also confirmed that all relevant material information provided by the Company had been incorporated in their valuation reports. In addition, we have also reviewed their terms of engagement and noted that the scope of work is appropriate to the opinion required to be given and we are

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the valuation reports. Based on the above, we are of the view that the scope of work of Orient Appraisal Co., Ltd. and JLL are appropriate and they are qualified to perform the valuations of the Incoming Equity Assets A and the Target Properties.

Valuation of Incoming Equity Assets A

We have reviewed the valuation reports prepared by Orient Appraisal Co., Ltd. as set out in the Appendices to the Announcement published in Shanghai Stock Exchange dated 14 November 2016 and to the Circular, and discussed with Orient Appraisal Co., Ltd. regarding the methodologies adopted, and bases and assumptions used in arriving at the valuations of the Incoming Equity Assets A. In addition, we enquired into the steps and due diligence measures taken by Orient Appraisal Co., Ltd. for conducting the valuation. As advised by Orient Appraisal Co., Ltd., there are three common valuation approaches for determining the enterprise value of a company, namely the income approach, the market approach and asset-based approach.

With respect to the valuation of Thales Saic, we understand from Orient Appraisal Co., Ltd that it is very difficult to quantify its intangible assets, such as unassignable goodwill, including research and development capabilities, business qualification, service platform, management team and brand advantage per asset-based approach. In addition, Thales Saic has recorded a stable historical operating performance, thus the income approach can better reflect its intrinsic value objectively and comprehensively. Furthermore, there are no comparable transactions and related information from public market. Thus, it is not appropriate to adopt market approach. The asset-based approach is to appraise the value of the appraised object by reasonably appraising the itemized assets and liabilities, which means calculating the value of the total shareholders' equity by subtracting the appraised value of liabilities from the total value of itemized assets. The income approach aims to reflect the enterprise value with a perspective of future profitability for enterprise. The market approach refers to comparison between the enterprise under valuation and similar enterprises in comparable transactions. Having considered the above factors, we concur with Orient Appraisal Co., Ltd.'s view that the income-approach would be the preferred approach for the valuation of Thales Saic.

With respect to the valuation of the SEC Property, we understand from Orient Appraisal Co., Ltd. that the asset-based approach can reflect the value of the enterprise from the perspective of replacement cost (by way of replacing historical cost with market value of individual assets and liabilities). Taking into account that the assets of SEC Property mainly consist of investment real estate having been obtained by SEC Property for a long time, and the market price for real estate surged recently, thus the asset-based approach can better reflect the market value of the relevant assets. As the

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

future profit of SEC Property shall be majorly generated from rent income and trust management income. The rent income for property is not matched with the sales price in Shanghai Real Estate Market so far. The income approach can not reflect market value for SEC Property objectively. Thus the income approach is not appropriate for the valuation of such assets. Market approach is not considered to be appropriate since it is difficult to acquire the financial information on similar non-listed companies in the same industry from public market. We have also reviewed two samples of valuation reports as published in circulars of companies listed on the Hong Kong Stock Exchange and note that asset-based approach had also been used in the absence of identifiable market comparables. Having considered the above factors, we concur with Orient Appraisal Co., Ltd.'s view that the asset-based approach would be the more appropriate approach for the valuations of SEC Property.

Under the asset-based approach for SEC Property, properties are valued using different sub-approaches. (i) As the industry plants were designed in a customized way for individual users and there are not comparable transactions, they are valued per replacement cost approach; (ii) As for industry lands, residential houses, office and commercial buildings, there are lots of similar land deal cases nearby, thus market approach is adopted. We have (i) looked into the valuation assumptions and information for SEC Property in relation to, among others, the nature, location, area, use, conditions, histories and etc. of the properties and we note that these assumptions are fair and reasonable; (ii) reviewed two samples of valuation reports as published in circulars of companies listed on the Hong Kong Stock Exchange and note that replacement cost approach had also been used in the absence of identifiable market comparables; (iii) reviewed six valuation samples for industry plants under the replacement cost approach; and (iv) reviewed six samples of comparable property transactions and concur with the view of Orient Appraisal Co., Ltd that those samples are of similar nature in terms of transaction conditions, transaction date, area conditions and individual conditions as those properties valued under market approach.

In assessing the fairness and reasonableness of the key assumptions adopted in the valuation of the properties of SEC Property, we note that Orient Appraisal Co., Ltd. has made various key and general assumptions, including, amongst others, (i) open-market hypothesis; (ii) continuous use hypothesis; (iii) continuous operation hypothesis; (iv) stable political, economic and social environment; (v) no material changes in relevant laws, regulations or policies in the PRC; (vi) no material changes in the applicable tax policies, tax rates, credit policies, interest rates or exchange rates, etc. Based on our discussions with Orient Appraisal Co., Ltd., we concur with their view that these assumptions are often adopted for valuation of properties and are fair and reasonable. We have also reviewed two samples of valuation reports as published in circulars of companies listed on the Hong Kong Stock Exchange and note that these assumptions are commonly adopted for valuation of properties and are consistent with market practice.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Having reviewed the above mentioned information, we concur with Orient Appraisal Co. Ltd.'s view that the abovementioned approaches for properties are the appropriate valuation approaches and the assumptions are fair and reasonable for the valuation of the properties of SEC Property.

As at 30 September 2016, SEC Property owned 66 properties located in Shanghai, the PRC, of which the total floor area is 180,747.92 square metres and the book value RMB591,753,176.47, representing 38.57% of the total assets of SEC Property in value. As at 30 September 2016, the valuation of above properties as conducted by qualified PRC valuer was RMB2,380,564,756.72, representing 92.42% of the valuation of 100% equity interest in SEC Property. The Company has not yet made detailed plans to change the existing operating schedules and future usages of the aforementioned 66 properties, in light of the fact that the Company focuses on the acquisition of SEC Property as a professional operation and management platform of real estate for the Company. The Company expects that after the completion of the Transactions, it will consider possible overall comprehensive planning to combine the original industrial development plan of the Company with that of SEC Property.

Among the aforementioned 66 properties owned by SEC Property, 22 properties were government allocated land, granted land (government assigned land without purchase price payment), authorized operation land or land used to perform responsibilities and obligations under land use agreement, and three properties do not have title certificates (together with the aforementioned 22 properties referred to as the “**Improperly Used Properties**”).

In respect of the abovementioned 22 properties, as confirmed by SEC Property, such properties were legally obtained by SEC Property for historical reasons and are currently under normal use by SEC Property. As inspected by the PRC legal advisor of the Company, SEC Property has the legitimate title certificates of the aforementioned 22 properties but such 22 properties are subject to the completion of relevant land granting procedures and change of the nature of the land use rights before SEC Property can have legal rights to use, transfer, lease, mortgage or dispose of such properties through other legal means pursuant to the relevant PRC laws and regulations. SEC Property is proactively in the process of completing land granting procedures to replace relevant title certificates for abovementioned 22 properties, the progress of which and the Company's plan as at the Latest Practicable Date are as follows:

- (i) SEC Property has already entered into land use rights grant contracts for the 18 properties. As confirmed by SEC Property, it is still in the process of paying the landing transfer fees and completing title certificates registration. The PRC legal advisor of the Company is of the opinion that there would be no legal impediment for SEC Property to change the nature of the land use rights of such 14 properties and replace their title certificates after

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

satisfaction of relevant procedural requirements. The Company and SEC will make every effort to procure SEC Property to complete the replacement of relevant title certificates for such 18 properties. Taking into account the progress of land granting procedures and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

- (ii) in respect of two properties (two parcels of land located at Tiantongan Road No. 121 and Tiantongan Road No. 465), which have been listed in the scope of land reservation by local government, SEC Property has received notices of land reservation from Shanghai Jingan District Land Reservation Centre, and will enter into land reservation contracts in due course. The PRC legal advisor is of the opinion that the implementation of the aforementioned land reservation process will not be affected by the current status of such properties failing to complete land granting procedures or replace relevant title certificates. The Company will negotiate with relevant counterparties to determine the compensation amount based on various factors (including but not limited to market conditions, regulatory policies and relevant cost) when entering into the relevant land reservation and compensation contracts. Taking into account the arrangement of land reservation for such two properties and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

- (iii) in respect of two properties (two parcels of land located at No. 203 Fenzhou Road and No. 9, Lane 735, Jiangpu Road), SEC Property could not complete land granting procedures for such two properties due to relevant PRC governmental policies. SEC Property may be subject to restrictions in offering such properties for transfer, lease, as security for mortgage or otherwise in disposal of such properties through other legal means. As confirmed by SEC Property, SEC Property can continue to occupy and use in normal ways such two properties (as residential properties) currently, which are expected to be occupied and used for the original purposes by the Company in the future. The total floor area and valuation of such properties are approximately 117.53 sq.m. and RMB5,322,471.00, accounting for 0.065% and 0.22% in the total floor area and in total valuation of all properties owned by SEC Property. Taking into account that the total floor area and valuation of such two properties only account for a small

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

portion of the total floor area and total valuation of all properties owned by SEC Property, the Board is of the view that the above status of such properties without completing land granting procedures and replacing of relevant title certificates will not have material adverse impact on the Company.

In respect of the three properties without title certificates, SEC Property is subject to restrictions in possession, utilization, entitlement to profit from and disposal of such properties according to the relevant PRC laws and regulations. As at the Latest Practicable Date, the progress for obtaining the title certificates of such three properties and the Company's plan are as follows:

- (i) in respect of two properties (two parcels of land located at Tianshui Road No. 109 and Chenhang Branch Road No. 365) which have been listed in the scope of demolition and expropriation, SEC Property has received the relevant notices of demolition and expropriation from the local government and would enter into the compensation contracts concerning the relevant demolition and expropriation in due course. The PRC legal advisor of the Company is of the opinion that the implementation of such demolition and expropriation process will not be affected by the current status of such properties without title certificates. The Company will negotiate with relevant counterparties to determine the compensation amount based on various factors (including but not limited to market conditions, regulatory policies and relevant cost) when entering into the relevant demolition and compensation contracts. Taking into account the arrangement of demolition and expropriation for such two properties and the above opinion of the PRC legal advisor, the Board is of the view that the above status of such lands without title certificates will not have material adverse impact on the Company.
- (ii) in respect of the remaining one property (one building located at Hill No. 1 Block 76, Jinqiao Export Processing Zone), SEC Property owns the land title certificate of such land where the building is located, but SEC Property is still in the process of obtaining building title certificate of such building. The PRC legal advisor of the Company is of the opinion that there would be no legal impediment for SEC Property to obtain relevant title certificate upon the fulfillment of relevant planning, construction and acceptance procedures according to relevant laws. The Company and SEC will try their uttermost to procure SEC Property to obtain such building title certificate. Taking into account the progress of obtaining building title certificates and the above opinion of the PRC legal advisor, the Board is of the

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

view that the above status of such property without building title certificates will not have material adverse impact on the Company.

The total floor area and valuation of three properties without title certificates are approximately 25,186.7 sq.m. and RMB49,666,830, accounting for 13.93% and 2.09% of the total floor area and total valuation of all properties owned by SEC Property.

As confirmed by SEC Property, as at the Latest Practicable Date, SEC Property has neither received any warnings or penalties from regulators nor received any claims filed by any third party in relation to the Improperly Used Properties. According to the Acquisition Agreement, SEC has undertaken to compensate the Company for relevant economic losses incurred if the Company is deprived of the normal rights of use of any of such properties due to the aforementioned improper use of lands and buildings. 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.

Taking into account that (i) SEC Property is in the process of completing land granting procedures of abovementioned 18 properties, (ii) four properties are within the scope of land reservation or demolition and expropriation, (iii) the total floor area and valuation of two properties for which SEC Property could not complete land granting procedures due to relevant governmental policies only account for a small portion of the total floor area and total valuation of all properties owned by SEC Property, (iv) the total floor area and valuation of properties without title certificates account for a small portion of the total floor area and total valuation of all properties owned by SEC Property, and (v) the undertakings provided by SEC, the PRC legal advisor of the Company is of the opinion that the aforementioned situations would neither have material adverse impact to the Company and the Shareholders as a whole nor create any legal obstacles for the Transactions.

In the Proposed Acquisition, the Company proposes to acquire 100% equity interest in SEC Property. The PRC legal advisor is of the opinion that the ownership of 100% equity interest in SEC Property is clear and there does not exist any legal obstacle in the transfer of such equity interest. The Improperly Used Properties do not constitute a legal obstacle to the transfer of 100% equity interest in SEC Property and thus do not constitute a condition precedent to the completion of the Transactions. Therefore the Proposed Acquisition will still proceed normally if any of the title certificates of The Improperly Used Properties is not obtained by SEC Property in the course of completion of the Transactions.

The Improperly Used Properties along with other properties of SEC Property constitute self-owned properties of SEC Property. Upon completion

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

of the Transactions, the Company will, based on its real estate layout and management planning, transform SEC Property into a specialized platform for operation and management of real estate assets under the Company, to operate property assets with potential value increment and improve management efficiency and professionalization. Upon completion of the Transactions, SEC Property will continue to focus on management of the real estate, disposal and development of industrial real estate resources on hand within the Group. The professional management of the self-owned properties of SEC Property in a way mentioned above constitutes an important part of the main business of SEC Property. Given that the self-owned properties and the main business of SEC Property are closely integrated and non-separable, the acquisition of SEC Property and its self-owned properties as a whole will ensure the completeness of the main business and self-owned properties of SEC Property, which is beneficial for the continuous development of SEC Property in the future.

Along with the acceleration of industrialization and urbanization, the conflicts between demand and supply of construction land have sharpened, which led to difficulties in addressing the reasonable land demands generated by urbanization and industrialization. Land is a requisite element in the development process of an enterprise. However, due to the shortage of resources and high pricing, land has become a significant factor restricting the enterprise expansion, in particular for the first-tier cities. Taking into account the scarcity of land and resources and their appreciation potential in Shanghai, injecting the rare high-quality self-owned properties of SEC Property into the Company will increase the premium resource reserves of the Group effectively. Given that self-owned properties of SEC Property, which are similar to the Incoming Assets, have higher market values and greater appreciation potential, they can be treated as the value reserve of the Company's strategic development and provide support for future medium and long-term development of the Company. In addition, with the impacts of the national policies and the need of upgrading the Company's businesses, the Company has been actively seeking transformation of certain existing businesses. Taking into account the business transformation, the Company foresees a larger demand for industrial sites. As certain self-owned properties of SEC Property can be used as industrial sites by the Company, which can form a solid foundation for the Company towards business exploration and industrial transformation in the future, provide a strategic protection and supports for the medium and long-term development of the Company, and in turn promote the shareholders value.

Taking into account above facts and the opinion of the PRC legal advisor, the Board is of the view that the proposed acquisition of 100% equity interest in SEC Property is fair and reasonable and in the interest of the Company and its shareholders as a whole even though situation involving improper use of the abovementioned properties exists.

In the Proposed Acquisition, the Company proposes to acquire 100% equity interest in SEC Property. The PRC legal advisor is of the opinion that

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

the ownership of 100% equity interest in SEC Property is clear and there does not exist any legal obstacle in the transfer of such equity interest. The Improperly Used Properties do not constitute a legal obstacle to the transfer of 100% equity interest in SEC Property and thus do not constitute a condition precedent to the completion of the Transactions. Therefore the Proposal Acquisition will still proceed normally if any of the title certificates of the Improperly Used Properties is not obtained by SEC Property in the course of completion of the transaction.

Having considered (i) SEC Property is in the process of completing land granting procedures of abovementioned 18 properties, (ii) four properties are within the scope of land reservation or demolition and expropriation, (iii) the total floor area and valuation of two properties for which SEC Property could not complete land granting procedures due to relevant governmental policies only account for a small portion of the total floor area and total valuation of all properties owned by SEC Property, (iv) the total floor area and valuation of properties without title certificates account for a small portion of the total floor area and total valuation of all properties owned by SEC Property, (v) the undertakings provided by SEC; (vi) the above opinion of the PRC legal advisor and (vii) the above facts, we concur with the Board's view that the proposed acquisition of 100% equity interest in SEC Property is fair and reasonable and in the interests of the shareholders and the Company as a whole even though situation involving improper use of the abovementioned properties exist and properties are still in the process of obtaining title certificates or under land reservation or demolishment arrangement.

For the valuation for the properties of SEC Property, we have also reviewed the valuation report prepared by JLL and performed substantially the same independent work as with Orient Appraisal Co., Ltd. We understand from JLL that save for the treatment of properties without title certificates, (i) they adopted the same valuation approach for the properties of SEC Property as Orient Appraisal Co., Ltd.; (ii) there are no material differences in the valuation results between JLL and Orient Appraisal Co. Ltd.

On the aforementioned basis, we are of the view that the consideration for Incoming Equity Assets A are fair and reasonable so far as the Independent Shareholders are concerned.

Valuation of the Target Properties

We have (i) looked into the composition of the Target Properties and the location, nature, use and other key information of each properties; (ii) reviewed the valuation report prepared by Orient Appraisal Co. Ltd. as set out in the Appendices to the Announcement published in Shanghai Stock Exchange dated 14 November 2016 and to this Circular; (iii) discussed with Orient Appraisal Co. Ltd. regarding the methodologies adopted, and bases and assumptions used in arriving at the valuations of the Target properties;

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

and (iv) enquired into the steps and due diligence measures taken by Orient Appraisal Co. Ltd. for conducting the valuation. As advised by Orient Appraisal Co. Ltd., pursuant to PRC Standard for Assets Appraisal, generally, there are three theoretical valuation approaches which may be adopted in equity interest valuation report, namely the market comparison approach, the income approach, and the asset-based approach.

Valuation results based on the replacement cost approach were adopted for industrial buildings and structures as well as equipment. Replacement cost method refers to a valuation method to determine the value of the target asset by all such costs required for a brand-new status asset identical or similar to the target asset reconstructed under the current conditions and reaching the state of being capable of use, then deducting amounts for various depreciation or impairment occurred. Considering the aforementioned buildings and structures specifically constructed for individual users and such equipment being used for many years, the qualified PRC valuers determined the valuation based on total replacement cost and appropriate depreciation rate, which can basically reflect market value of the aforementioned buildings, structures and equipment. We have (i) looked into the valuation assumptions and information in relation to, among others, the nature, use, conditions, histories and etc. of the aforementioned buildings, structures and equipment; (ii) reviewed eleven valuation samples for such buildings, structures and equipment under the replacement cost approach; and (iii) reviewed two samples of valuation reports as published in circulars of companies listed on the Hong Kong Stock Exchange and note that replacement cost approach had also been used in the absence of identifiable market comparables.

Valuation results based on the market comparison approach were adopted for the office buildings and commercial buildings and intangible assets (land use rights). There have been plenty of property transactions completed near the office buildings and the rental market of similar buildings in such area has also been prosperous. In addition, the office buildings could be operated independently with fixed income and the profits could be calculated separately. Thus market comparison approach could better reflect market value of the office buildings. Since abovementioned lands belong to industry and scientific research lands and there are many transaction cases of similar lands in the surrounding areas, market comparison approach can also be adopted to better reflect the market value of such land use rights. We have (i) looked into the valuation assumptions and information in relation to, among others, the nature, use, location, area and etc. of the Target Properties; and (ii) reviewed five samples of property transactions and conclude that, as confirmed by Orient Appraisal Co., Ltd, those samples are of similar nature in terms of transaction condition, transaction date, area conditions and individual conditions as those properties valued under market approach.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

In assessing the fairness and reasonableness of the key assumptions adopted in the valuation of Target Properties, we note that Orient Appraisal Co., Ltd. has made various key and general assumptions, including, amongst others, (i) open-market hypothesis; (ii) continuous use hypothesis; (iii) continuous operation hypothesis; (iv) stable political, economic and social environment; (v) no material changes in the existing relevant laws, regulations or policies in the PRC; (vi) no material changes in the applicable tax policies, tax rates, credit policies, interest rates or exchange rates, etc. Based on our discussions with Orient Appraisal Co., Ltd., we concur with their view that these assumptions are often adopted for valuation of properties and are fair and reasonable. We have also reviewed two samples of valuation reports as published in circulars of companies listed on the Hong Kong Stock Exchange and note that these assumptions are commonly adopted for valuation of properties and are consistent with market practice.

For the valuation for the Target Properties, we have also reviewed the valuation report prepared by JLL and performed substantially the same independent work as with Orient Appraisal Co., Ltd. We understand from JLL that save for the treatment of properties without title certificates, (i) they adopted the same valuation approaches for the Target Properties as Orient Appraisal Co., Ltd.; (ii) there are no material differences in the valuation results between JLL and Orient Appraisal Co. Ltd.

Having considered the above, we concur with Orient Appraisal Co. Ltd.'s view that the above approaches would be the appropriate valuation approaches and the assumptions are fair and reasonable for the valuation of the Target Properties.

15 pieces of land among the Target Properties are government allocated land, authorized operation land or government assigned land without purchase price payment. According to article 11(4) of 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》), the ownership of the incoming assets to be acquired in the Transactions shall be clear, and there should not exist any legal obstacle in the transfer of the ownership of such assets. Therefore, the completion of the land granting procedures and obtaining relevant title certificates of such assets by SEC is a condition precedent for the completion of the Proposed Acquisition. According to the Acquisition Agreement, SEC has made an undertaking that, in relation to the aforementioned 15 pieces of lands, it will enter into land use rights grant contracts before 28 December 2016, and complete the land granting procedures and obtain relevant title certificates before 31 March 2017. As of the Latest Practicable Date, SEC has entered into land use rights grant contracts in respect of the abovementioned 15 pieces of land. As confirmed by SEC, it is still in the process of paying land transfer fees and completing title certificates registration. The PRC legal advisor of the Company is of the opinion that, there does not exist any legal obstacle for transfer of such land after the completion of land granting

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

procedures and obtaining relevant title certificates of aforementioned 15 pieces of land. In the event that SEC could not obtain the relevant title certificates for such lands before 31 March 2017, the Company and SEC will assess the actual situation and negotiate to postpone the Proposed Acquisition.

According to the Acquisition Agreement, SEC has undertaken to compensate the Company for relevant economic losses incurred if the Company is deprived of the normal rights of use of any of such properties due to the aforementioned improper usage of lands and buildings. 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. According to normal market practice, the aforesaid compensation includes but not limited to cash settlement.

Having considered (i) the undertaking provided by SEC; (ii) the opinion of the PRC legal advisor; and (iii) the Company and SEC will assess the actual situation and negotiate to postpone the Proposed Acquisition in the event that SEC could not obtain the relevant title certificates for such lands before 31 March 2017, we concur with the Board's view that the acquisition of the Target Properties is fair and reasonable and in the interests of the shareholders and the Company as a whole.

On the aforementioned basis, we are of the view that the consideration for the Target Properties is fair and reasonable so far as the Independent Shareholders are concerned.

(4) Pricing for the Incoming Equity Assets B

The consideration for the Incoming Equity Assets B (47.18% equity interest in Shanghai Prime) of RMB983,935,466.80 was determined in accordance with the Interim Measures for the Administration of State-owned Shareholders' Transfer of Their Shares of Listed Companies (Order No. 19 of the State-owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission) (《國有股東轉讓所持上市公司股份管理暫行辦法》(國務院國有資產監督管理委員會、中國證券監督管理委員會令第19號)) and after arm's length negotiations, being the arithmetic average of the daily weighted average stock price of H shares of Shanghai Prime for 30 trading days prior to the date of the Acquisition Agreement (i.e. 14 November 2016), i.e. RMB1.45 per share multiplying the number of shares corresponding to 47.18% equity interest in Shanghai Prime (i.e. 678,576,184 shares).

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

In assessing the fairness and reasonableness of the consideration for the Incoming Equity Assets B, we conducted analyses by applying the price to earnings ratio analysis (the “**PE ratio**”) and price to book ratio analysis (the “**PB ratio**”) with a number of comparable companies as set out below. PE ratio analysis is a common valuation method for the assessment of the value of businesses with established and profitable history. Given that (i) Shanghai Prime has been operating since 2005; (ii) Shanghai Prime recorded continuous profit, we believe that the PE ratio analysis is an appropriate method to evaluate the consideration. PB ratio analysis is another business valuation method for capital-intensive businesses or businesses with plenty of assets on the books. Given the business nature of Shanghai Prime as machinery tools and components manufacturer and service provider, we also consider that the PB ratio analysis is another applicable valuation method for our analysis.

We believe peers with most similar business would be more meaningful to assess the valuation of Shanghai Prime, while heterogeneity in business nature will affect the comparability. In selecting comparables of Shanghai Prime, first of all, we have looked into the business, including different business segments of Shanghai Prime and noted that Shanghai Prime is primarily engaged in the production and sales of machinery tools and components such as fasteners, bearings, cutting tools and components in areas including automobile, energy, aerospace and railway industries and industrial application and service; secondly, we searched for companies listed on the Hong Kong Stock Exchange which list machinery components and/or machinery tools as one of their primary businesses. Following the aforementioned steps and criteria, we identified four companies as comparables (the “**HK Comparables**”). Given that the HK Comparables (i) are similar in business nature to Shanghai Prime; (ii) are all listed on the Hong Kong Stock Exchange and (iii) are exhaustive based on the aforementioned criteria, we believe the HK Comparables are reasonable and representative.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

We have compared the respective PE ratios and PB ratios of the HK Comparables with Shanghai Prime, details of which are set out in the table below:

Company name (stock code)	Principal business	Market capitalization (HK\$ million) (i)	Profit		PE ratio (iv) = (i)/(iii)	PB ratio (v) = (i)/(ii)
			attributable to shareholders (HK\$ million) (ii)	Equity attributable to owners (HK\$ million) (iii)		
Chongqing Machinery & Electric Company Ltd (2722 HK)	manufacturing and sales of vehicle parts and components, general machinery, machinery tools and power equipment	3,279.3	474.5	7,036.3	6.91x	0.47x
Tiangong International Company Limited (826 HK)	production and sales of high speed steel, high speed steel cutting tools, die steel and titanium alloy	2,175.7	82.5	4,416.7	26.37x	0.49x
EVA Precision Industrial Holdings Limited (838 HK)	production of moulds and components and automated assembly services with high quality standard and dimensional accuracy	1,616.0	205.5	2,613.0	7.86x	0.62x
Leeport (Holdings) Limited (387 HK)	trading, installation and provision of after-sales service of metalworking machinery, measuring instruments, cutting tools and electronic equipment	337.6	21.5	373.2	15.70x	0.90x
Average					14.21x	0.62x
Median					11.78x	0.56x

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Scenario 1: Using financials as set out in the audited report under PRC GAAP	Market capitalization based on RMB1.45 per share (HK\$ million) (a)	Profit attributable to	Equity	Implied PE ratio (d) = (a)/(b)	Implied PB ratio (e) = (a)/(c)
		shareholders for the year ended 31 December 2015 (HK\$ million) (b)	attributable to owners as at 30 September 2016 (HK\$ million) (c)		
Shanghai Prime	2,369.4	211.0	3,644.2	11.23x	0.65x

Scenario 2: Using financials as set out in annual report/interim report under HKFRS/HKAS	Market capitalization based on RMB1.45 per share (HK\$ million) (a)	Profit attributable to	Equity	Implied PE ratio (d) = (a)/(b)	Implied PB ratio (e) = (a)/(c)
		shareholders for the year ended 31 December 2015 (HK\$ million) (b)	attributable to owners as at 30 June 2016 (HK\$ million) (c)		
Shanghai Prime	2,369.4	210.4	3,693.4	11.26x	0.64x

Notes:

- (1) The market capitalization of the HK Comparables is calculated based on the closing price of the HK Comparables as stated on the website of the Hong Kong Stock Exchange on 14 November 2016.
- (2) The profit attributable to shareholders of the HK Comparables is extracted from the respective latest annual results announcements and/or annual reports published prior to 14 November 2016. The equity attributable to owners of the HK Comparables is extracted from the latest interim/annual results announcements and/or interim/annual reports published prior to 14 November 2016.
- (3) Exchange rate of RMB1:HK\$1.1361 is used to translate Renminbi figures to Hong Kong Dollar figures.

As shown in the above table, the market capitalization of the HK Comparables are HK\$337.6 million, HK\$1,616.0 million, HK\$2,175.7 million and HK\$3,279.3 million respectively, while the market capitalization of Shanghai Prime is HK\$2,369.4 million, which is close to three out of the four HK Comparables.

The PE ratios of the HK Comparables ranges from approximately 6.91 times to 26.37 times with an average PE ratio of approximately 14.21 times. Taking into account that (i) all the HK Comparables are listed companies and each of their PE ratios represent their respective fair values; (ii) the implied PE ratio of Shanghai Prime, i.e. 11.23 times or 11.26 times, falls below two out of

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

the four PE ratios, the average and median PE ratios of the HK Comparables; and (iii) the implied PE ratio of Shanghai Prime falls between the 1st quartile and 3rd quartile of the PE ratios of the HK Comparable, i.e. 9.35 times and 19.08 times, which provides a narrower range, we believe using the HK Comparables produce a meaningful analysis for the fairness and reasonableness of the consideration of Shanghai Prime.

The PB ratio of the HK Comparables ranges from approximately 0.47 times to 0.90 times with an average PB ratio of approximately 0.62 times. The implied PB ratios of Shanghai Prime of approximately 0.64 times or 0.65 times are hence within the range of the HK Comparables and below the average.

Based on the aforementioned analysis, we concur with the view of the Directors that the consideration for Shanghai Prime is fair and reasonable so far as the Independent Shareholders are concerned.

(5) *Payment method*

The consideration for the Incoming Assets of RMB6,628,280,951.50 shall be satisfied by the issuance of 877,918,006 Consideration Shares by the Company to SEC at the issue price of RMB7.55 per Consideration Share, and the portion less than one share shall be paid by the Company in cash.

2.2. *The Consideration Shares*

Comparison of the issue price for the Consideration Share

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 Acquisition Agreement.

As stated in the Letter from Board, according to the analysis of the A-share price-to-earning ratios of A-share listed companies in the same industry as at 30 June 2016, the price-to-earning ratio of the Company is relatively low, and considering the influence of fluctuation in the domestic secondary market, setting the market reference price as the average trading price of 20 trading days prior to the Pricing Benchmark Date for Consideration Shares can better match the valuation of the A shares market. Accordingly, the Company determined that the issue price of the Consideration Shares shall be RMB7.55 per Consideration Share (equivalent to HK\$8.58 with the exchange rate of RMB1: HK\$1.1361), with the average trading price of the A shares for 20 trading days prior to the Pricing Benchmark Date for Consideration Shares as the market reference price and

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

90% of such market reference price as the issue price. The Pricing Benchmark Date for Consideration Shares is the publication date of the Board resolution announcement in relation to the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement and the Proposed Issuance and Placing of A Shares on the Shanghai Stock Exchange (15 November 2016). The average trading price of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date = the total trading amount of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date / the total trading volume of A Shares for the 20 trading days immediately preceding the Pricing Benchmark Date.

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 for Consideration Shares to the date of issuance of the Consideration Shares, the corresponding adjustments shall be made to the issue price and number of the Consideration Shares.

Based on the above, we are of the view that the issue price of the Consideration Shares 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 is in line with the Measures for Administration of Material Asset Reorganization of Listed Companies* (《上市公司重大資產重組管理辦法》).

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 Consideration Shares issued by the Company to SEC shall not be listed and traded or 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 the 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 issuance of the Consideration Shares, or the closing price of the A Shares as at the end of the above-mentioned six-month period is below the issue price of the Consideration Shares, the lock-up period will be automatically extended for at least 6 months. If this transaction is investigated by judiciary authorities or the CSRC due to false representations, misleading statements or material omissions in the information provided or disclosed in relation to this transaction, SEC shall not transfer its interest in shares of the Company until the investigation results are published.

Further, upon the completion of the issuance of the Consideration Shares, 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.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Based on the above, we noted that the Consideration Shares are subject to a lock-up period of 36 months from the date of issue is in line with the Measures for Administration of Material Asset Reorganization of Listed Companies (《上市公司重大資產重組管理辦法》).

The issue price of the Consideration Shares is RMB7.55 (equivalent to approximately HK\$8.58 with the exchange rate of RMB1: HK\$1.1361) per A Share represents:

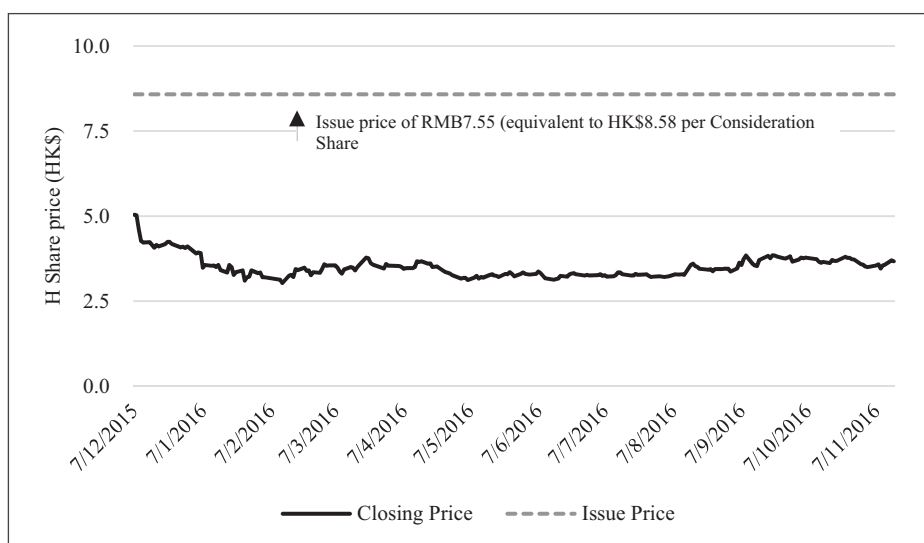
- (a) A discount of approximately 10.33% to the closing price of RMB8.42 (equivalent to approximately HK\$9.57) per A Share as quoted on the Shanghai Stock Exchange on the last trading day before the Pricing Benchmark Date for Consideration Shares (“**A Share Last Trading Day**”);
- (b) A discount of approximately 11.49% to the average closing price of approximately RMB8.53 (equivalent to approximately HK\$9.69) per A Share as quoted on the Shanghai Stock Exchange for the preceding 5 trading days before the Pricing Benchmark Date for Consideration Shares;
- (c) A discount of approximately 11.49% to the average closing price of approximately RMB8.53 (equivalent to approximately HK\$9.69) per A Share as quoted on the Shanghai Stock Exchange for the preceding 10 trading days before the Pricing Benchmark Date for Consideration Shares;
- (d) A discount of approximately 9.58% to the average closing price of approximately RMB8.35 (equivalent to approximately HK\$9.49) per A Share as quoted on the Shanghai Stock Exchange for the preceding 20 trading days before the Pricing Benchmark Date for Consideration Shares;
- (e) A premium of approximately 131.89% over the closing price of HK\$3.70 per H Share as quoted on the Hong Kong Stock Exchange on the last trading day before the Pricing Benchmark Date for Consideration Shares (“**H Share Last Trading Day**”);
- (f) A premium of approximately 136.36% over the average closing price of approximately HK\$3.63 per H Share as quoted on the Hong Kong Stock Exchange for the preceding 20 trading days before the Pricing Benchmark Date for Consideration Shares; and
- (g) A premium of approximately 124.70% over the audited net assets attributable to the Shareholders per Share of approximately RMB3.36 (equivalent to approximately HK\$3.82), calculated based on the Company’s audited net assets attributable to the Shareholders of approximately RMB45,093 million as at 31 December 2016 and total shares in issue of 13,431,156,430 as at 31 December 2016.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Historical H Share price performance

Chart 1 below shows the daily closing price of the H Shares versus the issue price for the Consideration Shares for the period commencing from 7 December 2015, being the first trading day of a year prior to the date of the Acquisition Agreement dated 14 November 2016 up to the H Share Last Trading Day before the Pricing Benchmark Date (the “**H Share Review Period**”) which, in our view, represents a reasonable period of time to provide a general overview of the recent price performance of the H Shares.

Chart 1: Daily closing H Share price performance against the issue price during the H Share Review Period



Source: The official website of the Hong Kong Stock Exchange (www.hkex.com.hk)

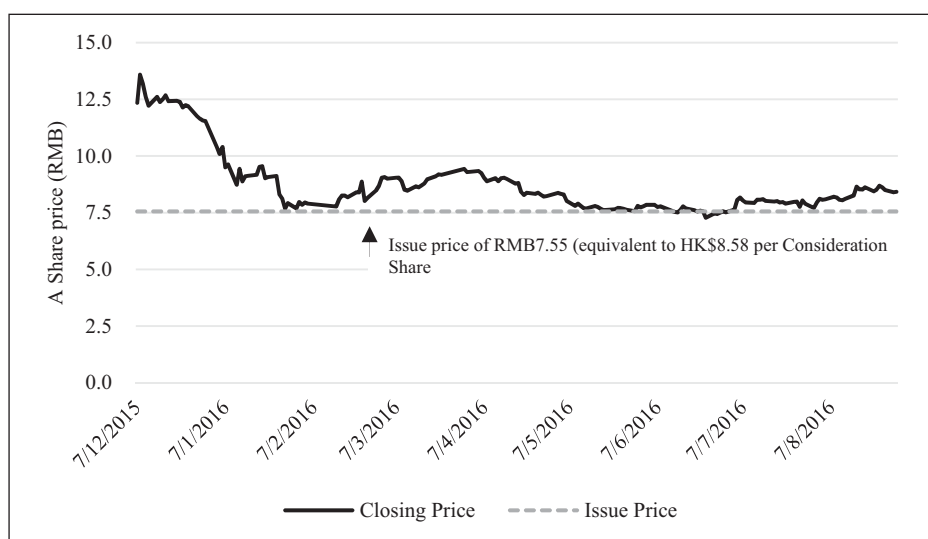
During the H Share Review Period, the closing H Share price was relatively stable with the highest and lowest closing prices of the H Shares being HK\$5.04 and HK\$3.03 respectively as quoted on the Hong Kong Stock Exchange. The average closing H Share price during the H Share Review Period was approximately HK\$3.50. In light of the fluctuation of the closing H Share price from December 2015 to February 2016, we are of the view that it is primarily due to the overall declining trend in the market during the period. The issue price of the Consideration Share of RMB7.55 (equivalent to HK\$8.58 with the exchange rate of RMB1: HK\$1.1361) falls above the average closing H Share price during the H Share Review Period and represents (i) a premium of approximately 70.24% over the highest closing price of the H Shares of HK\$5.04; (ii) a premium of approximately 183.17% over the lowest closing price of the H Shares of HK\$3.03; and (iii) a premium of approximately 145.14% over the average closing price of the H Shares during the H Share Review Period of HK\$3.50.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Historical A Share price performance

The trading of A Shares of the Company was suspended from 31 August 2016. Chart 2 below shows the daily closing price of the A Shares versus the issue price for the Consideration Shares for the period commencing from 7 December 2015, being the first trading day of a year prior to the date of the Acquisition Agreement dated 14 November 2016 (the “A Share Review Period”) which, in our view, represents a reasonable period of time to provide a general overview of the recent price performance of the A Shares.

Chart 2: Daily closing A Share price performance against the issue price during the A Share Review Period



Source: The official website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>)

During the A Share Review Period, the closing A Share price was generally volatile with the highest and lowest closing prices of the A Shares being RMB13.59 and RMB7.28 respectively as quoted on the Shanghai Stock Exchange. The average closing A Share price during the A Share Review Period was approximately RMB8.75. It is noted that the closing A Share price had been slipping since 8 December 2015 at RMB13.59 with a bottom at RMB7.28 at 24 June 2016. We are of the view that the downward trend during such period is primarily due to the passive market sentiment on the overall A Share stock market. The issue price of the Consideration Share of RMB7.55 falls within the range of the closing A Share price during the A Share Review Period and represents (i) a discount of approximately 44.44% to the highest closing price of the A Shares of RMB13.59; (ii) a premium of approximately 3.71% over the lowest closing price of the A Shares of RMB7.28; and (iii) a discount of approximately 13.71% to the average closing price of the A Shares during the A Share Review Period of RMB8.75.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

In order to assess the fairness and reasonableness of the adoption of 90% of the market reference price, we have, to our best effort, identified five H-share companies whose shares are listed on the Hong Kong Stock Exchange and which had announced non-public issuance of A shares with fixed terms and with the issuance announced during the one year prior to the H Share Last Trading Day and up to the Latest Practicable Date. We have identified five comparable issuance (“**Comparable Issuance**”) conducted by such companies and considered that the list of the comparable transactions is exhaustive based on the selection criteria as set out above.

Date of Announcement	Stock Code	Stock Short Name	Pricing Basis
19 November 2015	300	Kunming Machine	90.00%
27 May 2016	1766	CRRC	90.00%
14 September 2016	719	Shandong Xinhua	90.00%
18 September 2016	1513	Livzon Pharma	130.60%
31 October 2016	2238	GAC Group	90.00%
Average:			98.12%

Note: Represents the issue price as a percentage of the average trading price of 20 trading days prior to the respective pricing benchmark date.

We consider that a review period of one year prior to the date of the H Share Last Trading Day and up to the Latest Practicable Date is appropriate to capture the recent market practice as the Comparable Issuance are considered for the purpose of taking a general indication for the recent market practice in relation to the issue price under other non-public A Shares issuances as compared to the relevant prevailing market share prices under the recent market conditions and sentiments. The corresponding percentages of the issue prices to the market reference prices of the Comparables Issuance ranged from approximately 90.00% to approximately 130.60%, with an average of approximately 98.12%. As such, the basis of 90% of the market reference price adopted to the issue price of the Consideration Shares is approximate to the average of the Comparable Issuance. Further, we noted that 4 out of the 5 Comparable Issuance adopted a basis of 90% of the market reference price. We are of the view that the determination of the issue price of the Consideration Shares conforms to the common market practice and is fair and reasonable.

Having considered that (i) the issue price of RMB7.55 per Consideration Share was determined between the Company and SEC after arm’s length negotiations; (ii) the basis of determining the issue price of Consideration Shares is in line with Measures for Administration of Material Asset Reorganisation of Listed Companies; (iii) the determination of the issue price of the Consideration Shares conforms to the common market practice; (iv) the

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

issue price of the Consideration Share shall be RMB7.55 per Consideration Share (equivalent to HK\$8.58 with the exchange rate of RMB1:HK\$1.1361), with the average trading price of the A Shares for 20 trading days prior to the Pricing Benchmark Date and is above the average closing H Shares price for 20 trading days prior to the Pricing Benchmark Date; (v) the issue price represents a significant premium over the unaudited net assets attributable to the Shareholders per Share; (vi) the Consideration Shares are subject to a lock-up period of 36 months from the date of issue; and (vii) the issue of the Consideration Shares forms part of the Proposed Acquisition, which is beneficial to the Group as elaborated in the paragraphs under the section headed “5. Reasons and benefits for the Proposed Acquisition” in the Letter from the Board, we concur with the view of the Directors that the issue of the Consideration Shares is fair and reasonable and in the interests of the Company and Shareholders as a whole.

3. The Proposed Issuance and Placing of A Shares

Subject to the completion of the transaction contemplated under the Acquisition Agreement, the Company proposed to issue A Shares to no more than 10 specific target subscribers (including SEC and Shanghai Guosheng Group Investment Co., Ltd.). The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares will be no more than RMB3,000,000,000 and the number of the A Shares to be issued shall not exceed 20% of the total number of shares for the total share capital of the Company prior to the Proposed Acquisition, i.e. 2,686,231,286 A Shares. The result of the Proposed Issuance and Placing of A Shares, whether successful or not, shall not affect the implementation of the transaction contemplated under the Acquisition Agreement.

The Company has separately entered into Share Subscription Agreement with SEC and Shanghai Guosheng Group Investment Co., Ltd., respectively, on 14 November 2016. On 17 February 2017, CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and relevant regulatory questions and answers, pursuant to which, pricing principles of the Proposed Issuance and Placing of A Shares shall be amended, meaning the pricing benchmark date, which was originally “the publication date of the Board resolution announcement in relation to the Proposed Issuance and Placing of A Shares”, shall be revised to “the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.” Therefore, the Company separately further negotiated with SEC and Shanghai Guosheng Group Investment Co., Ltd. and made corresponding amendments to certain original terms in Share Subscription Agreement, and entered into the supplemental agreement to Share Subscription Agreement with SEC and Shanghai Guosheng Group Investment Co., Ltd. on 17 March 2017 respectively.

SEC intends to subscribe for not more than RMB1.5 billion (the number of the A Shares to be subscribed = proposed amounts to be contributed/issue price of the issuance). 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, in the event that the Company distributes dividends, grants bonus shares, converts capital reserve into

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

share capital or carries out any other ex-rights or ex-dividends activities, corresponding adjustments shall be made to the number of A Shares to be issued under the Proposed Issuance and Placing of A Shares and the number of A Shares to be subscribed by SEC and Shanghai Guosheng Group Investment Co.,Ltd.

The pricing benchmark date of the Proposed Issuance and Placing of A Shares is the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares. The issue price shall not be lower than the benchmark price, being 90% of the average trading price of the A Shares during the 20 trading days immediately preceding the pricing benchmark date, which is calculated by dividing the total trading amount of the A Shares during the 20 trading days immediately preceding the pricing benchmark date by the total trading volume of the A Shares during the 20 trading days immediately preceding the pricing benchmark date. The market price of the Company's A Shares and H Shares on the date when the Board approved the Proposed Issuance and Placing of A Shares is RMB8.42 per share and HKD4.09 per share, respectively.

Based on the abovementioned benchmark price, the final issue price will be determined by the Board or other authorized persons in accordance with the authorization granted at the general meetings, with the PRC financial advisor and lead underwriters based on the price quoted by investors for subscription and principles such as price priority (i.e. the investor who offers higher price has the priority to obtain the stock allocation over the investor who offers lower price in the process of market enquiry while the offer price for all subscribers will be determined at the lowest price offered among the selected subscribers), in accordance with the requirements of relevant laws, regulations and other normative documents. Subject to obtaining approvals from CSRC and completion of the Proposed Acquisition, the Company will determine an offering period when appropriate to start the market enquiry process, and after which, final subscribers will be finally determined based on principles such as price priority as mentioned above.

The Directors are mindful that if the issue price falls below RMB2.33 per share, the basic earnings per share of the Company may be diluted. As such, and having made due and careful consideration, the Company will re-comply with the approval requirements, including, among others, the shareholders approvals under the Hong Kong Listing Rules in the event the issue price is expected to fall below RMB2.33 per share. Such new issue price shall not be lower than 90% of the average trading price of the A Shares during the 20 trading days immediately preceding the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.

In arriving at the abovementioned issue price of RMB2.33 per share, the Company calculated as follows:

Weighted average total ordinary share capital of the Company after considering the Proposed Acquisition as at 31 December 2016 = 14,122,306,134.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

The minimum shares to dilute earnings per share post the Proposed Acquisition = Net profit of the Company attributable to the shareholders for the year ended 31 December 2016 (pro forma) (RMB2,396,852,000)/Earnings per share of the Company for the year ended 31 December 2016 prior to the Proposed Acquisition (RMB0.1556) = 15,408,844,015.

The minimum amount of shares under the Proposed Issuance and Placing of A Shares to dilute the earnings per shares of the Company = The minimum shares to dilute earnings per share post the Proposed Acquisition (15,408,844,015) - Weighted average total ordinary share capital of the Company after considering the Proposed Acquisition as at 31 December 2016 (14,122,306,134) = 1,286,537,881.

The maximum issue price to dilute earnings per share = The amount of proceeds to be raised from the Proposed Issuance and Placing of A Shares (RMB3,000,000,000)/The minimum amount of shares under the Proposed Issuance and Placing of A shares to dilute the earnings per shares of the Company (1,286,537,881) = RMB2.33 per share.

SEC and Shanghai Guosheng Group Investment Co.,Ltd. will not participate in the inquiry process about the issue price, but, together with Shanghai Guosheng Group Investment Co., Ltd., undertakes to accept the market enquiry results and subscribe for the A Shares at the same subscription price as other target subscribers.

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 Agreements being satisfied:

- (i) 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;
- (ii) the approval by the competent state-owned assets authorities of the Proposed Issuance and Placing of A Shares;
- (iii) the approval by the CSRC of the Proposed Issuance and Placing of A Shares; and
- (iv) other necessary prior approvals, authorizations or consents as and may be required by laws and regulations and governmental authorities in respect of the Proposed Issuance and Placing of A Shares (if applicable).

Details of other terms of Proposed Issuance and Placing of A Shares are set out in the Letter from the Board.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

Comparison of the new A Share under the Proposed Issuance and Placing of A Shares:

In order to assess the fairness and reasonableness of the adoption of 90% of the market reference price, we have, to our best effort, identified three H-share companies whose shares are listed on the Hong Kong Stock Exchange and which had announced non-public issuance of A shares after the CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and up to the Latest Practicable Date. We have identified three comparable issuance (“**Comparable Issuance**”) conducted by such companies and consider that the list of the comparable transactions is exhaustive based on the selection criteria as set out above.

Date of Announcement	Stock Code	Stock Short Name	Pricing Basis
24 February 2017	1108	Luoyang Glass	90.00%
28 February 2017	3958	DFZQ	90.00%
6 March 2017	107	Sichuan Express	90.00%
		Average:	90.00%

The corresponding percentages of the issue prices to the market reference prices of the Comparables Issuance are 90%, which are equal to the basis of 90% of the market reference price adopted to the issue price of Proposed Issuance and Placing of A Shares. We are of the view that the determination of the issue price of the Proposed Issuance and Placing of A Shares conforms to the common market practice and is fair and reasonable.

The A Shares subscribed by SEC and Shanghai Guosheng Group Investment Co., Ltd. under the Proposed Issuance and Placing of A Shares shall not be listed, traded or transferred within 36 months upon the completion of the issuance of A Shares, and the A Shares subscribed by other target subscribers under the Proposed Issuance and Placing of A Shares shall not be listed, traded or transferred within 12 months upon the completion of the issuance of A Shares, but such A Shares may be transferrable thereafter subject to the relevant requirements of the CSRC and the Shanghai Stock Exchange. Furthermore, if the transaction is investigated by judiciary authorities or the CSRC due to false representations, misleading statements or material omissions in the information provided or disclosed in relation to this transaction, target subscribers shall not transfer its interest in shares of the Company until the investigation results are published.

Having considered that (i) the basis of determining the issue price of the Proposed Issuance and Placing of A Shares is in line with the Decision on Amending Implementing Rules on Non-Public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》); (ii) the issue price shall not be lower than the benchmark price, being 90% of the average trading price of the A Shares during the 20 trading days immediately prior preceding the pricing benchmark date which is calculated by dividing by the total trading volume of the A Shares during the 20 trading days immediately preceding the pricing benchmark date which is calculated by dividing by the total trading

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

volume of the A Shares during the 20 trading days immediately preceding the pricing benchmark date; (iii) if the issue price is expected to fall below RMB2.33 per share, the Company will re-comply with the approval requirements, including, among others, the shareholders approvals under the Hong Kong Listing Rules. Such new issue price shall not be lower than 90% of the average trading price of the A Shares during the 20 trading days immediately preceding the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares; (iv) the pricing mechanism protects dilution of basic earnings per share and investors generally evaluate companies in such sector on price-to-earnings ratio; (v) the Proposed Issuance and Placing of A Shares to SEC and Shanghai Guosheng Group subject to a lock-up period of 36 months from the date of issue while other target subscribers are subject to a lock up period of 12 months for the date of issue; (vi) the determination of final issue price will involve PRC financial advisor; (vii) SEC will not participate in the enquiry process about the issue price but undertakes to accept the market enquiry results and subscribe for the A Shares at the same subscription price as other target subscribers; (viii) as stated in the Letter from the Board, the Proposed Issuance and Placing of A Shares is subject to obtain several approvals from relevant governmental authorities, we concur with the view of the Directors that the issue of the Proposed Issuance and Placing of A Shares is fair and reasonable and in the interests of the Company and Shareholders as a whole.

4. Compensation Arrangement

In the Proposed Acquisition, the valuation result based on the income approach was adopted for 50.10% equity interest in Thales Saic (“**Target Assets C**”), and the valuation results based on the market comparison approach was adopted for parts of the properties among the Target Properties and SEC Property (“**Target Assets D**”). On 14 November 2016, pursuant to relevant laws and regulations issued by the CSRC, the Company and SEC entered into the Profit Compensation Agreement through further negotiations, pursuant to which, parties introduced terms for profit compensation and impairment tests in respect of the acquisition of the 50.10% equity interest in Thales Saic, and introduced terms for impairment tests in respect of the acquisition of parts of the properties assets and parts of the Target Properties and SEC Property.

4.1 Profit Compensation and Impairment Test for Target Assets C

(1) Profit Compensation

SEC undertakes that the audited actual net profit attributable to the owners of the parent company after deduction of non-recurring profit and loss (the “**Actual Net Profit Amount**”) of Thales Saic for the years of 2017, 2018 and 2019 (“**Profit Compensation Period**”) shall be no less than RMB54,475,900, RMB62,945,800 and RMB64,280,200 (the “**Guaranteed Net Profit Amount**”), respectively, failing which, SEC will compensate the Company in accordance with relevant rules.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

The Company will separately disclose the difference between the Actual Net Profit Amount and the Guaranteed Net Profit Amount of Thales Saic in the annual reports for the years of 2017, 2018 and 2019. The Company will engage an accounting firm with securities qualification to issue the specific audit opinion on the Actual Net Profit Amount, thus the special audit opinion shall form the basis for determining the difference between the Actual Net Profit Amount and Guaranteed Net Profit Amount.

SEC shall make compensation with the Consideration Shares acquired in the Proposed Acquisition. If the Consideration Shares are insufficient for compensation, the balance shall be settled by SEC in cash.

(2) *Impairment Test*

Upon the expiry of the Profit Compensation Period, the Company and SEC shall jointly engage an accounting firm with securities qualification to conduct impairment tests on Target Assets C and issue an audit report on the corresponding impairment tests on or before the date of issuance of the Company's annual audit report for the last year of the Profit Compensation Period.

If the impairment amount of Target Assets C as at the end of the period is larger than the compensated amount of Target Assets C during the compensation period, SEC shall offer additional compensation shares to the Company. If the shares are insufficient for compensation, SEC shall settle the balance in cash. The treatment for the compensation shares in respect of the impairment tests shall follow the aforementioned proposal for the repurchase and cancellation of profit compensation shares as set out in "6. Compensation for Net Profit Difference".

(3) *Total compensation*

The total compensation shares and compensation cash to be paid by SEC resulted from the difference in net profits of Target Assets C as well as the impairment tests shall not exceed the corresponding Consideration for Target Assets C (i.e. RMB263,025,000.00).

Details of the profit compensation and impairment test for Target Assets C are set out in section headed "13. Compensation Arrangement".

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

4.2 Impairment Test for Target Assets D

During the years of 2017, 2018 and 2019, the Company and SEC shall jointly engage an accounting firm with securities qualification to conduct impairment tests on Target Assets D and issue an audit report on the corresponding impairment tests on or before the date of issuance of the Company's annual audit report for the years of 2017, 2018 and 2019. If there is impairment to Target Assets D, SEC shall make compensation to the Company with the Consideration Shares. If the Consideration Shares are insufficient for compensation, the balance shall be settled by SEC in cash.

The total compensation shares and compensation cash to be paid by SEC resulted from the impairment tests for Target Assets D shall not exceed the corresponding Consideration for Target Assets D (i.e. RMB4,544,762,478.60).

Details of the impairment test for Target Assets D are set out in section headed "13. Compensation Arrangement".

After taking into account that (i) the profit compensation and impairment tests are intended to mitigate the risks of profit shortfall or assets impairment of Target Assets C and/or Target Assets D during the Profit Compensation Period for the Company; and (ii) there are no liabilities for the Company in terms of the profit compensation and impairment tests, we concur with the view of the Directors that the profit compensation and impairment tests are fair and reasonable and in the interests of the Company and Shareholders as a whole.

5. Potential dilution to the shareholding of the existing public H Shareholders

Your attention is drawn to the section headed "IV. Effects of the Proposed Acquisition on the Shareholding Structure of the Company" in the Letter from the Board. We noted that the shareholding of the existing public H Shareholders would reduce from approximately 20.43% as at the Latest Practicable Date to approximately 19.17% immediately after completion of the Proposed Acquisition and the issue of the Consideration Shares (not taking into account the Proposed Issuance and Placing of A Shares).

Taking into account (i) the reasons for and benefits for the Proposed Acquisition; and (ii) the principal terms of the Acquisition Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, we consider that the possible dilution effect on the shareholding interests of the existing public H Shareholder, as a result of the issue of the Consideration Shares, is justifiable.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

6. Financial effects of the Transaction

After the Transaction, total assets of the Company will increase RMB13,772,641,000 compared with that prior to the Transaction for the year ended 31 December 2016; total liabilities of the Company will increase RMB6,195,383,000 compared with that prior to the Transaction for the year ended 31 December 2016; total equity attributable to owners of the parent company of the Company will increase RMB5,612,669,000 compared with that prior to the Transaction for the year ended 31 December 2016; fully diluted net assets per share attributable to owners of the parent company of the Company will increase RMB0.18 per share compared with that prior to the Transaction for the year ended 31 December 2016; while debt to assets ratio of the Company will decrease 1.62% compared with that prior to the Transaction for the year ended 31 December 2016. Moreover, after the Transaction, revenue of the Company will increase RMB9,429,023,000 compared with that prior to the Transaction for the year ended 31 December 2016; net profit attributable to owners of the parent company of the Company will increase RMB336,682,000 compared with that prior to the Transaction for the year ended 31 December 2016; basic earnings per share of the Company will increase RMB0.0141 per share compared with that prior to the Transaction for the year ended 31 December 2016; fully diluted return on net assets of the Company will increase 0.16% compared with that prior to the Transaction for the year ended 31 December 2016.

After the Transaction, net profit attributable to owners of the parent company of the Company will increase RMB336,682,000 compared with that prior to the Transaction for the year ended 31 December 2016; basic earnings per share of the Company will increase RMB0.0141 per share compared with that prior to the Transaction for the year ended 31 December 2016.

RECOMMENDATION

Taking into consideration of the above factors, we consider that (i) the entering into the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement and the Proposed Issuance and Placing of A Shares to SEC are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms contained therein are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the special resolutions to be proposed at

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
(HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED)**

the EGM and the Class Meetings to approve the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement and the Proposed Issuance and Placing of A Shares to SEC.

Yours faithfully,
For and on behalf of
Huatai Financial Holdings (Hong Kong) Limited
Joseph Ng
Managing Director

* *For identification purpose only*

Mr. Joseph Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Huatai Financial Holdings (Hong Kong) Limited to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) regulated activities under the SFO and has over 17 years of experience in corporate finance industry.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of Shanghai Electric Group Company Limited (the "Company") will be held at 9:00 a.m. on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC for the purpose of considering and, if thought fit, approving the following resolutions:

SPECIAL RESOLUTIONS:

1. To consider and, if thought fit, to approve the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising (connected transaction) (the "Transaction") by the company:

Assets acquisition by issuance of shares

- 1.1 Parties to the transaction;
- 1.2 Transaction subjects;
- 1.3 Basis of pricing and transaction price;
- 1.4 Arrangement for profit or loss for the period;
- 1.5 Procedures for transfer of ownership and liability for breach of contract;
- 1.6 Class and nominal value of shares to be issued;
- 1.7 Target subscribers for shares to be issued;
- 1.8 Method of issuance and subscription for shares;
- 1.9 Pricing benchmark date, basis of pricing and issue price for the issuance of shares;
- 1.10 Number of shares to be issued;

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- 1.11 Lock-up period arrangement;
- 1.12 Listing place of the shares to be issued;
- 1.13 Treatment for the Company's undistributed retained earnings prior to the shares issuance;
- 1.14 The validity of the resolutions;

Issuance of shares for supporting funds raising

- 1.15 The class and nominal value of shares to be issued;
 - 1.16 Target subscribers and methods of subscription;
 - 1.17 Issue price;
 - 1.18 Number of shares to be issued;
 - 1.19 Use of proceeds;
 - 1.20 Lock-up period arrangement;
 - 1.21 Listing place of the shares to be issued under the supporting funds raising; and
 - 1.22 The validity of the resolutions.
- 2. To consider and, if thought fit, to approve the "The Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Connected Transaction) by Shanghai Electric Group Company Limited (Draft)" and its summary.
 - 3. To consider and, if thought fit, to approve the resolution in relation to the execution of the Assets Acquisition by Issuance of Shares Agreement between Shanghai Electric (Group) Corporation and Shanghai Electric Group Company Limited with conditions precedent.
 - 4. To consider and, if thought fit, to approve the resolution in relation to the execution of the Profit Compensation Agreement with conditions precedent.
 - 5. To consider and, if thought fit, to approve the resolution in relation to the execution of the Share Subscription Agreements between the target subscribers and the Company with conditions precedent.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. To consider and, if thought fit, to approve the resolution in relation to the possible dilution of the Company's current earnings per share as a result of the Transaction and its remedial measures.
7. To consider and, if thought fit, to approve the resolution in relation to the grant of the authorization to the board and its authorized representative(s) at the general meeting to deal with relevant matters of the Transaction.
8. To consider and, if thought fit, to approve the resolution in relation to the report on the use of proceeds from the previous fund raising activities by the Company.

ORDINARY RESOLUTIONS:

1. To consider and, if thought fit, to approve the resolution in relation to the connected transactions involving assets acquisition by issuance of shares and supporting funds raising by the Company.
2. To consider and, if thought fit, to approve the resolution in relation to the independence of the appraisal firms, the reasonableness of the appraisal assumptions, the relevance between the appraisal methodology and purpose and the fairness of the valuation in connection with the Transaction.
3. To consider and, if thought fit, to approve the resolution in relation to the approval of relevant reports issued by audit firms and asset appraisal firms in respect of the Transaction.
4. To consider and, if thought fit, to approve the resolution on the compliance with the relevant laws and regulations of the assets acquisition by issuance of shares and supporting funds raising (connected transaction) by the Company.
5. To consider and, if thought fit, to approve the resolution in relation to the compliance by the Company with Clause 4 under the Requirements on Certain Issues Concerning Regulating the Material Asset Reorganizations of Listed Companies in respect of the Transaction.

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

Shanghai, the PRC, 17 February 2017

As at the date of this notice, the executive directors of the Company are Mr. HUANG Dinan and Mr. ZHENG Jianhua; the non-executive directors of the Company are Mr. LI Jianjin, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. Chu Junhao.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The voting at the EGM shall be conducted by way of poll.
2. The holders of A Shares and H Shares will vote as one class of shareholders. The Company's register of members for the H Shares will be closed from Saturday, 11 March 2017 to Monday, 10 April 2017, both days inclusive, during which period no transfer of H Shares will be effected. The holders of H Shares whose names appear on the Company's register of members on Friday, 10 March 2017 are entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, the holders of H Shares whose transfers have not been registered must deposit transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 10 March 2017. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
3. Each Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his or her behalf. A proxy needs not be a Shareholder. Each Shareholder who wishes to appoint one or more proxies should first review the Circular in respect of the EGM.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
5. In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) signed by the authorised person or notarially certified power of attorney must be deposited at Computershare Hong Kong Investor Services Limited for holders of H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if he/she so wishes.
6. Shareholders who intend to attend the EGM in person or by proxy should return the reply slip to Computershare Hong Kong Investor Services Limited for holders of H Shares on or before Tuesday, 21 March 2017. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
7. The EGM is expected to last for no more than half a day. Shareholders (or their proxies) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders (or their proxies) attending the meeting shall produce their identity documents.
8. The board of directors of the Company considered and approved the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising on 14 November 2016. On 22 November 2016, the Company received an inquiry letter from the Shanghai Stock Exchange on the Transaction and organized relevant intermediaries to respond to such inquiry letter. As at the date of this notice, the response to such inquiry letter is subject to further supplements, the trading of A shares of the Company on the Shanghai Stock Exchange has not been resumed. The Company will continue to actively proceed with the relevant works regarding the Transaction. If the trading of A shares of the Company has not been resumed before the convening of the EGM, there is possibility of postponement of the EGM. Investors are reminded of such risks.
9. Please refer to the circular of the Company in relation to the EGM to be published on or before 23 March 2017 for details of the resolutions to be proposed at the EGM for consideration and approval.

NOTICE OF H SHARE CLASS MEETING



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)

NOTICE OF H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN that a class meeting for holders of H Shares (the "**H Share Class Meeting**") of Shanghai Electric Group Company Limited (the "**Company**") will be held on Monday, 10 April 2017 immediately after the conclusion or adjournment of the extraordinary general meeting (the "**EGM**") and the class meeting for holders of A Shares (the "**A Share Class Meeting**") of the Company to be convened on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC for the purpose of considering and, if thought fit, approving the following resolutions:

SPECIAL RESOLUTIONS:

1. To consider and, if thought fit, to approve the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising (connected transaction) (the "**Transaction**") by the company :

Assets acquisition by issuance of shares

- 1.1 Parties to the transaction;
- 1.2 Transaction subjects;
- 1.3 Basis of pricing and transaction price;
- 1.4 Arrangement for profit or loss for the period;
- 1.5 Procedures for transfer of ownership and liability for breach of contract;
- 1.6 Class and nominal value shares to be issued;
- 1.7 Target subscribers for shares to be issued;
- 1.8 Method of issuance and subscription for shares;
- 1.9 Pricing benchmark date, basis of pricing and issue price for the issuance of shares;

* For identification purpose only

NOTICE OF H SHARE CLASS MEETING

- 1.10 Number of shares to be issued;
- 1.11 Lock-up period arrangement;
- 1.12 Listing place of the shares to be issued;
- 1.13 Treatment for the Company's undistributed retained earnings prior to the shares issuance;
- 1.14 The validity of the resolutions;

Issuance of shares for supporting funds raising

- 1.15 The class and nominal value of shares to be issued;
 - 1.16 Target subscribers and methods of subscription;
 - 1.17 Issue price;
 - 1.18 Number of shares to be issued;
 - 1.19 Use of proceeds;
 - 1.20 Lock-up period arrangement;
 - 1.21 Listing place of the shares to be issued under the supporting funds raising; and
 - 1.22 The validity of the resolutions.
2. To consider and, if thought fit, to approve the "The Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Connected Transaction) by Shanghai Electric Group Company Limited (Draft)" and its summary.
 3. To consider and, if thought fit, to approve the resolution in relation to the execution of the "Assets Acquisition by Issuance of Shares Agreement between Shanghai Electric (Group) Corporation and Shanghai Electric Group Company Limited" with conditions precedent.
 4. To consider and, if thought fit, to approve the resolution in relation to the execution of the Profit Compensation Agreement with conditions precedent.
 5. To consider and, if thought fit, to approve the resolution in relation to the execution of the Share Subscription Agreement between the target subscribers and the Company with conditions precedent.

NOTICE OF H SHARE CLASS MEETING

6. To consider and, if thought fit, to approve the resolution in relation to the possible dilution of the Company's current earnings per share as a result of the Transaction and its remedial measures.
7. To consider and, if thought fit, to approve the resolution in relation to the grant of the authorization to the board and its authorized representative(s) at the general meeting to deal with relevant matters of the Transaction.
8. To consider and, if thought fit, to approve the resolution in relation to the report on the use of proceeds from the previous fund raising activities by the Company.

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

Shanghai, the PRC, 17 February 2017

As at the date of this notice, the executive directors of the Company are Mr. HUANG Dinan and Mr. ZHENG Jianhua; the non-executive directors of the Company are Mr. LI Jianjin, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. Chu Junhao.

Notes:

1. The voting at the H Share Class Meeting shall be conducted by way of poll.
2. The Company's register of members for the H Shares will be closed from Saturday, 11 March 2017 to Monday, 10 April 2017, both days inclusive, during which period no transfer of H Shares will be effected. The holders of H Shares whose names appear on the Company's register of members on Friday, 10 March 2017 are entitled to attend and vote at the H Share Class Meeting. In order to qualify for attending and voting at the H Share Class Meeting, the holders of H Shares whose transfers have not been registered must deposit transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 10 March 2017. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
3. Each Shareholder entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy needs not be a Shareholder. Each Shareholder who wishes to appoint one or more proxies should first review the Circular in respect of the EGM and the H Share Class Meeting.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

NOTICE OF H SHARE CLASS MEETING

5. In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) signed by the authorised person or notarially certified power of attorney must be deposited at Computershare Hong Kong Investor Services Limited for holders of H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time fixed for holding the H Share Class Meeting or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the H Share Class Meeting if he/she so wishes.
6. Shareholders who intend to attend the H Share Class Meeting in person or by proxy should return the reply slip to Computershare Hong Kong Investor Services Limited for holders of H Shares on or before Tuesday, 21 March 2017. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
7. The H Share Class Meeting is expected to last for no more than half a day. Shareholders (or their proxies) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders (or their proxies) attending the meeting shall produce their identity documents.
8. The board of directors of the Company considered and approved the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising on 14 November 2016. On 22 November 2016, the Company received an inquiry letter from the Shanghai Stock Exchange on the Transaction and organized relevant intermediaries to respond to such inquiry letter. As at the date of this notice, the response to such inquiry letter is subject to further supplements, the trading of A shares of the Company on the Shanghai Stock Exchange has not been resumed. The Company will continue to actively proceed with the relevant works regarding the Transaction. If the trading of A shares of the Company has not been resumed before the convening of the H Share Class Meeting, there is possibility of postponement of the H Share Class Meeting. Investors are reminded of such risks.
9. Please refer to the circular of the Company in relation to the EGM and the H Share Class Meeting to be published on or before 23 March 2017 for details of the resolutions to be proposed at the H Share Class Meeting for consideration and approval.



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)

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

References are made to (i) the notice of the extraordinary general meeting (the “EGM”) of Shanghai Electric Group Company Limited (the “Company”) dated 17 February 2017 (the “Original Notice of EGM”), which sets out the time and venue of the EGM and contains the resolutions to be tabled before the EGM for shareholders’ approval, and (ii) the announcement of the Company dated 17 March 2017 (the “Announcement”), in relation to, among other things, the Proposed Acquisition and the Proposed Issuance and Placing of A Shares. Unless otherwise indicated, the capitalised terms used in this supplemental notice shall have the same meaning as those defined in the Announcement.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM will be held as originally scheduled at 9:00 a.m. on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC.

On 17 February 2017, CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and relevant regulatory questions and answers. According to the aforementioned documents and regulatory requirements, the pricing principles of the Proposed Issuance and Placing of A Shares should be consistent with the amended Implementing Rules on Non-public Issuance of Shares by Listed Companies, meaning the pricing benchmark date, which was originally “the publication date of the Board resolution announcement in relation to the Proposed Issuance and Placing of A Shares”, shall be revised to “the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.” Meanwhile, according to the relevant PRC regulatory requirements, the financial information of the entities within the Incoming Assets and the Company as at 30 September 2016 will lapse for the purpose of making application to CSRC. Therefore, such relevant financial information has been updated to 31 December 2016 accordingly. On 17 March 2017, the Board considered and approved the revised proposals in relation to the Proposed Issuance and Placing of A Shares and the updated relevant financial information in respect of the Transactions. Accordingly, the Board resolved to withdraw the relevant resolutions to be proposed at the EGM, including the 1st, 2nd, 5th and 6th special resolutions, as well as the 3rd and 4th ordinary resolutions set out in the original notice of EGM dated 17 February 2017. SEC (being the controlling

* For identification purpose only

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

shareholder holding approximately 58.12% of the shares of the Company), as entrusted by the Company and in compliance with the PRC laws and the Articles of Association, submitted the following resolutions to the EGM for consideration:

SPECIAL RESOLUTIONS:

1. To consider and, if thought fit, to approve the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising (connected transaction) (the “**Transaction**”) by the company:

Assets acquisition by issuance of shares

- 1.1 Parties to the transaction;
- 1.2 Transaction subjects;
- 1.3 Basis of pricing and transaction price;
- 1.4 Arrangement for profit or loss for the period;
- 1.5 Procedures for transfer of ownership and liability for breach of contract;
- 1.6 Class and nominal value of shares to be issued;
- 1.7 Target subscribers for shares to be issued;
- 1.8 Method of issuance and subscription for shares;
- 1.9 Pricing benchmark date, basis of pricing and issue price for the issuance of shares;
- 1.10 Number of shares to be issued;
- 1.11 Lock-up period arrangement;
- 1.12 Listing place of the shares to be issued;
- 1.13 Treatment for the Company’s undistributed retained earnings prior to the shares issuance;
- 1.14 The validity of the resolutions;

Issuance of shares for supporting funds raising

- 1.15 The class and nominal value of shares to be issued;
- 1.16 Target subscribers and methods of subscription;
- 1.17 Issue price;

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

- 1.18 Number of shares to be issued;
 - 1.19 Use of proceeds;
 - 1.20 Lock-up period arrangement;
 - 1.21 Listing place of the shares to be issued under the supporting funds raising; and
 - 1.22 The validity of the resolutions.
2. To consider and, if thought fit, to approve the “The Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Connected Transaction) by Shanghai Electric Group Company Limited (Draft) (Revised Version)” and its summary.
 5. To consider and, if thought fit, to approve the resolution in relation to the execution of the Share Subscription Agreements between the target subscribers and the Company with conditions precedent and its supplemental agreements.
 6. To consider and, if thought fit, to approve the resolution in relation to the possible dilution of the Company’s current earnings per share as a result of the Transaction and its remedial measures.

ORDINARY RESOLUTIONS:

3. To consider and, if thought fit, to approve the resolution in relation to the approval of relevant reports issued by audit firms and asset appraisal firms in respect of the Transaction.
4. To consider and, if thought fit, to approve the resolution on the compliance with the relevant laws and regulations of the assets acquisition by issuance of shares and supporting funds raising (connected transaction) by the Company.

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

Shanghai, the PRC, 23 March 2017

As at the date of this notice, the executive directors of the Company are Mr. HUANG Dinan and Mr. ZHENG Jianhua; the non-executive directors of the Company are Mr. LI Jianjin, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. Chu Junhao.

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The voting at the EGM shall be conducted by way of poll.
2. The holders of A Shares and H Shares will vote as one class of shareholders. The Company's register of members for the H Shares will be closed from Saturday, 11 March 2017 to Monday, 10 April 2017, both days inclusive, during which period no transfer of H Shares will be effected. The holders of H Shares whose names appear on the Company's register of members on Friday, 10 March 2017 are entitled to attend and vote at the EGM.
3. The Company delivered on the same day to the Shareholders the revised form of proxy (the "**Revised Proxy Form**") in respect of all resolutions to be considered on the EGM. Each Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a Shareholder. Each Shareholder who wishes to appoint one or more proxies should first review the Circular in respect of the EGM.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
5. In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) signed by the authorised person or notarially certified power of attorney must be deposited at Computershare Hong Kong Investor Services Limited for holders of H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the original form of proxy and the Revised Proxy Form will not preclude a Shareholder from attending and voting in person at the EGM if he/she so wishes.
6. A Shareholder who has not yet lodged the original form of proxy dated 17 February 2017 with the Company's Hong Kong share registrar is requested to lodge the Revised Proxy Form if he or she wishes to appoint proxy(ies) to attend the EGM on his or her behalf. In this case, the original form of proxy should not be lodged with the Company's Hong Kong share registrar.
7. A Shareholder who has already lodged the original form of proxy with the Company's Hong Kong share registrar shall note that:
 - (i) if no Revised Proxy Form is lodged with the Company's Hong Kong share registrar, the original form of proxy will be treated as a valid form of proxy lodged by the relevant Shareholder if correctly completed. The proxy so appointed by the relevant Shareholder will be entitled to vote at his or her discretion or to abstain from voting on any resolution(s) properly put to the EGM other than those as set out in the supplemental notice of EGM;
 - (ii) if the Revised Proxy Form is lodged with the Company's Hong Kong share registrar 24 hours before the time appointed for holding of the EGM (the "**Closing Time**"), the Revised Proxy Form will revoke and supersede the original form of proxy previously lodged by the relevant Shareholder. The Revised Proxy Form will be treated as a valid form of proxy lodged by the relevant Shareholder if correctly completed; and
 - (iii) if the Revised Proxy Form is lodged with the Company's Hong Kong share registrar after the Closing Time, or if lodged before the Closing Time but is incorrectly completed, the proxy appointment under the revised form of proxy will be invalid.
8. Shareholders who intend to attend the EGM in person or by proxy should return the reply slip to Computershare Hong Kong Investor Services Limited for holders of H Shares on or before Tuesday, 21 March 2017. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
9. The EGM is expected to last for no more than half a day. Shareholders (or their proxies) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders (or their proxies) attending the meeting shall produce their identity documents.

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

10. The board of directors of the Company considered and approved the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising on 14 November 2016. On 22 November 2016, the Company received an inquiry letter from the Shanghai Stock Exchange on the Transaction and organized relevant intermediaries to respond to such inquiry letter. As at the date of this notice, the response to such inquiry letter is subject to further supplements, the trading of A shares of the Company on the Shanghai Stock Exchange has not been resumed. The Company will continue to actively proceed with the relevant works regarding the Transaction. If the trading of A shares of the Company has not been resumed before the convening of the EGM, there is possibility of postponement of the EGM. Investors are reminded of such risks.
11. Please refer to the circular of the Company in relation to the EGM to be published on or before 23 March 2017 for details of the resolutions to be proposed at the EGM for consideration and approval.

SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING



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)

SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING

References are made to (i) the notice of a class meeting for holders of H Shares (the “**H Share Class Meeting**”) of Shanghai Electric Group Company Limited (the “**Company**”) dated 17 February 2017 (the “**Original Notice of H Share Class Meeting**”), which sets out the time and venue of the H Share Class Meeting and contains the resolutions to be tabled before the H Share Class Meeting for shareholders’ approval, and (ii) the announcement of the Company dated 17 March 2017 (the “**Announcement**”), in relation to, among other things, the Proposed Acquisition and the Proposed Issuance and Placing of A Shares. Unless otherwise indicated, the capitalised terms used in this supplemental notice shall have the same meaning as those defined in the Announcement.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the H Share Class Meeting will be held as originally scheduled immediately after the conclusion or adjournment of the extraordinary general meeting (the “**EGM**”) and the class meeting for holders of A Shares (the “**A Share Class Meeting**”) of the Company to be convened on Monday, 10 April 2017 at Xingyuan Hall, 3/F, B Block, Ramada Plaza Shanghai Caohejing, No. 509 Caobao Road, Shanghai, the PRC.

On 17 February 2017, CSRC issued the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) and relevant regulatory questions and answers. According to the aforementioned documents and regulatory requirements, the pricing principles of the Proposed Issuance and Placing of A Shares should be consistent with the amended Implementing Rules on Non-public Issuance of Shares by Listed Companies, meaning the pricing benchmark date, which was originally “the publication date of the Board resolution announcement in relation to the Proposed Issuance and Placing of A Shares”, shall be revised to “the first day of the offering period of the A Shares under the Proposed Issuance and Placing of A Shares.” Meanwhile, according to the relevant PRC regulatory requirements, the financial information of the entities within the Incoming Assets and the Company as at 30 September 2016 will lapse for the purpose of making application to CSRC. Therefore, such relevant financial information has been updated to 31 December 2016 accordingly. On 17 March 2017, the Board considered and approved the revised proposals in relation to the Proposed Issuance and Placing of A Shares and the updated relevant financial information in respect of the Transactions. Accordingly, the Board resolved to withdraw the relevant resolutions to be proposed at the H Share Class Meeting, including the 1st, 2nd, 5th and 6th special resolutions set out in the original

* For identification purpose only

SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING

notice of H Share Class Meeting dated 17 February 2017. SEC (being the controlling shareholder holding approximately 58.12% of the shares of the Company), as entrusted by the Company and in compliance with the PRC laws and the Articles of Association, submitted the following resolutions to the H Share Class Meeting for consideration:

SPECIAL RESOLUTIONS:

1. To consider and, if thought fit, to approve the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising (connected transaction) (the “**Transaction**”) by the company:

Assets acquisition by issuance of shares

- 1.1 Parties to the transaction;
- 1.2 Transaction subjects;
- 1.3 Basis of pricing and transaction price;
- 1.4 Arrangement for profit or loss for the period;
- 1.5 Procedures for transfer of ownership and liability for breach of contract;
- 1.6 Class and nominal value of shares to be issued;
- 1.7 Target subscribers for shares to be issued;
- 1.8 Method of issuance and subscription for shares;
- 1.9 Pricing benchmark date, basis of pricing and issue price for the issuance of shares;
- 1.10 Number of shares to be issued;
- 1.11 Lock-up period arrangement;
- 1.12 Listing place of the shares to be issued;
- 1.13 Treatment for the Company’s undistributed retained earnings prior to the shares issuance;
- 1.14 The validity of the resolutions;

Issuance of shares for supporting funds raising

- 1.15 The class and nominal value of shares to be issued;
- 1.16 Target subscribers and methods of subscription;

SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING

- 1.17 Issue price;
 - 1.18 Number of shares to be issued;
 - 1.19 Use of proceeds;
 - 1.20 Lock-up period arrangement;
 - 1.21 Listing place of the shares to be issued under the supporting funds raising; and
 - 1.22 The validity of the resolutions.
2. To consider and, if thought fit, to approve the “The Report for Assets Acquisition by Issuance of Shares and Supporting Funds Raising (Connected Transaction) by Shanghai Electric Group Company Limited (Draft) (Revised Version)” and its summary.
 5. To consider and, if thought fit, to approve the resolution in relation to the execution of the Share Subscription Agreement between the target subscribers and the Company with conditions precedent and its supplemental agreements.
 6. To consider and, if thought fit, to approve the resolution in relation to the possible dilution of the Company’s current earnings per share as a result of the Transaction and its remedial measures.

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

Shanghai, the PRC, 23 March 2017

As at the date of this notice, the executive directors of the Company are Mr. HUANG Dinan and Mr. ZHENG Jianhua; the non-executive directors of the Company are Mr. LI Jianjin, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. Chu Junhao.

Notes:

1. The voting at the H Share Class Meeting shall be conducted by way of poll.
2. The Company’s register of members for the H Shares will be closed from Saturday, 11 March 2017 to Monday, 10 April 2017, both days inclusive, during which period no transfer of H Shares will be effected. The holders of H Shares whose names appear on the Company’s register of members on Friday, 10 March 2017 are entitled to attend and vote at the H Share Class Meeting.

SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING

3. The Company delivered on the same day to the Shareholders the revised form of proxy (the “Revised Proxy Form”) in respect of all resolutions to be considered on the H Share Class Meeting. Each Shareholder entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote on his or her behalf. A proxy needs not be a Shareholder. Each Shareholder who wishes to appoint one or more proxies should first review the Circular in respect of the EGM and the H Share Class Meeting.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
5. In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) signed by the authorised person or notarially certified power of attorney must be deposited at Computershare Hong Kong Investor Services Limited for holders of H Shares at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time fixed for holding the H Share Class Meeting or any adjournment thereof (as the case may be). Completion and return of the original form of proxy and the Revised Proxy Form will not preclude a Shareholder from attending and voting in person at the H Share Class Meeting if he/she so wishes.
6. A Shareholder who has not yet lodged the original form of proxy dated 17 February 2017 with the Company’s Hong Kong share registrar is requested to lodge the Revised Proxy Form if he or she wishes to appoint proxy(ies) to attend the H Share Class Meeting on his or her behalf. In this case, the original form of proxy should not be lodged with the Company’s Hong Kong share registrar.
7. A Shareholder who has already lodged the original form of proxy with the Company’s Hong Kong share registrar shall note that:
 - (i) if no Revised Proxy Form is lodged with the Company’s Hong Kong share registrar, the original form of proxy will be treated as a valid form of proxy lodged by the relevant Shareholder if correctly completed. The proxy so appointed by the relevant Shareholder will be entitled to vote at his or her discretion or to abstain from voting on any resolution(s) properly put to the H Share Class Meeting other than those as set out in the supplemental notice of H Share Class Meeting;
 - (ii) if the Revised Proxy Form is lodged with the Company’s Hong Kong share registrar 24 hours before the time appointed for holding of the H Share Class Meeting (the “**Closing Time**”), the Revised Proxy Form will revoke and supersede the original form of proxy previously lodged by the relevant Shareholder. The Revised Proxy Form will be treated as a valid form of proxy lodged by the relevant Shareholder if correctly completed; and
 - (iii) if the Revised Proxy Form is lodged with the Company’s Hong Kong share registrar after the Closing Time, or if lodged before the Closing Time but is incorrectly completed, the proxy appointment under the revised form of proxy will be invalid.
8. Shareholders who intend to attend the H Share Class Meeting in person or by proxy should return the reply slip to Computershare Hong Kong Investor Services Limited for holders of H Shares on or before Tuesday, 21 March 2017. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
9. The H Share Class Meeting is expected to last for no more than half a day. Shareholders (or their proxies) attending the meeting are responsible for their own transportation and accommodation expenses. Shareholders (or their proxies) attending the meeting shall produce their identity documents.

SUPPLEMENTAL NOTICE OF H SHARE CLASS MEETING

10. The board of directors of the Company considered and approved the resolutions on the proposal of assets acquisition by issuance of shares and supporting funds raising on 14 November 2016. On 22 November 2016, the Company received an inquiry letter from the Shanghai Stock Exchange on the Transaction and organized relevant intermediaries to respond to such inquiry letter. As at the date of this notice, the response to such inquiry letter is subject to further supplements, the trading of A shares of the Company on the Shanghai Stock Exchange has not been resumed. The Company will continue to actively proceed with the relevant works regarding the Transaction. If the trading of A shares of the Company has not been resumed before the convening of the H Share Class Meeting, there is possibility of postponement of the H Share Class Meeting. Investors are reminded of such risks.

11. Please refer to the circular of the Company in relation to the H Share Class Meeting to be published on or before 23 March 2017 for details of the resolutions to be proposed at the H Share Class Meeting for consideration and approval.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2017 of 26 parcels of land and the buildings and structures erected thereon (the “**Target Properties**”) held by Shanghai Electric (Group) Corporation (“**SEC**”) and the properties held by Shanghai Electric Group Property Company Limited (“**SEC Property**”).



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

23 March 2017

The Board of Directors
Shanghai Electric Group Company Limited (the “**Company**”)
30th Floor, Maxdo Center
No. 8 Xingyi Road
Shanghai
The People's Republic of China

Dear Sirs,

On 14 November 2016, the Company and SEC entered into the Acquisition Agreement, pursuant to which, the Company proposed to acquire 47.18% equity interest in Shanghai Prime, 50.10% equity interest in Thales Saic, 100% equity interest in SEC Property and the Target Properties held by SEC. The consideration of RMB6,628,280,951.50 for the Incoming Assets shall be satisfied by the issuance of 877,918,006 Consideration Shares by the Company to SEC at the issue price of RMB7.55 per Consideration Share.

In accordance with your instructions to value the Target Properties held by Shanghai Electric (Group) Corporation and the properties held by SEC Property in Shanghai, the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 January 2017 (the “**valuation date**”).

14 parcels of land and portion of the land of Property no. 11 among the Target Properties are government allocated land, authorization (授權經營) land or kongzhuan (空轉) land which means government assigned land without purchase price payment. As of the date of this report, SEC has signed the land use rights grant contracts, in respect of the aforementioned parcels of government allocated land, authorization or kongzhuan land with the relevant planning and land administration authorities in Shanghai. As advised by SEC, the relevant title certificates in granted land status for such lands are still in the process of being obtained.

20 parcels of land of the properties held by SEC Property are government allocated land, authorization (授權經營) land, kongzhuan (空轉) land or land with limitation of Land Use Contract (土地使用協議書) which means government assigned land without purchase price payment. Among which, as of the date of this report, SEC Property has signed the land use rights grant contracts, in respect of the aforementioned 18 parcels of government allocated land, authorization or kongzhuan land with the relevant planning and land administration authorities in Shanghai. As advised by SEC Property, the relevant title certificates in granted land status for such lands are still in the process of being obtained. For the remaining 2 parcels of land, as advised, SEC Property could not complete land granting procedures due to relevant PRC governmental policies.

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property nos. 3, 5 to 24, 26, 27, 29, 32 to 34, 36 to 38, 43, 44, 46, 52, 60, 66, 67 and 72, due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have valued the remaining properties by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size, and other characters between the comparable properties and the subject properties.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

The valuation of the properties was carried out based on the regulated usage as stated in title certificates.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by Shanghai Electric (Group) Corporation and SEC Property and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – Llinks Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out from 10 October 2016 to 25 October 2016 by Mr. Arnold Gao, Mr. Shawn Sheng, Mr. Bryan Yan and Mr. Tony Xu. Mr. Arnold Gao is a member of the RICS and has 12 years' experience in the valuation of the properties in the PRC. Mr. Shawn Sheng has obtained the bachelor degree in Surveying and Mapping and has 2 years' experience in the valuation of properties in the PRC. Mr. Bryan Yan is a probationer of the RICS and has 2 years' experience in the valuation of properties in the PRC. Mr. Tony Xu has obtained the bachelor degree in Real Estate Appraisal and has 3 years' experience in the real estate industry of the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by Shanghai Electric (Group) Corporation and SEC Property. We have also sought confirmation from Shanghai Electric (Group) Corporation and SEC Property that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Target Properties held by Shanghai Electric (Group) Corporation

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
1.	An office building located at No. 110 Middle Sichuan Road Huangpu District Shanghai The PRC	No commercial value	308,500,000
2.	A commercial building located at Nos. 10 to 20 Lane 126 Middle Sichuan Road Huangpu District Shanghai The PRC	No commercial value	288,600,000
3.	A parcel of land, 9 buildings and various structures located at No. 3301 Gonghexin Road Jingan District Shanghai The PRC	No commercial value	269,975,000
4.	Levels 3, 4 and 6 and a basement of a building located at No. 571 North Xizang Road Jingan District Shanghai The PRC	58,190,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
5.	A parcel of land, 14 buildings and various structures located at No. 191 West Guangzhong Road Jingan District Shanghai The PRC	No commercial value	312,580,000
6.	A parcel of land, 20 buildings and various structures located at No. 8 Guangxing Road Songjiang District Shanghai The PRC	No commercial value	85,627,000
7.	A parcel of land, 19 buildings and various structures located at No. 35 Yongfeng Road Songjiang District Shanghai The PRC	No commercial value	39,649,000
8.	A parcel of land, 23 buildings and various structures located at No. 255 Ledu Road Songjiang Town Songjiang District Shanghai The PRC	No commercial value	75,189,000
9.	A parcel of land, 46 buildings and various structures located at No. 236 North Fangta Road Songjiang District Shanghai The PRC	70,787,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
10.	A parcel of land and 57 buildings located at No. 32 Beinei Road Songjiang District Shanghai The PRC	152,229,000	N/A
11.	2 parcels of land, 25 buildings and various structures located at Nos. 18 & 28 Changji Road Anting Town Jiading District Shanghai The PRC	11,309,000	133,768,000
12.	A parcel of land and 24 buildings located at No. 950 Huyi Road Nanxiang Town Jiading District Shanghai The PRC	19,709,000	N/A
13.	A parcel of land and 4 buildings located at No. 815 West Changjiang Road Baoshan District Shanghai The PRC	68,208,000	N/A
14.	A parcel of land, 30 buildings and various structures located at No. 1, Lane 4299 Longwu Road Minhang District Shanghai The PRC	97,999,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
15.	A parcel of land and a building located at No. 668 Ningqiao Road Pudong New District Shanghai The PRC	132,811,000	N/A
16.	A parcel of land, 8 buildings and various structures located at No. 4399 Yindu Road Minhang District Shanghai The PRC	227,347,000	N/A
17.	A parcel of land, 12 buildings and various structures located at No. 250 Jinggu Road Minhang District Shanghai The PRC	68,471,000	N/A
18.	A parcel of land and 22 buildings located at No. 1111 Humin Road Minhang District Shanghai The PRC	162,794,000	N/A
19.	A parcel of land and a building located at No. 555 Jiangchuan Road Minhang District Shanghai The PRC	No commercial value	1,058,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
20.	A parcel of land and 6 buildings located at No. 141 Shijie Road Yangpu District Shanghai The PRC	42,612,000	N/A
21.	A parcel of land and a building located at No. 1076 Jungong Road Yangpu District Shanghai The PRC	No commercial value	3,011,000
22.	A parcel of land, 21 buildings and various structures located at Nos. 1050 & 1060 Jungong Road Yangpu District Shanghai The PRC	No commercial value	84,502,000
23.	4 parcels of land, 15 buildings and various structures located at No. 1140 Jungong Road Yangpu District Shanghai The PRC	No commercial value	98,516,000
Total:		<u>1,112,466,000</u>	<u>1,700,975,000</u>

Note: In the valuation of these properties, because the relevant land granting procedures are under processing and the proper title certificates have not been obtained yet, we have attributed no commercial value to these properties. However, for reference purpose, we have assessed the market values of them assuming their proper title certificates without subject to the limitation of kongzhuan, authorization or allocated land have been obtained and they can be freely transferred.

Group II – Properties held by SEC Property

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
24.	A parcel of land and 6 buildings located at No. 2467 Changyang Road Yangpu District Shanghai The PRC	No commercial value	74,364,000
25.	An industrial building located at Nos. 73, 75 & 77 Nanhui Road Jingan District Shanghai The PRC	84,332,000	N/A
26.	A parcel of land and 3 buildings located at No. 182 Qixin Road Minhang District Shanghai The PRC	No commercial value	28,613,000
27.	A parcel of land and a warehouse building located at No. 3230 Gonghexin Road Jingan District Shanghai The PRC	No commercial value	34,652,000
28.	An office building located at No. 400 Xikang Road Jingan District Shanghai The PRC	No commercial value	154,215,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
29.	A parcel of land and 2 buildings located at No. 12, Lane 250 Yishan Road Xuhui District Shanghai The PRC	No commercial value	19,933,000
30.	4 office buildings located at No. 1406 South Xizang Road Huangpu District Shanghai The PRC	No commercial value	69,600,000
31.	An office building located at No. 1287 West Beijing Road Jingan District Shanghai The PRC	No commercial value	116,700,000
32.	A parcel of land and 12 buildings located at No. 800 Changde Road Jingan District Shanghai The PRC	No commercial value	196,482,000
33.	A parcel of land and a building located at No. 121 Tiantongan Road Jingan District Shanghai The PRC	No commercial value	6,387,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
34.	5 buildings and a parcel of land located at No. 165 Xiangyin Road Yangpu District Shanghai The PRC	No commercial value	75,606,000
35.	3 buildings located at No. 7, Lane 550, Jiangchuan Road Minhang District Shanghai The PRC	No commercial value	12,402,000
36.	A parcel of land and 10 buildings located at No. 868 Huyi Road Jiading District Shanghai The PRC	No commercial value	21,972,000
37.	A parcel of land and 8 buildings located at No. 465 Tiantongan Road Jingan District Shanghai The PRC	No commercial value	29,008,000
38.	A parcel of land and a building located at No. 458 Jumen Road Huangpu District Shanghai The PRC	No commercial value	51,488,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
39.	Levels 1, 2 and 5 of 3 buildings located at No. 105 Fuzhou Road Huangpu District Shanghai The PRC	No commercial value	57,875,000
40.	5 office units (Nos. 301 to 304 & 311) on Level 3 of a building located at No. 1 Lane 271 Middle Henan Road Huangpu District Shanghai The PRC	No commercial value	7,282,000
41.	4 office units (Units 410, 704, 802 and 901) located at No. 170 Middle Jiangxi Road Huangpu District Shanghai The PRC	No commercial value	19,900,000
42.	Level 2 and 3 of a building located at No. 49 Middle Sichuan Road Huangpu District Shanghai The PRC	No commercial value	34,518,000
43.	A parcel of land and 30 buildings located at Hill No. 73, Block 3 Changzheng Farm Chongming District Shanghai The PRC	30,916,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
44.	A parcel of land and 27 buildings located at Hill No. 91/1, Block 3 Changzheng Farm Chongming District Shanghai The PRC	15,158,000	N/A
45.	Units 42 to 46 on Level 1, Units 302, 304, 306, 314, 316, 318 to 324 on Level 3 and portions of the basement in a building located at No. 89 Fuzhou Road Huangpu District Shanghai The PRC	No commercial value	54,586,000
46.	A parcel of land and a buildings located at No. 115 Xingfu Road Changning District Shanghai The PRC	8,708,000	N/A
47.	2 commercial units on Level 1 of a building located at Nos. 346 & 348 Hailun Road Hongkou District Shanghai The PRC	3,977,000	N/A
48.	2 commercial units on Level 1 of a building located at Nos. 202 to 204 Huanghe Road Huangpu District Shanghai The PRC	No commercial value	2,205,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
49.	Office Units A to D on Level 7 of a building located at No. 212 Jiangning Road Jingan District Shanghai The PRC	42,711,000	N/A
50.	5 buildings located at No. 19, Lane 1203 Liyang Road Hongkou District Shanghai The PRC	86,827,000	N/A
51.	Level 1 of a building located at No. 18 South Maoming Road Huangpu District Shanghai The PRC	5,244,000	N/A
52.	A parcel of land, a building and portions of 2 other buildings located at No. 14, Lane 491 Wuyi Road Changning District Shanghai The PRC	21,533,000	N/A
53.	2 office buildings located at No. 538 Xikang Road Jingan District Shanghai The PRC	59,165,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
54.	A 2-storey commercial unit on Levels 1 & 2 of a building located at No. 283 East Changzhi Road Hongkou District Shanghai The PRC	16,901,000	N/A
55.	Unit B and Unit C-1 on Level 9 of a building located at No. 212 Jiangning Road Jingan District Shanghai The PRC	17,563,000	N/A
56.	Levels 1 and 2 of a building located at No. 611 North Chengdu Road Jingan District Shanghai The PRC	43,414,000	N/A
57.	2 residential buildings located at Nos. 16 & 18 Lane 149 Huimin Road Hongkou District Shanghai The PRC	71,616,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
58.	Units 703 and 704 on Level 7 of Building No. 12, Levels 1, 3 and 4 of Building No. 315 and 6 underground carpark spaces of Building No. 2 located at No. 351 Aomen Road Putuo District Shanghai The PRC	131,200,000	N/A
59.	Portions of Level 1 of a building located at No. 212 Jiangning Road Jingan District Shanghai The PRC	11,275,000	N/A
60.	A parcel of land and an industrial building located at Hill No.1, Block 76, Jinqiao Export Processing Zone Pudong New District Shanghai The PRC	96,892,000	19,057,000
61.	Levels 1 and 2 of a building located at No. 108 Nandan Road Xuhui District Shanghai The PRC	63,720,000	N/A
62.	A residential building located at No. 242 Wuyi Road Changning District Shanghai The PRC	41,569,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
63.	Office Units 802 to 805 and 901 to 905 on Levels 8 and 9 of a building located at Nos. 69 & 71 Yanping Road Jingan District Shanghai The PRC	32,923,000	N/A
64.	Office Units 4B and 4C on Level 4 of a building located at No. 69 Yixueyuan Road Xuhui District Shanghai The PRC	10,848,000	N/A
65.	Room 1504 of a building located at No. 1, Lane 600 Xikang Road Jingan District Shanghai The PRC	9,437,000	N/A
66.	A parcel of land and a building located at No. 109 Tianshui Road Hongkou District Shanghai The PRC	No commercial value	27,469,000
67.	A parcel of land and 9 buildings located at No. 365 Chenghang Branch Road Minhang District Shanghai The PRC	No commercial value	2,878,000

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
68.	A commercial unit on Level 1, an office unit on Level 2 and a basement of a building located at No. 4, Lane 30 Caodong Second Road Xuhui District Shanghai The PRC	53,200,000	N/A
69.	A commercial unit on Level 1 of a building located at No. 203 Fenzhou Road Yangpu District Shanghai The PRC	No commercial value	1,390,000
70.	3 rooms in a building (Rooms 101 to 103) located at No. 9, Lane 735 Jiangpu Road Yangpu District Shanghai The PRC	No commercial value	3,978,000
71.	Unit 201 of a building located at No. 3, Lane 315 Qingyun Road Jingan District Shanghai The PRC	6,869,000	N/A
72.	A parcel of land and 3 buildings located at No. 546 Yuexiu Road Jingan District Shanghai The PRC	10,085,000	N/A

No.	Property	Market value in existing state as at the valuation date RMB	Market value for reference (for property without proper title certificates*) RMB
73.	Units 104, 105, 301, 302, 401 to 403, 405, 501, 502 and 505 of a building located at No. 1279 Dingxi Road Changning District Shanghai The PRC	50,935,000	N/A
74.	Room A on Level 2, Room B on Level 1, Rooms A and B on Level 3 of the West Building located at No. 22, Lane 376 West Yan'an Road Jingan District Shanghai The PRC	14,004,000	N/A
75.	An office unit on Level 1 of a building located at No. 145 Middle Sichuan Road Huangpu District Shanghai The PRC	1,819,000	N/A
Total:		<u>1,042,841,000</u>	<u>1,122,560,000</u>

Note: In the valuation of these properties, because the relevant land granting procedures are under processing and the proper title certificates have not been obtained yet, we have attributed no commercial value to these properties. However, for reference purpose, we have assessed the market values of them assuming their proper title certificates without subject to the limitation of kongzhuan, authorization or allocated land have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

Group I – Target Properties held by Shanghai Electric (Group) Corporation

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
1.	An office building located at No. 110 Middle Sichuan Road Huangpu District Shanghai The PRC	The property comprises an 8-storey office building which was completed in 1921. The property has a gross floor area of approximately 6,479.98 sq.m. The land use rights of the property have been allocated for office use.	The property was occupied by Shanghai Electric (Group) Corporation for office use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2012) Di No. 001485, the property with a gross floor area of approximately 6,479.98 sq.m. is owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 996.0 sq.m. have been allocated to Shanghai Electric (Group) Corporation for office use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	996.37 sq.m.
Land Use	:	Office
Land Term	:	50 years
Above-land Gross Floor Area	:	6,180 sq.m.
Land Premium	:	RMB55,170,000
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The property is not subject to any mortgage or third party encumbrance;
 - Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
- In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan or allocated and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB308,500,000 assuming proper title certificates without subject to the limitation of kongzhuan or allocated land had been obtained and the property could be freely transferred.

5. In our valuation for reference purpose as stated in note 4, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB40,000/sq.m. to RMB55,000/sq.m. for office buildings. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB47,608/sq.m. for the subject property.
6. The property is located at the eastern side of Middle Sichuan Road, Huangpu District, Shanghai. The property is near the Bund and East Nanjing Road Retail Cluster which attracts a lot of tourists and local consumers. The property is well-served by adequate facilities and convenient public transportation means along the main roads. As inspected, the property is well maintained. The neighborhood of the property is mainly historical buildings and retail shops. The property is near East Nanjing Road Retail Cluster and the Bund. Most of the office buildings in this area are historical buildings. The office supply is limited in this area in recent years. The main tenants for office in this area are banks and state-owned enterprises.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	A commercial building located at Nos. 10 to 20 Lane 126 Middle Sichuan Road Huangpu District Shanghai The PRC	<p>The property comprises a 4-storey commercial building which was completed in 1912.</p> <p>The property has a gross floor area of approximately 6,855 sq.m.</p> <p>The land use rights of the property have been granted by way of authorization for a term commencing from 15 April 1996 and expiring on 14 April 2036 for commercial use.</p>	The property was occupied by Shanghai Electric (Group) Corporation for staff canteen and office use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2005) Di No. 005037, the property with a gross floor area of approximately 6,855 sq.m. is owned by Bailian Group Co., Ltd (百聯集團有限公司). The land use rights of a parcel of land with a site area of approximately 1,617 sq.m. have been granted to Bailian Group Co., Ltd by way of authorization for a term commencing from 15 April 1996 and expiring on 14 April 2036 for commercial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 December 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	1,617.18 sq.m.
Land Use	:	Commercial
Land Term	:	40 years
Above-land Gross Floor Area	:	6,855.36 sq.m.
Land Premium	:	RMB53,960,000
3. As advised by the Company, the property was transferred from Bailian Group Co., Ltd to Shanghai Electric (Group) Corporation. The change of registration name of the title certificate has not been completed yet.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of authorization and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB288,600,000 assuming proper title certificates without subject to the limitation of authorization had been obtained and the property could be freely transferred.
6. In our valuation for reference purpose as stated in note 5, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB40,000/sq.m. to RMB60,000/sq.m. for retail properties. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB42,101/sq.m. for the subject property.
7. The property is located at the eastern side of Middle Sichuan Road, Huangpu District, Shanghai. The property is near to the Bund and East Nanjing Road Retail Cluster which attract a lot of tourists and local consumers. The property is well-served by adequate facilities and convenient public transportation means along the main roads. As inspected, the property is well maintained. The neighborhood of the property is mainly historical buildings and retail shops. Most of the buildings in this area are historical buildings. The retail property supply is limited in this area in recent years. The main tenants for retail property in this area are restaurant, exhibition and general merchandise.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
3.	A parcel of land, 9 buildings and various structures located at No. 3301 Gonghexin Road Jingan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 55,776.06 sq.m. and 9 buildings and various ancillary structures erected thereon which were completed in various stages between 1959 and 1986.</p> <p>The buildings have a total gross floor area of approximately 9,920 sq.m.</p> <p>The buildings mainly include industrial building, office building, warehouse and ancillary buildings.</p> <p>The structures mainly include roads, boundary walls, and landscaped area.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 29 December 2001 and expiring on 28 December 2051 for industrial use.</p>	The property was occupied by a subsidiary of Shanghai Electric (Group) Corporation for commercial use at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2003) Di No. 030659, 9 buildings with a total gross floor area of approximately 9,920 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 68,336.00 sq.m. have been granted to Shanghai Electric (Group) Corporation by way of kongzhuan for a term commencing from 29 December 2001 and expiring on 28 December 2051 for industrial use.
- According to a Housing and Land Ownership Survey Report – Di-Shi Ce-16-0781 dated 20 October 2016, issued by Diji Division of Planning & Land Resources Administration Bureau of Jingan District, the land area of the property (under reference number: Hu Fang Di Zha Zi (2003) Di No. 030659) have been re-surveyed. The updated land area of the property is approximately 55,776.06 sq.m.

3. Pursuant to a State-owned Land Use Rights Grant Contract dated 29 November 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	55,776.06 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	11,577 sq.m.
Land Premium	:	RMB79,580,000

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB269,975,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.
6. The property will be held for the future use by SEC Property in its supporting fund raising projects.
7. The property is located at eastern side of Gonghexin Road and the southern side of Jiangchang Road, Jing'an District, Shanghai. Gonghexin Road is the main road connecting to the downtown of Shanghai. The property is close to the middle ring road and the Metro No. 1. The neighborhood of the property is mainly office buildings, shopping center, steel trade market and factory. The land price of comparable land in the locality ranges from RMB4,100/sq.m. to RMB5,000/sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB								
4.	Levels 3, 4 and 6 and a basement of a building located at No. 571 North Xizang Road Jingan District Shanghai The PRC	<p>The property comprises 3 office floors and a basement of a building of which the completion year is 1990s.</p> <p>The property has a gross floor area of approximately 3,223.71 sq.m. with details as follows.</p> <table border="1"> <thead> <tr> <th>Type</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office:</td> <td>2,489.97</td> </tr> <tr> <td>Basement:</td> <td>733.74</td> </tr> <tr> <td>Total:</td> <td>3,223.71</td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term commencing from 3 March 2007 and expiring on 2 March 2057 for office use.</p>	Type	Gross Floor Area (sq.m.)	Office:	2,489.97	Basement:	733.74	Total:	3,223.71	The property was rented to various parties for office and carpark uses as at the valuation date.	58,190,000
Type	Gross Floor Area (sq.m.)											
Office:	2,489.97											
Basement:	733.74											
Total:	3,223.71											

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2007) Di No. 003983, the property with a gross floor area of approximately 3,223.71 sq.m. is owned by Shanghai Electric (Group) Corporation. The land use rights of the property have been granted to Shanghai Electric (Group) Corporation for a term commencing from 3 March 2007 and expiring on 2 March 2057 for office use.
- According to 2 Tenancy Agreements, the property was rented to 2 parties for various terms with commencing dates on 10 July 2014 and 1 October 2016 and expiring dates between 9 July 2017 and 30 September 2018 at a total monthly rent of RMB139,025 before tax for office and carpark uses, exclusive of management fees, water and electricity charges.
- In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB17,000/sq.m. to RMB23,000/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB18,051/sq.m.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
- The property will be held for the Company's future use in the research and development of forward-looking technologies, such as wind, solar, energy, storage, multi-energy complementary, rehabilitative robot, etc.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
5.	A parcel of land, 14 buildings and various structures located at No. 191 West Guangzhong Road Jingan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 50,217.72 sq.m. and 14 buildings and various ancillary structures erected thereon which were completed in various stages between 1995 and 2013.</p> <p>The buildings have a total gross floor area of approximately 40,533.67 sq.m.</p> <p>The buildings mainly include industrial building, office building, dormitory, warehouse and ancillary building.</p> <p>The structures mainly include roads and landscaped area.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 17 August 2000 and expiring on 16 August 2050 for industrial use.</p>	Except for portions of the property which were rented to various parties, the remaining portion of the property was occupied by Shanghai Electric (Group) Corporation for office and ancillary use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2013) Di No. 014700, 14 buildings with a total gross floor area of approximately 40,533.67 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 65,237 sq.m. have been granted to Shanghai Electric (Group) Corporation by way of kongzhuan for a term commencing from 17 August 2000 and expiring on 16 August 2050 for industrial use.
2. According to a Housing and Land Ownership Survey Report – Di-Shi Ce-16-0803 dated 20 October 2016, issued by Dijia Division of Planning & Land Resources Administration Bureau of Jing'an District, the land area of the property (under reference number: Hu Fang Di Zha Zi (2013) Di No. 014700) have been re-surveyed. The updated land area of the property is approximately 50,217.72 sq.m.

3. Pursuant to a State-owned Land Use Rights Grant Contract dated 29 November 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	50,217.72 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	40,533.67 sq.m.
Land Premium	:	RMB71,810,000

4. According to various Tenancy Agreements, a portion of land with a site area of 3,700 sq.m. and portions of buildings of the property with a total gross floor area of approximately 42,157.67 sq.m. were rented to various parties for various terms with commencing dates between 1 March 2008 and 10 May 2016 and the expiry dates between 28 February 2018 and 31 December 2032 at a total monthly rent of RMB1,392,264 before tax for industrial, office and dormitory uses.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB312,580,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.
7. The property will be held for the Company's future use in the research and development, manufacture, system integration and sales service of the automatic control system for municipal engineering and energy engineering in industrial automation business.
8. The property is located at the northern side of West Guangzhong Road, Jing'an District, Shanghai. The property enjoys convenient access of transportation means as it is close to Gonghexin Road which is the main road of Shanghai City and the Metro No. 1. The neighborhood of the property is mainly office buildings, hotel, park and residential community. The land price of comparable land in the locality ranges from RMB4,100/sq.m. to RMB5,000/sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
6.	A parcel of land, 20 buildings and various structures located at No. 8 Guangxing Road Songjiang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 59,134.5 sq.m. and 20 buildings and various ancillary structures erected thereon which were completed in 1990.</p> <p>The buildings have a total gross floor area of approximately 23,886.65 sq.m.</p> <p>The buildings mainly include industrial building, office building, warehouse, dormitory and ancillary buildings.</p> <p>The structures mainly include roads, boundary walls, power distribution station and landscaped area.</p> <p>The land use rights of the property have been allocated for industrial use.</p>	The property was rented to a party for industrial use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi (2011) Di No. 027018, 20 buildings with a total gross floor area of approximately 23,886.65 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 59,134.5 sq.m. have been allocated to Shanghai Electric (Group) Corporation for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 1 December 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	51,934.50 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	23,886.65 sq.m.
Land Premium	:	RMB15,150,000
- According to a Tenancy Agreement entered into between Shanghai Electric (Group) Corporation and Shanghai Electric Pioneer Electric Co., Ltd. (上海電氣先鋒電機有限公司), the property was rented to Shanghai Electric Pioneer Electric Co., Ltd. for a term commencing from 1 February 2015 and expiring on 31 March 2018 at a monthly rent of RMB83,333 before tax for industrial use, exclusive of management fees, water and electricity charges.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan or allocated and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB85,627,000 assuming proper title certificates without subject to the limitation of kongzhuan or allocated land had been obtained and the property could be freely transferred.
6. The property will be held for the Company's future use in the research and development, manufacture, and sales services of a new generation sensors and system integration in automated production line.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
7.	A parcel of land, 19 buildings and various structures located at No. 35 Yongfeng Road Songjiang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 22,658 sq.m. and 19 buildings and various ancillary structures erected thereon which were completed in 2000.</p> <p>The buildings have a total gross floor area of approximately 12,192 sq.m.</p> <p>The buildings mainly include industrial building, office building, warehouse, canteen and ancillary building.</p> <p>The structures mainly include roads, sheds and landscaped area.</p> <p>The land use rights of the property have been allocated for industrial use.</p>	The property was occupied by a subsidiary of Shanghai Electric (Group) Corporation for industrial and ancillary uses as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2006) Di No. 000014, 19 buildings with a total gross floor area of approximately 12,192 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 22,658 sq.m. have been allocated to Shanghai Electric (Group) Corporation for industrial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 1 December 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	22,658 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	12,529 sq.m.
Land Premium	:	RMB6,490,000
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The property is not subject to any mortgage or third party encumbrance;

- b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan or allocated and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB39,649,000 assuming proper title certificates without subject to the limitation of kongzhuan or allocated land had been obtained and the property could be freely transferred.
5. The property will be held for the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
8.	A parcel of land, 23 buildings and various structures located at No. 255 Ledu Road Songjiang Town Songjiang District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 35,159 sq.m. and 23 buildings and various ancillary structures erected thereon which were completed in various stages between 1988 and 2010. The buildings have a total gross floor area of approximately 14,401 sq.m. The buildings mainly include industrial building, office building, warehouse and ancillary building. The structures mainly include factory gate, roads, shed and landscaped area. The land use rights of the property have been allocated for industrial use.	The property was occupied by a subsidiary of Shanghai Electric (Group) Corporation for industrial and ancillary uses as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2005) Di No. 000211, 23 buildings with a total gross floor area of approximately 14,401 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 35,159 sq.m. have been allocated to Shanghai Electric (Group) Corporation for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 1 December 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	35,159 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	14,670 sq.m.
Land Premium	:	RMB9,980,000

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan or allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB75,189,000 assuming proper title certificates without subject to the limitation of kongzhuan or allocated land had been obtained and the property could be freely transferred.
5. The property will be held for the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
9.	A parcel of land, 46 buildings and various structures located at No. 236 North Fangta Road Songjiang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 42,946 sq.m. and 46 buildings and various ancillary structures erected thereon which were completed in various stages between 1963 and 2006.</p> <p>The buildings have a total gross floor area of approximately 26,608.04 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The structures mainly include roads and sewages.</p> <p>The land use rights of the property have been granted for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.</p>	The property was occupied by Shanghai Electric (Group) Corporation for industrial, storage, office and ancillary purposes as at the valuation date.	70,787,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi(2007) Di No. 030739, 46 buildings with a total gross floor area of approximately 26,608.04 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 42,946 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
3. The property will be held for the Company's future use in the development of industrial control software and digital solutions in industrial automation business field, mainly for the office, software testing and data center construction, etc.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
10.	A parcel of land and 57 buildings located at No. 32 Beinei Road Songjiang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 107,605 sq.m. and 57 buildings erected thereon which were completed in 1965.</p> <p>The buildings have a total gross floor area of approximately 40,314 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The land use rights of the property have been granted for a term commencing from 25 November 2003 and expiring on 24 November 2053 for industrial use.</p>	The property was vacant as at the valuation date.	152,229,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi (2006) Di No. 010516, 57 buildings with a total gross floor area of approximately 40,314 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 107,605 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 25 November 2003 and expiring on 24 November 2053 for industrial use.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
3. The property will be held for the future use by SEC Property in its supporting fund raising projects.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
11.	2 parcels of land, 25 buildings and various structures located at Nos. 18 & 28 Changji Road Anting Town Jiading District Shanghai The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 81,412 sq.m. and 25 buildings and various ancillary structures erected thereon which were completed in various stages between 1960 and 2012.</p> <p>The buildings have a total gross floor area of approximately 31,044.58 sq.m.</p> <p>The buildings mainly include industrial building, warehouse and ancillary buildings.</p> <p>The structures mainly include sheds and bounding walls.</p> <p>Portions of the land use rights of the property have been granted for a term commencing from 19 March 2001 and expiring on 18 March 2051 for industrial use. The remaining portions of the land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 29 December 2001 and expiring on 28 December 2051 for industrial use.</p>	The property was occupied by a subsidiary of Shanghai Electric (Group) Corporation for industrial, storage and ancillary purposes as at the valuation date.	11,309,000

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Jia Zi (2013) Di No. 017819, 25 buildings with a total gross floor area of approximately 31,044.58 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 14,031 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 19 March 2001 and expiring on 18 March 2051 for industrial use. The land use rights of the other parcel of land with a site area of approximately 67,381 sq.m. have been granted to Shanghai Electric (Group) Corporation by way of kongzhuan for a term commencing from 29 December 2001 and expiring on 28 December 2051 for industrial use.

2. Pursuant to a State-owned Land Use Rights Grant Contract dated 16 December 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	81,412 sq.m.
Land Use	:	Industrial
Land Term	:	50 years
Above-land Gross Floor Area	:	31,062.58 sq.m.
Land Premium	:	RMB16,270,000

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a) Shanghai Electric (Group) Corporation owns the land use rights of portions of the property with a site area of approximately 14,031 sq.m. and is entitled to use, transfer, lease, mortgage or otherwise dispose of the property;
 - b) The property is not subject to any mortgage or third party encumbrance;
 - c) Shanghai Electric (Group) Corporation has signed the State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - d) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to portions of the property with a site area of approximately 67,381 sq.m and the buildings with a total gross floor area of 31,044.58 sq.m. and structures erected thereon as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of this portion of the property as at the valuation date would be RMB133,768,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and this portion of the property could be freely transferred.
5. The property will be held for the Company's future use in the manufacture of high-efficiency photovoltaic, biomass power generation and plant energy saving systems, etc.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
12.	A parcel of land and 24 buildings located at No. 950 Hui Road Nanxiang Town Jiading District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 16,020.6 sq.m. and 24 buildings erected thereon which were completed in various stages between 1940 and 1988.</p> <p>The buildings have a total gross floor area of approximately 12,139.24 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The land use rights of the property have been granted for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.</p>	Except for portions of the property which were rented to various parties, the remaining portion of the property was vacant.	19,709,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jia Zi (2003) Di No. 017241, 24 buildings with a total gross floor area of approximately 12,139.24 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 16,101 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.
2. According to a Shanghai Non-residential Building Demolishment Compensation Agreement entered into between Jiading District Nanxiang Town Construction Headquarter (“嘉定區南翔鎮城鎮建設指揮部”) between Shanghai Electric (Group) Corporation on 18 April 2014, portions of the land of the property with a site area of approximately 80.4 sq.m. has been listed in the scope of demolishing. As at the valuation date, the demolishing project has been completed and the area of the parcel of land of the property has been changed to 16,020.6 sq.m.
3. According to 3 Tenancy Agreements, the property was rented to various parties for various terms with commencing dates between 28 December 2015 and 1 June 2016 and expiring dates between 31 December 2017 and 31 May 2018 at a total monthly rent of RMB44,175.7 before tax for office and carpark uses, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
5. The property will be held for the Company’s future use in the research and development and manufacture of energy storage battery.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
13.	A parcel of land and 4 buildings located at No. 815 West Changjiang Road Baoshan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 10,739.9 sq.m. and 4 buildings erected thereon which were completed in 2008.</p> <p>The buildings have a total gross floor area of approximately 8,201.82 sq.m.</p> <p>The buildings mainly include industrial building and office building.</p> <p>The land use rights of the property have been granted for a term commencing from 19 November 2012 and expiring on 22 June 2056 for industrial use.</p>	The property was rented to a party for industrial use as at the valuation date.	68,208,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Bao Zi (2012) Di No. 041546, 4 buildings with a total gross floor area of approximately 8,201.82 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 10,739.9 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 19 November 2012 and expiring on 22 June 2056 for industrial use.
2. According to a Tenancy Agreement between Shanghai Electric (Group) Corporation and Shanghai Da Long Machinery Co., Ltd (“上海大隆機器廠有限公司”), the property was rented to a party for a term commencing from 1 January 2016 and expiring on 31 December 2017 at a total monthly rent of RMB179,619.9 before tax for industrial use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
4. The property will be held for the Company’s future use in the development of relevant industrial robots business, such as warehousing and logistics, sales services, and product demonstrations, etc.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
14.	A parcel of land, 30 buildings and various structures located at No. 1, Lane 4299 Longwu Road Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 51,599 sq.m. and 30 buildings and various ancillary structures erected thereon which were completed in various stages between 1960 and 1995.</p> <p>The buildings have a total gross floor area of approximately 33,273.55 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The structures mainly include roads and bounding walls.</p> <p>The land use rights of the property have been granted for industrial use.</p>	The property was rented to a party for industrial, office and storage uses as at the valuation date.	97,999,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2016) Di No. 059640, 30 buildings with a total gross floor area of approximately 33,273.55 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 51,599 sq.m. have been granted to Shanghai Electric (Group) Corporation for industrial use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Electric Porcelain Works Co., Ltd (“上海電瓷廠有限公司”), the property was rented to Shanghai Electric Porcelain Works Co., Ltd. with a term commencing from 14 April 2015 and expiring on 13 April 2018 at a monthly rent of RMB83,333.33 before tax for industrial, office and storage uses.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property;
4. The property will be held for the Company’s future use in the development of power plant services business, including technical renovation, repairs and maintenance, performance improvement, remote fault diagnosis, etc.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
15.	A parcel of land and a building located at No. 668 Ningqiao Road Pudong New District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 26,411 sq.m. and an industrial building erected thereon which was completed in 2002.</p> <p>The building has a gross floor area of approximately 21,327.68 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 4 December 2008 and expiring on 14 September 2042 for industrial use.</p>	The property was rented to a party for warehouse use as at the valuation date.	132,811,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2009) Di No. 000345, an industrial building with a gross floor area of approximately 21,327.68 sq.m. is owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 26,411 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 4 December 2008 and expiring on 14 September 2042 for industrial use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Ju Ning Industrial Co., Ltd (“上海巨甯實業有限公司”), the property was rented to Shanghai Ju Ning Industrial Co., Ltd for a term commencing from 1 June 2016 and expiring on 31 May 2021 at a monthly rent of RMB511,189 before tax for warehouse use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
4. The property will be held for the Company’s future use in development, trial production, sales and service of aviation automated production line system.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
16.	A parcel of land, 8 buildings and various structures located at No. 4399 Yindu Road Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 54,453.9 sq.m. and 8 buildings and various ancillary structures erected thereon which were completed in 2011.</p> <p>The buildings have a total gross floor area of approximately 32,834.24 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The structures mainly include roads and landscaped area.</p> <p>The land use rights of the property have been granted for a term commencing from 31 December 2016 and expiring on 30 December 2056 for industrial use.</p>	The property was rented to a party for industrial purpose as at the valuation date.	227,347,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2011) Di No. 044884, 8 buildings with a total gross floor area of approximately 32,834.24 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 54,453.90 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 31 December 2016 and expiring on 30 December 2056 for industrial use.
2. According to a Tenancy Agreement entered into between Shanghai Electric (Group) Corporation and Shanghai Tian'an Bearing Co., Ltd (“上海天安轴承有限公司”), the property was rented to Shanghai Tian'an Bearing Co., Ltd with a term commencing from 1 October 2014 and expiring on 30 September 2017 at a monthly rent of RMB559,275 before tax for industrial, office and storage uses, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
17.	A parcel of land, 12 buildings and various structures located at No. 250 Jinggu Road Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 28,727 sq.m. and 12 buildings and various ancillary structures erected thereon which were completed in 1986.</p> <p>The buildings have a total gross floor area of approximately 15,075 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The structures mainly include roads, sheds and bounding walls.</p> <p>The land use rights of the property have been granted for a term commencing from 25 December 2009 and expiring on 10 November 2054 for industrial use.</p>	The property was rented to a party for industrial, storage, office and storage purposes as at the valuation date.	68,471,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2010) Di No. 018654, 12 buildings with a total gross floor area of approximately 15,075 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 28,727 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 25 December 2009 and expiring on 10 November 2054 for industrial use.
2. According to a Tenancy Agreement entered into between Shanghai Wentong Property Management Co., Ltd and Shanghai Automation Instrument Co., Ltd (“上海自動化儀錶股份有限公司”), the property was rented to Shanghai Automation Instrument Co., Ltd with a term commencing from 1 January 2012 and expiring on 31 December 2021 at a monthly rent of RMB242,655 before tax for industrial, office and storage uses, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
4. The property will be held for the Company’s future use in the research and development, manufacture and sales of sensors, control cabinets and other products in the industrial automation business.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
18.	A parcel of land and 22 buildings located at No. 1111 Humin Road Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 73,542 sq.m. and 22 buildings erected thereon which were completed in 1986.</p> <p>The buildings have a total gross floor area of approximately 24,574.32 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The land use rights of the property have been granted for a term commencing from 28 February 2005 and expiring on 18 December 2055 for industrial use.</p>	The property was rented to a party for industrial, storage and office purposes as at the valuation date.	162,794,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2006) Di No. 000035, 22 buildings with a total gross floor area of approximately 24,574.32 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 73,542 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 28 February 2005 and expiring on 18 December 2055 for industrial use.
2. According to a Tenancy Agreement entered into between Shanghai Electric (Group) Corporation and Shanghai United Bearing Co., Ltd. (“上海聯合滾動軸承有限公司”), the property was rented to Shanghai United Bearing Co., Ltd. with a term commencing from 1 April 2013 and expiring on 31 March 2018 at a total monthly rent of RMB397,825 before tax for industrial, office and storage uses, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
19.	A parcel of land and a building located at No. 555 Jiangchuan Road Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 761 sq.m. and an industrial building erected thereon which were completed in 1980.</p> <p>The buildings have a total gross floor area of approximately 24 sq.m.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 29 July 2004 and expiring on 28 July 2054 for industrial use.</p>	The property was occupied by a subsidiary of Shanghai Electric (Group) Corporation for ancillary use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi(2004) Di No. 000254, a building with a gross floor area of approximately 24 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 761 sq.m. have been granted to Shanghai Electric (Group) Corporation by way of kongzhuan for a term commencing from 29 July 2004 and expiring on 28 July 2054 for industrial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 December 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	761 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	24 sq.m.
Land Premium	:	RMB300,000
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB1,058,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
20.	A parcel of land and 6 buildings located at No. 141 Shijie Road Yangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 7,613 sq.m. and 6 buildings erected thereon which were completed in various stages between 1980 and 1983.</p> <p>The buildings have a total gross floor area of approximately 6,517 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The land use rights of the property have been granted for a term commencing from 19 September 2007 and expiring on 18 September 2057 for industrial use.</p>	The property was rented to a party for commercial purposes as at the valuation date.	42,612,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Yang Zi (2011) Di No. 020582, 6 buildings with a total gross floor area of approximately 6,517 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 7,613 sq.m. have been granted to Shanghai Electric (Group) Corporation for a term commencing from 19 September 2007 and expiring on 18 September 2057 for industrial use.
2. According to a Tenancy Agreement entered into between Shanghai Wentong Property Management Co., Ltd (a subsidiary of SEC Property) and Shanghai Shangqi Lanchen Construction Material Market Management Co., Ltd (“上海上企藍晨建材市場經營管理有限公司”), the property was rented to Shanghai Shangqi Lanchen Construction Material Market Management Co., Ltd with a term commencing from 11 March 2012 and expiring on 31 October 2019 at a monthly rent of RMB240,799 before tax for commercial use exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) Shanghai Electric (Group) Corporation legally owns the building ownership rights and the land use rights of the property.
4. The property will be held for future use by Shanghai Electric Power Transmission and Distribution Group Co., Ltd., a subsidiary of the Company, in its technology research and development of intelligent distribution network and as office buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
21.	A parcel of land and a building located at No. 1076 Jungong Road Yangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 923 sq.m. and an industrial building erected thereon which were completed in 1978.</p> <p>The building has a gross floor area of approximately 53 sq.m.</p> <p>The land use rights of the property have been allocated for industrial use.</p>	The property was vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2005) Di No. 000234, a building with a gross floor area of approximately 53 sq.m. is owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 923 sq.m. have been allocated to Shanghai Electric (Group) Corporation for industrial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 25 November 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	923 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	53 sq.m.
Land Premium	:	RMB910,000
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB3,011,000 assuming proper title certificates without subject to the limitation of allocated land had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
22.	A parcel of land, 21 buildings and various structures located at Nos. 1050 & 1060 Jungong Road Yangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 20,761 sq.m. and 21 buildings and various ancillary structures erected thereon which were completed in 1959.</p> <p>The buildings have a total gross floor area of approximately 17,732.56 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The structures mainly include sheds.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.</p>	The property was rented to a party for industrial and ancillary uses as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2006) Di No. 000010, 21 buildings with a total gross floor area of approximately 17,732.56 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 20,761 sq.m. have been granted to Shanghai Electric (Group) Corporation by way of kongzhuan for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 25 November 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

Site Area	:	20,761 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	19,497.56 sq.m.
Land Premium	:	RMB20,350,000
- According to a Tenancy Agreement entered into between Shanghai Electric (Group) Corporation and Shanghai Tool Works Co., Ltd. (“上海工具廠有限公司”), the property together with property no. 23 were rented to Shanghai Tool Works Co., Ltd. with a term commencing from 1 January 2015 and expiring on 31 December 2017 at a total monthly rent of RMB686,141.6 before tax for industrial, office and storage uses.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The property is not subject to any mortgage or third party encumbrance;
 - b) Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - c) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB84,502,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
23.	4 parcels of land, 15 buildings and various structures located at No. 1140 Jungong Road Yangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 22,865 sq.m. and 15 buildings and various ancillary structures erected thereon which were completed in various stages between 1972 and 2004.</p> <p>The buildings have a total gross floor area of approximately 17,436.52 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The structures mainly include sheds and sews.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.</p>	The property was rented to a party for industrial use as at the valuation date.	No commercial value

Notes:

- Pursuant to 4 Real Estate Title Certificates – Hu Fang Di Shi Zi (2005) Di No. 000179, Hu Fang Di Shi Zi (2006) Di No. 000002, Hu Fang Di Shi Zi (2005) Di No. 000183 and Hu Fang Di Shi Zi (2006) Di No. 000001, 15 buildings with a total gross floor area of approximately 17,436.52 sq.m. are owned by Shanghai Electric (Group) Corporation. The land use rights of a parcel of land with a site area of approximately 22,865 sq.m. have been granted to Shanghai Electric (Group) Corporation by way of kongzhuan for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.

2. Pursuant to 4 State-owned Land Use Rights Grant Contracts dated 25 November 2016, the land use rights of the property were contracted to be granted to Shanghai Electric (Group) Corporation with the particulars as follows:

No.	Land Use	Site Area (sq.m.)	Land Term	Above-land GFA (sq.m.)	Land Premium (RMB)
Hu Yang Gui Tu (2016) Chu Rang He Tong Di No. 11	Industrial	9,012	20 years	8,069.33	8,830,000
Hu Yang Gui Tu (2016) Chu Rang He Tong Di No. 13	Industrial	3,701	20 years	2,792.10	3,610,000
Hu Yang Gui Tu (2016) Chu Rang He Tong Di No. 14	Industrial	3,851	20 years	2,678.80	3,780,000
Hu Yang Gui Tu (2016) Chu Rang He Tong Di No. 15	Industrial	6,301	20 years	4,558.99	6,160,000
Total:		<u>22,865</u>			<u>22,380,000</u>

3. According to a Tenancy Agreement entered into between Shanghai Electric (Group) Corporation and Shanghai Tool Works Co., Ltd. (“上海工具廠有限公司”), the property together with property no. 22 were rented to Shanghai Tool Works Co., Ltd. with a term commencing from 1 January 2015 and expiring on 31 December 2017 at a total monthly rent of RMB686,141.6 before tax for industrial, office and storage uses.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
- The property is not subject to any mortgage or third party encumbrance;
 - Shanghai Electric (Group) Corporation has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB98,516,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

Group II – Properties held by SEC Property

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
24.	A parcel of land and 6 buildings located at No. 2467 Changyang Road Yangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 13,493.8 sq.m. and 6 buildings erected thereon which were completed in 2006.</p> <p>The buildings have a total gross floor area of approximately 10,157.54 sq.m.</p> <p>The buildings mainly include industrial building and office building.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.</p>	The property was rented to a party for office use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2005) Di No. 000237, the property with a gross floor area of approximately 10,157.54 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 14,243 sq.m. have been granted to Shanghai Electric Group Assets Operation Co., Ltd. by way of kongzhuan for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 25 November 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	13,493.80 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	11,812.54 sq.m.
Land Premium	:	RMB20,800,000
- According to a Municipal Building Demolishment Compensation Agreement entered into between Shanghai Qiaosheng Demolition Co., Ltd (“上海橋盛拆遷有限公司”) between Shanghai Electric Group Assets Operation Co., Ltd on 31 May 2009, portions of the land of the property with a site area of approximately 749.2 sq.m. has been listed in the scope of demolishing. As at the valuation date, the demolishing project has been completed and the area of the parcel of land of the property has been changed to 13,493.8 sq.m.

4. According to a Tenancy Agreement entered into between SEC Property and Shanghai Ming Da Property Co., Ltd (“上海銘大置業有限公司”), the property was rented to Shanghai Ming Da Property Co., Ltd with a term from 1 May 2009 to 31 December 2023 at a monthly rent of RMB384,626 before tax for office use, exclusive of management fees, water and electricity charges.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB74,364,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
25.	An industrial building located at Nos. 73, 75 & 77 Nanhui Road Jingan District Shanghai The PRC	<p>The property comprises a 2-storey industrial building which was completed in 1968.</p> <p>The property has a gross floor area of approximately 1,807.47 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 30 March 2015 and expiring on 29 March 2055 for commercial use.</p>	The property was rented to 2 parties for commercial use as at the valuation date.	84,332,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2016) Di No. 002225, the property with a gross floor area of approximately 1,807.47 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 910 sq.m. have been granted to SEC Property for a term commencing from 30 March 2015 and expiring on 29 March 2055 for commercial use.
2. According to 2 Tenancy Agreements, the property was rented to 2 parties for terms with commencing dates on 1 January 2013 and 1 November 2016 and expiring dates on 30 April 2019 and 31 October 2019 at a total monthly rent of RMB240,051 before tax for commercial use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB42,000/sq.m. to RMB55,000/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB46,657.5/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
26.	A parcel of land and 3 buildings located at No. 182 Qixin Road Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 9,758 sq.m. and 3 buildings erected thereon which were completed in 1998.</p> <p>The buildings have a total gross floor area of approximately 8,984 sq.m.</p> <p>The buildings mainly include industrial building and office building.</p> <p>The land use rights of the property have been allocated for industrial use.</p>	The property was rented to a party for office use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2015) Di No. 064599, the property with a gross floor area of approximately 8,984 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 9,758 sq.m. have been allocated to SEC Property for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 29 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	9,758 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	9,329 sq.m.
Land Premium	:	RMB5,210,000
- According to a Tenancy Agreement entered into between SEC Property and Shanghai Yuanying Investment Management Co., Ltd (“上海元盈投资管理有限公司”), the property was rented to Shanghai Yuanying Investment Management Co., Ltd for a term commencing from 9 January 2012 and expiring on 31 December 2024 at a monthly rent of RMB183,960 before tax for office use, exclusive of management fees, water and electricity charges.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan or allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB28,613,000 assuming all relevant title certificates without subject to the limitation of kongzhuan or allocated land had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
27.	A parcel of land and a warehouse building located at No. 3230 Gonghexin Road Jingan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 6,381.5 sq.m. and a warehouse building erected thereon which was completed in 1899.</p> <p>The building has a gross floor area of approximately 4,008 sq.m.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 29 December 2001 and expiring on 28 December 2051 for warehouse use.</p>	The property was rented to a party for commercial purpose as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2004) Di No. 000373, a building with a gross floor area of approximately 4,008 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 6,381.5 sq.m. have been granted to Shanghai Electric Group Assets Operation Co., Ltd. by way of kongzhuan for a term commencing from 29 December 2001 and expiring on 28 December 2051 for warehouse use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 28 November 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	6,381.50 sq.m.
Land Use	:	Warehouse
Land Term	:	20 years
Above-land Gross Floor Area	:	4,008 sq.m.
Land Premium	:	RMB9,040,000
3. According to a Tenancy Agreement entered into between SEC Property and Shanghai Yue Sheng Industry Co., Ltd (“上海悅晟實業有限公司”), the property was rented to Shanghai Yue Sheng Industry Co., Ltd with a term commencing from 1 July 2016 and expiring on 30 June 2018 at a total monthly rent of RMB144,703 before tax for commercial use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB34,652,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
28.	An office building located at No. 400 Xikang Road Jingan District Shanghai The PRC	<p>The property comprises a 6-storey office building which was completed in 1986.</p> <p>The property has a gross floor area of approximately 6,271 sq.m.</p> <p>The land use rights of the property have been granted by way of kongzhuan (“空轉”) for a term commencing from 10 May 1997 and expiring on 9 May 2037 for commercial use.</p>	The property was rented to a party for commercial use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2016) Di No. 001014, the property with a gross floor area of approximately 6,271 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 1,334 sq.m. have been granted to SEC Property by way of kongzhuan for a term commencing from 10 May 1997 and expiring on 9 May 2037 for commercial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 10 November 2016, the land use rights of the property were contracted to be granted to SEC Property, with the particulars as follows:

Site Area	:	1,334 sq.m.
Land Use	:	Commercial
Land Term	:	40 years
Above-land Gross Floor Area	:	6,271 sq.m.
Land Premium	:	RMB42,520,000
3. According to a Novation Agreement entered into between Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property), Shanghai Gong Xin Investment Management Co., Ltd. (“上海共鑫投資管理有限公司”) and Shanghai Shen Shang Hotel Investment Management Co., Ltd. (“上海申商酒店投資管理有限公司”), the lessor has been changed from Shanghai Gong Xin Investment Management Co., Ltd. to Shanghai Electric Group Assets Operation Co., Ltd. Meanwhile, the property was now rented to Shanghai Shen Shang Hotel Investment Management Co., Ltd. for a term commencing from 28 September 2016 and expiring on 27 September 2018 at a monthly rent of RMB473,866.45 before tax for commercial use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan or allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB154,215,000 assuming proper title certificates without subject to the limitation of kongzhuan or allocated land had been obtained and the property could be freely transferred.
6. In our valuation for reference purpose as stated in note 5, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB23,000/sq.m. to RMB32,000/sq.m. for commercial and office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB24,592/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
29.	A parcel of land and 2 buildings located at No. 12, Lane 250 Yishan Road Xuhui District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 1,739 sq.m. and 2 buildings erected thereon which were completed in various stages between 1968 and 1986.</p> <p>The buildings have a total gross floor area of approximately 2,536.06 sq.m.</p> <p>The buildings include an industrial building and an office building.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 10 May 1997 and expiring on 9 May 2047 for industrial use.</p>	The property was rented to various parties for office use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Xu Zi (2015) Di No. 026902, 2 buildings with a total gross floor area of approximately 2,536.06 sq.m. are owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 1,739 sq.m. have been granted to SEC Property by way of kongzhuan for a term commencing from 10 May 1997 and expiring on 9 May 2047 for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 22 November 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	1,739 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	2,536.06 sq.m.
Land Premium	:	RMB5,290,000
- According to various Tenancy Agreements, the property was rented to various parties for various terms with commencing dates between 1 January 2012 and 18 December 2014 and the expiry dates between 31 December 2017 and 31 December 2021 at a total monthly rent of RMB163,241 before tax for office use, exclusive of management fees, water and electricity charges.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and

- b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB19,933,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
30.	4 office buildings located at No. 1406 South Xizang Road Huangpu District Shanghai The PRC	<p>The property comprises 4 office buildings which was completed in 1988.</p> <p>The property has a gross floor area of approximately 3,434.31 sq.m.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 29 December 2001 and expiring on 28 December 2051 for educational use.</p>	The property was rented to a party for educational use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2005) Di No. 000130, 4 buildings with a total gross floor area of approximately 3,434.31 sq.m. are owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 3,372 sq.m. have been granted to Shanghai Electric (Group) Corporation by way of kongzhuan for a term commencing from 29 December 2001 and expiring on 28 December 2051 for educational use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 19 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	2,823.90 sq.m.
Land Use	:	Educational
Land Term	:	50 years
Above-land Gross Floor Area	:	3,434.31 sq.m.
Land Premium	:	RMB16,500,000
- According to a Housing and Land Ownership Survey Report – Fang-Huang Ce-16-1010 dated 17 October 2016, issued by Diji Division of Planning & Land Resources Administration Bureau of Huangpu District, the land area of the property (under reference number: Hu Fang Di Shi Zi (2005) Di No. 000130 have been re-surveyed. The updated land area of the property is approximately 2,823.94 sq.m.
- According to a Tenancy Agreement entered into between SEC Property and CPC Shanghai Electric Committee Party School (“中共上海電氣(集團)總公司委員會黨校”), the property was rented to CPC Shanghai Electric Committee Party School for a term commencing from 1 July 2015 and expiring on 31 December 2016 at a monthly rent of RMB6,333.3 before tax for educational use, exclusive of management fees, water and electricity charges.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and

- b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
6. In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB69,600,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.
7. In our valuation for reference purpose as stated in note 6, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB20,000/sq.m. to RMB25,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB20,266/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
31.	An office building located at No. 1287 West Beijing Road Jingan District Shanghai The PRC	<p>The property comprises an office building which was completed in 1988.</p> <p>The property has a gross floor area of approximately 4,667.34 sq.m.</p> <p>The land use rights of the property have been granted by way of kongzhuan (空轉) for a term commencing from 29 July 2004 and expiring on 28 July 2054 for research use.</p>	Except for portions of the property which were rented to various parties for office use, the remaining portion of the property was vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2004) Di No. 000273, the property with a gross floor area of approximately 4,667.34 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 2,564 sq.m. have been granted to Shanghai Electric Group Assets Operation Co., Ltd by way of kongzhuan for a term commencing from 29 July 2004 and expiring on 28 July 2054 for research use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 10 November 2016, the land use rights of the property were contracted to be granted to SEC Property, with the particulars as follows:

Site Area	:	2,564 sq.m.
Land Use	:	Research
Land Term	:	50 years
Above-land Gross Floor Area	:	4,099.63 sq.m.
Land Premium	:	RMB23,200,000
3. According to various Tenancy Agreements, portions of the property with a total gross floor area of approximately 3,990.97 sq.m. were rented to various parties for various terms with the commencing dates between 15 December 2012 and 1 January 2017 and expiry dates between 15 October 2017 and 31 December 2017 at a total monthly rent of RMB165,492 before tax for office use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB116,700,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.
6. In our valuation for reference purpose as stated in note 5, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB23,000/sq.m. to RMB28,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB25,004/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
32.	A parcel of land and 12 buildings located at No. 800 Changde Road Jingan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 11,209 sq.m. and 12 buildings erected thereon which were completed in various stages between 1930 and 1988.</p> <p>The buildings have a total gross floor area of approximately 16,991 sq.m.</p> <p>The buildings mainly include industrial building and office building.</p> <p>The land use rights of the property have been granted by way of authorization for a term commencing from 10 May 1997 and expiring on 9 May 2047 for industrial use.</p>	The property was rented to a party for office use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2006) Di No. 003510, 12 buildings with a total gross floor area of approximately 16,991. sq.m. are owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 11,209 sq.m. have been granted to Shanghai Electric Group Assets Operation Co., Ltd. by way of authorization for a term commencing from 10 May 1997 and expiring on 9 May 2047 for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 10 November 2016, the land use rights of the property were contracted to be granted to SEC Property, with the particulars as follows:

Site Area	:	11,209 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	18,559 sq.m.
Land Premium	:	RMB53,400,000
- According to a Tenancy Agreement entered into between SEC Property and Shanghai Ba Bai Xiu Corporate Management Co., Ltd (“上海八佰秀企業管理有限公司”), the property was rented to Shanghai Ba Bai Xiu Corporate Management Co., Ltd. for a term commencing from 1 January 2009 to 31 December 2023 at a total monthly rent of RMB1,061,156 before tax for office use, exclusive of management fees, water and electricity charges.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
5. In our valuation for reference purpose as stated in note 3, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of authorization and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB196,482,000 assuming proper title certificates without subject to the limitation of authorization had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
33.	A parcel of land and a building located at No. 121 Tiantongan Road Jingan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 366.3 sq.m. and an industrial building erected thereon which were completed in 1981.</p> <p>The building has a gross floor area of approximately 1,015.5 sq.m.</p> <p>The land use rights of the property have been allocated for industrial use.</p>	The property was occupied by Shanghai Electric (Group) Corporation for industrial purpose as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2005) Di No. 000020, a building with a gross floor area of approximately 1,015.5 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 366.3 sq.m. have been allocated to Shanghai Electric Group Assets Operation Co., Ltd. for industrial use.
2. Pursuant to an official document – Hu Jing Tu Chu (2016) No. 13, the property has been listed in the scope of land reservation.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) The property has been listed in the scope of land reservation by the local government; and
 - b) The implementation of the aforementioned land reservation process will not be affected by the current status of the property failing to complete land granting procedures or replace relevant title certificates.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the property was listed in the scope of land reservation and the land use rights are obtained by way of allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB6,387,000 assuming proper title certificates without subject to the limitation of allocated land had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
34.	5 buildings and a parcel of land located at No. 165 Xiangyin Road Yangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 6,372.5 sq.m. and 5 buildings which were completed in various stages between 1987 and 1990.</p> <p>The buildings have a gross floor area of approximately 7,640.89 sq.m.</p> <p>The buildings mainly include industrial and ancillary buildings.</p> <p>The land use rights of the property have been allocated for research and design uses.</p>	The property was rented to a party for industrial use as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Yang Zi (2013) Di No. 015778, 5 buildings with a gross floor area of approximately 7,640.89 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 6,372.5 sq.m. have been allocated to Shanghai Electric Group Assets Operation Co., Ltd. for research and design uses.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 25 November 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	6,372 sq.m.
Land Use	:	Research & Design
Land Term	:	50 years
Above-land Gross Floor Area	:	7,640.89 sq.m.
Land Premium	:	RMB20,800,000
- According to a Tenancy Agreement entered into Shanghai Electric Group Assets Operation Co., Ltd. and Shanghai Changbai Trade Company (“上海長白工貿公司”), the property was rented to Shanghai Changbai Trade Company for a term commencing from 1 November 2007 and expiring on 31 October 2017 at a monthly rent of RMB175,000 including tax for industrial use, exclusive of management fees, water and electricity charges.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB75,606,000 assuming proper title certificates without subject to the limitation of allocated land had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
35.	3 buildings located at No. 7, Lane 550 Jiangchuan Road Minhang District Shanghai The PRC	<p>The property comprises 3 school buildings which were completed in 1966.</p> <p>The property has a gross floor area of approximately 2,493 sq.m.</p> <p>The land use rights of the property have been allocated for educational use.</p>	The property was vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2015) Di No. 032284, 3 buildings with a gross floor area of approximately 2,493 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 4,210 sq.m. have been allocated to SEC Property for educational use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	4,210.00 sq.m.
Land Use	:	Educational
Land Term	:	50 years
Above-land Gross Floor Area	:	2,493 sq.m.
Land Premium	:	RMB3,800,000
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
4. In the valuation of this property, we have relied on aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of abovementioned land and the buildings as at the valuation date would be RMB12,402,000 assuming proper title certificates without subject to the limitation of allocated land had been obtained and the property could be freely transferred.
5. In our valuation for reference purpose as stated in note 4, We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB4,000/sq.m. to RMB7,000/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB4,975/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
36.	A parcel of land and 10 buildings located at No. 868 Hui Road Jiading District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 14,611.8 sq.m. and 10 buildings erected thereon which were completed in 1986.</p> <p>The buildings have a total gross floor area of approximately 12,766.76 sq.m.</p> <p>The buildings mainly include industrial building and office building.</p> <p>The land use rights of the property have been allocated for industrial use.</p>	Except for portions of the property which were rented to various parties for industrial, office and storage uses, the remaining portion of the property was vacant as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Shi Zi (2006) Di No. 000065, 10 buildings with a total gross floor area of approximately 12,766.76 sq.m. are owned Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 15,618 sq.m. have been allocated to Shanghai Electric Group Assets Operation Co., Ltd. for industrial use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 16 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	14,611.80 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	13,831.11 sq.m.
Land Premium	:	RMB3,510,000
- According to a Shanghai Non-residential Building Demolishment Compensation Agreement entered into between Jiading District Nanxiang Town Construction Headquarter (“嘉定區南翔鎮城鎮建設指揮部”) between Shanghai Electric Group Assets Operation Co., Ltd. on 18 April 2014, portions of the land of the property with a site area of approximately 1,006.2 sq.m. has been listed in the scope of demolishing. As at the valuation date, the demolishing project has been completed and the area of the parcel of land of the property has been changed to 14,611.8 sq.m.
- According to various Tenancy Agreements, portions of the property with a total gross floor area of approximately 8,129.32 sq.m. were rented to various parties for various terms with commencing dates between 15 June 2015 and 1 October 2016 and the expiry dates between 9 May 2017 and 30 September 2018 at a total monthly rent of RMB151,939.25 before tax for industrial, office and storage uses, exclusive of management fees, water and electricity charges.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed the State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB21,972,000 assuming proper title certificates without subject to the limitation of allocated land had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
37.	A parcel of land and 8 buildings located at No. 465 Tiantongan Road Jingan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 1,758 sq.m. and 8 buildings erected thereon which were completed in various stages between 1930 and 1981.</p> <p>The buildings have a total gross floor area of approximately 4,469 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The land use rights of the property have been allocated for industrial use.</p>	Except for portions of the property which were rented to a party, the remaining portion of the property was vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi(2016) Di No. 000101, 8 buildings with a total gross floor area of approximately 4,469 sq.m. are owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 1,758 sq.m. have been allocated to SEC Property for industrial use.
2. Pursuant to an official document – Hu Jing Tu Chu (2016) No. 14, the property has been listed in the scope of land reservation.
3. According to a Tenancy Agreement entered into between SEC Property and China Mobile Communications Group Shanghai Co., Ltd (“中國移動通信集團上海有限公司”), portions of buildings of the property with a total gross floor area of approximately 40.85 sq.m. were rented to a party with a term commencing from 20 July 2014 and expiring on 20 January 2016 at a total monthly rent of RMB15,000 before tax for ancillary use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) The property has been listed in the scope of land reservation by the local government; and
 - b) The implementation of the aforementioned land reservation process will not be affected by the current status of the property failing to complete land granting procedures or replace relevant title certificates.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the property was listed in the scope of land reservation and the land use rights are obtained by way of allocated land and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB29,008,000 assuming proper title certificates without subject to the limitation of allocated land had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
38.	A parcel of land and a building located at No. 458 Jumen Road Huangpu District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 1,165 sq.m. and an industrial building erected thereon which were completed in 1984.</p> <p>The building has a gross floor area of approximately 4,438 sq.m.</p> <p>The land use rights of the property have been granted by way of kongzhuan (“空轉”) for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.</p>	The property was rented to a party for office use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2015) Di No. 054175, the property with a gross floor area of approximately 4,438 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 1,165 sq.m. have been granted to SEC Property by way of kongzhuan for a term commencing from 27 June 2001 and expiring on 26 June 2051 for industrial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	1,165 sq.m.
Land Use	:	Industrial
Land Term	:	20 years
Above-land Gross Floor Area	:	4,438 sq.m.
Land Premium	:	RMB13,250,000
3. According to various Tenancy Agreements, portions of buildings of the property with a total gross floor area of approximately 3,574.10 sq.m. were rented to a party with commencing dates on 16 June 2008 and 5 October 2011 and the expiry date on 11 June 2018 at a total monthly rent of RMB279,890.49 before tax for office use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of kongzhuan and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB51,488,000 assuming proper title certificates without subject to the limitation of kongzhuan had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
39.	Levels 1, 2 and 5 of 3 buildings located at No. 105 Fuzhou Road Huangpu District Shanghai The PRC	<p>The property comprises Level 1, 2 and 5 of 3 buildings which were completed in 1930s.</p> <p>The property has a gross floor area of approximately 1,606.85 sq.m.</p> <p>The land use rights of the property have been granted by way of authorization for a term commencing from 15 December 2003 and expiring on 30 July 2039 for office use.</p>	Portions of the property was occupied by Shanghai Electric (Group) Corporation for office use, and the remaining portions were vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2003) Di No. 010861, the property with a gross floor area of approximately 1,606.85 sq.m. is owned Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of the property have been granted to Shanghai Electric (Group) Asset Management Co., Ltd by way of authorization for a term commencing from 15 December 2003 and expiring on 30 July 2039 for office use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	339.20 sq.m.
Land Use	:	Office
Land Term	:	50 years
Above-land Gross Floor Area	:	1,606.85 sq.m.
Land Premium	:	RMB12,350,000
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of authorization and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB57,875,000 assuming proper title certificates without subject to the limitation of authorization had been obtained and the property could be freely transferred.

5. In our valuation for reference purpose as stated in note 5, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB30,000/sq.m. to RMB39,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB36,018/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
40.	5 office units (Nos. 301 to 304 & 311) on Level 3 of a building located at No. 1, Lane 271 Middle Henan Road Huangpu District Shanghai The PRC	<p>The property comprises 5 office units on Level 3 of a 7-storey building which was completed in 1991.</p> <p>The property has a gross floor area of approximately 251.15 sq.m.</p> <p>The land use rights of the property have been granted with the limitation of Land Use Agreement (“土地使用協議書”) for a term commencing from 23 July 1999 and expiring on 22 July 2049 for office use.</p>	The property was vacant as at the valuation date.	No commercial value

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2004) Di No. 002454, the property with a gross floor area of approximately 251.15 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land have been granted to Shanghai Electric (Group) Asset Management Co., Ltd with the limitation of Land Use Agreement (“土地使用協議書”) for a term commencing from 23 July 1999 and expiring on 22 July 2049 for office use.
- Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	/
Land Use	:	Office
Land Term	:	50 years
Above-land Gross Floor Area	:	/
Land Premium	:	RMB1,780,000
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
- In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained with limitation of Land Use Agreement (“土地使用協議書”) and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB7,282,000 assuming proper title certificates without subject to the limitation of Land Use Agreement had been obtained and the property could be freely transferred.

5. In our valuation for reference purpose as stated in note 4, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB27,000/sq.m. to RMB33,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB28,995/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
41.	4 office units (Units 410, 704, 802 and 901) located at No. 170 Middle Jiangxi Road Huangpu District Shanghai The PRC	<p>The property comprises 4 office units on Level 4, 7, 8 and 9 of a building which were completed in 1931.</p> <p>The property has a gross floor area of approximately 614.59 sq.m.</p> <p>The land use rights of the property have been granted by way of authorization for a term commencing from 15 December 2003 and expiring on 30 July 2039 for composite use.</p>	Except for portions of the property which was rented to a party, the remaining portion was vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2003) Di No. 010862, the property with a gross floor area of approximately 614.59 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of the property have been granted by way of authorization to Shanghai Electric Group Assets Operation Co., Ltd. for a term commencing from 15 December 2003 and expiring on 30 July 2039 for composite use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	83.80 sq.m.
Land Use	:	Office
Land Term	:	50 years
Above-land Gross Floor Area	:	614.59 sq.m.
Land Premium	:	RMB5,190,000
3. According to a Tenancy Agreement entered into between SEC Property and Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd. (上海機電設計研究院有限公司), portions of the property with a gross floor area of approximately 356.23 sq.m. were rented to Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd. for a term commencing from 1 September 2016 and expiring on 31 December 2017 at a monthly rent of RMB15,603 before tax for office use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of authorization and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB19,900,000 assuming proper title certificates without subject to the limitation of authorization had been obtained and the property could be freely transferred.
6. In our valuation for reference purpose as stated in note 5, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB30,000/sq.m. to RMB40,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB32,379/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
42.	Level 2 and 3 of a building located at No. 49 Middle Sichuan Road Huangpu District Shanghai The PRC	<p>The property comprises Level 2 and 3 in a 6-storey building which was completed in 1936. Upon inspection, the property was well maintained.</p> <p>The property has a gross floor area of approximately 1,064.84 sq.m.</p> <p>The land use rights of the property have been granted by way of authorization for a term commencing from 23 July 1999 and expiring on 22 July 2039 for office use.</p>	Except for portions of the property which was rented to various parties, the remaining portion of the property was vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2003) Di No. 011017, the property with a gross floor area of approximately 1,064.84 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land have been granted to Shanghai Electric Group Assets Operation Co., Ltd. by way of authorization for a term commencing from 23 July 1999 and expiring on 22 July 2049 for office use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	203.60 sq.m.
Land Use	:	Office
Land Term	:	50 years
Above-land Gross Floor Area	:	1,064.84 sq.m.
Land Premium	:	RMB8,030,000
3. According to a Tenancy Agreement entered into between SEC Property and Shanghai Jingye Real Estate Co., Ltd. (“上海敬業房地產有限公司”) and Shanghai Food (Group) Co., Ltd (“上海市食品集團有限公司”), portions of the property with a total gross floor area of approximately 935.10 sq.m. were rented to Shanghai Jingye Real Estate Co., Ltd and Shanghai Food (Group) Co., Ltd for a term commencing from 1 January 2010 and expiring on 31 December 2019 at a monthly rent of RMB3,990.3 before tax for office use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of authorization and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB34,518,000 assuming proper title certificates without subject to the limitation of authorization had been obtained and the property could be freely transferred.
6. In our valuation for reference purpose as stated in note 5, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB30,000/sq.m. to RMB40,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB32,416/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
43.	A parcel of land and 30 buildings located at Hill No. 73, Block 3 Changzheng Farm Chongming District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 63,937.3 sq.m. and 30 buildings erected thereon which were completed in various stages between 1971 and 1988.</p> <p>The buildings have a total gross floor area of approximately 9,243 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The land use rights of the property have been granted for a term commencing from 8 October 2007 and expiring on 7 October 2057 for industrial use.</p>	The property was rented to a party for industrial use as at the valuation date.	30,916,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Chong Zi (2015) Di No. 007375, 30 buildings with a gross floor area of approximately 9,243 sq.m. is owned SEC Property. The land use rights of a parcel of land with a site area of approximately 63,937.3 sq.m. have been granted to SEC Property for a term commencing from 8 October 2007 and expiring on 7 October 2057 for industrial use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Guan Shun Investment Development Co., Ltd. (“上海冠順投資發展有限公司”), the property was rented to Shanghai Guan Shun Investment Development Co., Ltd. for a term commencing from 1 January 2012 and expiring on 31 October 2018 at a total monthly rent of RMB9,078 before tax for industrial use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property Legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
44.	A parcel of land and 27 buildings located at Hill No. 91/1, Block 3 Changzheng Farm Chongming District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 28,503 sq.m. and 27 buildings erected thereon which were completed in various stages between 1973 and 1988.</p> <p>The buildings have a total gross floor area of approximately 9,599 sq.m.</p> <p>The buildings mainly include industrial building, office building and warehouse.</p> <p>The land use rights of the property have been granted for a term commencing from 30 October 2007 and expiring on 14 July 2056 for industrial use.</p>	The property was rented to a party for industrial and ancillary uses as at the valuation date.	15,158,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Chong Zi (2015) Di No. 007376, the property with a gross floor area of approximately 9,599 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 28,503 sq.m. have been granted to SEC Property for a term commencing from 30 October 2007 and expiring on 14 July 2056 for industrial use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Guan Shun Investment Development Co., Ltd. (“上海冠順投資發展有限公司”), the property was rented to Shanghai Guan Shun Investment Development Co., Ltd. for various a term commencing from 1 January 2012 and expiring on 31 October 2018 at a total monthly rent of RMB4,047 before tax for industrial use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
45.	Units 42 to 46 on Level 1, Units 302, 304, 306, 314, 316, 318 to 324 on Level 3 and portions of the basement in a building located at No. 89 Fuzhou Road Huangpu District Shanghai The PRC	<p>The property comprises 5 office units on Level 1, 12 office units on Level 3 and several areas in the basement in a building which was completed in 1927.</p> <p>The property has a gross floor area of approximately 1,515.52 sq.m.</p> <p>The land use rights of the property have been granted by way of authorization for a term commencing from 23 July 1999 and expiring on 22 July 2039 for office use.</p>	The property was occupied by Shanghai Electric (Group) Corporation for office use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2008) Di No. 002329, 17 units with a total gross floor area of approximately 1,515.52 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land have been granted to Shanghai Electric (Group) Asset Management Co., Ltd by way of authorization for a term commencing from 23 July 1999 and expiring on 22 July 2039 for office use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	276.50 sq.m.
Land Use	:	Office
Land Term	:	50 years
Above-land Gross Floor Area	:	1,515.52 sq.m.
Land Premium	:	RMB11,330,000
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of authorization and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB54,586,000 assuming proper title certificates without subject to the limitation of authorization had been obtained and the property could be freely transferred.

5. In our valuation for reference purpose as stated in note 4, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB30,000/sq.m. to RMB40,000/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed average unit rate of RMB36,018/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
46.	A parcel of land and a building located at No. 115 Xingfu Road Changning District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 894 sq.m. and an industrial building erected thereon which were completed in 1989.</p> <p>The building has a total gross floor area of approximately 547 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 12 June 2007 and expiring on 11 June 2057 for industrial use.</p>	The property was rented to 2 parties for industrial use as at the valuation date.	8,708,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Chang Zi (2007) Di No. 018423, the property with a gross floor area of approximately 547 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of a parcel of land with a site area of approximately 894 sq.m. have been granted to Shanghai Electric Group Assets Operation Co., Ltd. Corporation for a term commencing from 12 June 2007 and expiring on 11 June 2057 for industrial use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Xinghong Bearing Co. Ltd (“上海星紅軸承有限公司”) and Shanghai Yehe Material Trade Company (“上海業和物資貿易合作公司”), the property were rented to aforesaid two parties with a term commencing from 1 January 2017 and expiring on 31 December 2019 at a total monthly rent of RMB19,286 before tax for industrial use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property Legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
47.	2 commercial units on Level 1 of a building located at Nos. 346 & 348 Hailun Road Hongkou District Shanghai The PRC	<p>The property comprises 2 commercial units on Level 1 of a 7-storey building which was completed in 1999.</p> <p>The property has a gross floor area of approximately 92 sq.m.</p> <p>The land use rights of the property have been granted without specific expiry date for commercial use.</p>	The property was rented to a party for commercial use as at the valuation date.	3,977,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Hong Zi (2015) Di No. 002110, the property with a gross floor area of approximately 92 sq.m. is owned by SEC Property. The land use rights of a parcel of land have been granted to SEC Property without specific expiry date for commercial use.
2. According to a Tenancy Agreement entered into between SEC Property and Mr. Bai Jianxin, the property was rented to Mr. Bai Jianxin with a term commencing from 1 May 2015 to 30 April 2018 at a monthly rent of RMB5,010 before tax for commercial use exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB40,000/sq.m. to RMB45,000/sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB43,228/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.
5. Pursuant to a Transfer Agreement – Hu Dian Zi Jing (Di) Zi (13) Di No. 9 entered into between Shanghai Huaxia Zhendan China Fire Co., Ltd. (“上海華夏震旦消防設備有限公司”) and Shanghai Electric Group Asset Management Co., Ltd. dated 26 June 2013, SEC Property has acquired the property at a consideration of RMB200,000. The total costs expended on the property are RMB200,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
48.	2 commercial units on Level 1 of a building located at Nos. 202 to 204 Huanghe Road Huangpu District Shanghai The PRC	<p>The property comprises 2 commercial units on Level 1 of a 2-storey building which was completed in 1970s.</p> <p>The property has a gross floor area of approximately 43.19 sq.m.</p> <p>The land use rights of the property have been granted by way of authorization for a term commencing 15 December 2003 from expiring on 30 July 2039 for commercial use.</p>	The property was rented to a party for commercial use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2003) Di No. 010863, the property with a gross floor area of approximately 43.19 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of the property have been granted to Shanghai Electric Group Asset Management Co., Ltd by way of authorization for a term commencing 15 December 2003 from expiring on 30 July 2039 for commercial use.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2016, the land use rights of the property were contracted to be granted to SEC Property with the particulars as follows:

Site Area	:	22.70 sq.m.
Land Use	:	Retail
Land Term	:	40 years
Above-land Gross Floor Area	:	43.19 sq.m.
Land Premium	:	RMB320,000
3. According to a Tenancy Agreement entered into between SEC Property and Shanghai Shangque Electromechanical Co., Ltd (“上海上雀機電有限公司”), the property was rented to Shanghai Shangque Electromechanical Co., Ltd for a term commencing from 1 October 2016 to 30 September 2018 at a total monthly rent of RMB8,276 before tax for commercial use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property has signed State-owned Land Use Rights Grant Contract for the property with the relevant land authorities and the land granting procedures are under processing; and
 - b) There is no legal impediment that the property can be transferred after completing the land granting procedure and obtaining the Real Estate Title Certificate in granted land status.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained by way of authorization and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB2,205,000 assuming proper title certificates without subject to the limitation of authorization had been obtained and the property could be freely transferred.
6. In our valuation for reference purpose as stated in note 5, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB45,000/sq.m. to RMB60,000/sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB51,053/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
49.	Office Units A to D on Level 7 of a building located at No. 212 Jiangning Road Jingan District Shanghai The PRC	<p>The property comprises 4 office units on Level 7 of a 28-storey building which was completed in 2000.</p> <p>The property has a gross floor area of approximately 1,533.76 sq.m.</p> <p>The land use rights of the property have been granted without specific expiry date for office use.</p>	The property was rented to a party for office use as at the valuation date.	42,711,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2015) Di No. 001754, the property with a gross floor area of approximately 1,533.76 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for office use.
2. According to a Tenancy Agreement entered into between Shanghai Electric (Group) Property Co., Ltd and Shanghai Electric Group Finance Co., Ltd. (“上海電氣集團財務有限責任公司”), the property was rented to Shanghai Electric Finance Co., Ltd. for a term commencing from 1 February 2016 to 31 January 2018 at a monthly rent of RMB177,277 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB25,000/sq.m. to RMB32,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB27,847/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.
5. Pursuant to a Transfer Agreement – Hu Dian Zi Jing (Di) Zi (13) Di No. 5 entered into between Shanghai Machine Tool Works Ltd. (“上海機床工具(集團)有限公司”) and Shanghai Electric Group Asset Management Co., Ltd. dated 6 June 2013, SEC Property has acquired the property at a consideration of RMB10,050,000. The total costs expended on the property are RMB12,833,380.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
50.	5 buildings located at No. 19, Lane 1203 Liyang Road Hongkou District Shanghai The PRC	<p>The property comprises a 2-storey building, two single-storey buildings and two 3-storey buildings which were completed in 1970.</p> <p>The property has a gross floor area of approximately 3,090 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 27 May 2003 and expiring on 26 May 2043 for commercial use.</p>	The property was rented to a party for office use as at the valuation date.	86,827,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Hong Zi (2015) Di No. 007681, the property with a gross floor area of approximately 3,090 sq.m. is owned by SEC Property. The land use rights of a parcel of land have been granted to SEC Property for a term commencing from 27 May 2003 and expiring on 26 May 2043 for commercial use.
2. According to a Tenancy Agreement entered into between Shanghai Electric (Group) Property Co., Ltd and Shanghai Huacheng Zhongben Investment Management Co., Ltd. (“上海華誠中本投資管理有限公司”), the property was rented to Shanghai Huacheng Zhongben Investment Management Co., Ltd. for a term commencing from 15 October 2014 to 14 October 2019 at a monthly rent of RMB35,771 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB25,000/sq.m. to RMB32,000/sq.m. for commercial and office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB28,099/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.
5. Pursuant to a Transfer Agreement – Hu Dian Zi Jing (Di) Zi (13) Di No. 7 entered into between Shanghai Machine Tool Works Ltd. (“上海機床工具(集團)有限公司”) and Shanghai Electric Group Asset Management Co., Ltd. dated 6 June 2013, SEC Property has acquired the property at a consideration of RMB10,730,000. The total costs expended on the property are RMB16,869,818.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
51.	Level 1 of a building located at No. 18 South Maoming Road Huangpu District Shanghai The PRC	<p>The property comprises Level 1 of a 16-storey building which was completed in 1992.</p> <p>The property has a gross floor area of approximately 102.33 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 28 June 2006 and expiring on 27 June 2046 for commercial use.</p>	The property was rented to 2 parties for commercial use as at the valuation date.	5,244,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2015) Di No. 054174, the property with a gross floor area of approximately 102.33 sq.m. is owned by SEC Property. The land use rights of a parcel of land have been granted to SEC Property for a term commencing from 28 June 2006 and expiring on 27 June 2046 for commercial use.
2. According to 2 Tenancy Agreements, the property was rented to 2 parties for terms commencing from 1 March 2016 and expiring on 28 February 2017 at a total monthly rent of RMB31,300 before tax for commercial use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB48,000/sq.m. to RMB64,000/sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB51,246/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
52.	A parcel of land, a building and portions of 2 other buildings located at No. 14, Lane 491 Wuyi Road Changning District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 1,329 sq.m., a building and portions of two other buildings erected thereon which were completed in 1996.</p> <p>The buildings have a total gross floor area of approximately 2,105.78 sq.m.</p> <p>The buildings mainly include industrial building and office building.</p> <p>The land use rights of the property have been granted for a term commencing from 18 April 2005 and expiring on 17 April 2055 for industrial use.</p>	The property was rented to a party for office use as at the valuation date	21,533,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Chang Zi (2016) Di No. 003097, the property with a gross floor area of approximately 2,105.78 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 1,329 sq.m. have been granted to SEC Property for a term commencing from 18 April 2005 and expiring on 17 April 2055 for industrial use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Kai Lun Industry Investment Co., Ltd. (“上海開倫實業投資有限公司”), the property was rented to Shanghai Kai Lun Industry Investment Co., Ltd. with a term commencing from 1 January 2011 to 31 May 2019 at a total monthly rent of RMB142,406 before tax for office use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
53.	2 office buildings located at No. 538 Xikang Road Jingan District Shanghai The PRC	<p>The property comprises two 3-storey office buildings which were completed in 2005.</p> <p>The property has a gross floor area of approximately 1,700.98 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 12 November 2003 and expiring on 11 November 2053 for office use.</p>	The property was rented to a party for office use as at the valuation date.	59,165,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2015) Di No. 001749, 2 buildings with a gross floor area of approximately 1,700.98 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property for a term commencing from 12 November 2003 and expiring on 11 November 2053 for office use.
2. According to a Tenancy Agreement entered into between Shanghai Electric Group Assets Operation Co., Ltd. and Shanghai Yu De Architectural Design Engineering Co., Ltd. (“上海譽德建築設計工程有限公司”), the property was rented to Shanghai Yu De Architectural Design Engineering Co., Ltd. for a term commencing from 1 April 2013 to 31 March 2017 at a monthly rent of RMB250,000 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB31,000/sq.m. to RMB37,000/sq.m. for commercial and office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB34,783/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
54.	A 2-storey commercial unit on Levels 1 & 2 of a building located at No. 283 East Changzhi Road Hongkou District Shanghai The PRC	<p>The property comprises a 2-storey commercial unit on Levels 1 & 2 of a building which was completed in 2001.</p> <p>The property has a gross floor area of approximately 413.45 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 23 June 2000 and expiring on 22 June 2070 for residential use.</p>	The property was rented to a party for commercial use as at the valuation date.	16,901,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Hong Zi (2015) Di No. 007680, the property with a gross floor area of approximately 413.45 sq.m. is owned by SEC Property for commercial use. The land use rights of the property have been granted to SEC Property for a term commencing from 23 June 2000 and expiring on 22 June 2070 for residential use.
2. According to a Tenancy Agreement entered into between Shanghai Electric Group Assets Operation Co., Ltd SEC Property and Shanghai Hao Ye Investment and Development Co., Ltd. (“上海豪業投資發展有限公司”), the property was rented to Shanghai Hao Ye Investment and Development Co., Ltd. for a term commencing from 1 May 2015 and expiring on 31 April 2019 at a monthly rent of RMB25,152 before tax for commercial use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB35,000/sq.m. to RMB42,000/sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB40,878/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
55.	Unit B and Unit C-1 on Level 9 of a building located at No. 212 Jiangning Road Jingan District Shanghai The PRC	<p>The property comprises 2 office units on Level 9 of a 28-storey building which was completed in 2000.</p> <p>The property has a gross floor area of approximately 608.3 sq.m.</p> <p>The land use rights of the property have been granted without specific expiry date for office use.</p>	The property was rented to 2 parties for office use as at the valuation date.	17,563,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2015) Di No. 001745, the property with a gross floor area of approximately 608.3 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for office use.
2. According to 2 Tenancy Agreements, the property was rented to 2 parties for terms with commencing dates on 25 May 2015 and 1 August 2016 and expiry dates on 24 May 2017 and 31 July 2018 at a monthly rent of RMB71,681 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB25,000/sq.m. to RMB32,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB28,872/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.
5. Pursuant to a Transfer Agreement – Hu Dian Zi Jing (Di) Zi (13) Di No. 6 entered into between Shanghai Machine Tool Works Ltd. (“上海機床工具(集團)有限公司”) and Shanghai Electric Group Asset Management Co., Ltd. dated 6 June 2013, SEC Property has acquired the property at a consideration of RMB3,990,000. The total costs expended on the property are RMB5,094,328.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
56.	Levels 1 and 2 of a building located at No. 611 North Chengdu Road Jingan District Shanghai The PRC	<p>The property comprises Level 1 and 2 of a 34-storey building which was completed in 2003.</p> <p>The property has a gross floor area of approximately 1,069.83 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 18 May 2001 and expiring on 17 May 2041 for commercial use.</p>	The property was rented to a party for commercial use as at the valuation date.	43,414,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2015) Di No. 001747, the property with a gross floor area of approximately 1,069.83 sq.m. is owned by SEC Property. The land use rights of a parcel of land have been granted to SEC Property for a term commencing from 18 May 2001 and expiring on 17 May 2041 for commercial use.
2. According to a Tenancy Agreement entered into between SEC Property and Wei Yi Furniture Trading (Shanghai) Co., Ltd. (“偉藝傢俱貿易(上海)有限公司”), the property with a gross floor area of approximately 1069.83 sq.m. was rented to Wei Yi Furniture Trading (Shanghai) Co., Ltd. for a term commencing from 8 July 2015 and expiring on 7 July 2019 at a monthly rent of RMB163,060 before tax for commercial use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB38,000/sq.m. to RMB43,000/sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB40,580/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
57.	2 residential buildings located at Nos. 16 & 18 Lane 149 Huimin Road Hongkou District Shanghai The PRC	<p>The property comprises two 3-storey residential buildings which was completed in 1995.</p> <p>The property has a gross floor area of approximately 897.79 sq.m</p> <p>The land use right of the property has been granted for a term commencing from 7 March 1999 and expiring on 6 March 2069 for residential uses.</p>	The property was rented to the Company for office use as at the valuation date.	71,616,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Hong Zi (2015) Di No. 007682, the property with a gross floor area of approximately 897.79 sq.m. is owned by SEC Property The land use rights of the property have been granted to SEC Property for a term commencing from 7 March 1999 and expiring on 6 March 2069 for residential uses.
2. According to a Tenancy Agreement entered into between SEC Property and the Company, the property was rented to the Company for a term commencing from 1 January 2016 and expiring on 30 June 2017 at a monthly rent of RMB84,382 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB65,000/sq.m. to RMB95,000/sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB79,769/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB												
58.	Units 703 and 704 on Level 7 of Building No. 12 Levels 1, 3 and 4 of Building No. 315 and 6 underground carpark spaces of Building No. 2 located at No. 351 Aomen Road Putuo District Shanghai The PRC	<p>The property comprises 2 office units on Level 7 of Building No. 12, Levels 1, 3 and 4 of Building No. 315 and 6 underground carpark spaces of Building No. 2 which were completed in 1999.</p> <p>The property has a gross floor area of approximately 5,055.33 sq.m. The details are set out as follows.</p> <table border="1"> <thead> <tr> <th>Type</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>4,337.86</td> </tr> <tr> <td>Office</td> <td>463.61</td> </tr> <tr> <td>Car parking spaces</td> <td>253.86</td> </tr> <tr> <td></td> <td><u>(6 spaces)</u></td> </tr> <tr> <td>Total:</td> <td><u>5,055.33</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term commencing from 26 June 2006 and expiring on 26 June 2046 for commercial use and a term commencing from 26 June 2006 and expiring on 26 June 2056 for office use.</p>	Type	Gross Floor Area (sq.m.)	Commercial	4,337.86	Office	463.61	Car parking spaces	253.86		<u>(6 spaces)</u>	Total:	<u>5,055.33</u>	Except for portions of the property which were rented to various parties for office and commercial uses, the remaining portion of the property was vacant.	131,200,000
Type	Gross Floor Area (sq.m.)															
Commercial	4,337.86															
Office	463.61															
Car parking spaces	253.86															
	<u>(6 spaces)</u>															
Total:	<u>5,055.33</u>															

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2015) Di No. 028737, the property with a gross floor area of approximately 5,055.33 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property for a term commencing from 26 June 2016 and expiring on 26 June 2046 for commercial use and a term commencing from 26 June 2016 and expiring on 26 June 2056 for office use.
- According to 5 Tenancy Agreements, portions of the property with a total gross floor area of 4,822.47 sq.m. were rented to various parties for various terms with commencement dates between 20 November 2011 and 1 May 2016 and the expiry date between 19 March 2017 and 30 April 2018 at a monthly rent of RMB325,569.54 before tax for office and commercial use, exclusive of management fees, water and electricity charges.

3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB17,000/sq.m. to RMB25,000/sq.m. for office units, from RMB26,000/sq.m. to RMB35,000/sq.m. for commercial units and from RMB250,000/space to RMB400,000/space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB18,300/sq.m. for the office unit, RMB27,875/sq.m. for the commercial unit and RMB300,000/space for the car parking spaces of the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
59.	Portions of Level 1 of a building located at No. 212 Jiangning Road Jingan District Shanghai The PRC	<p>The property comprises a commercial on Level 1 of a 28-storey building which was completed in 2000.</p> <p>The property has a gross floor area of approximately 253.34 sq.m.</p> <p>The land use rights of the property have been granted without specific expiry date for commercial use.</p>	The property was rented to a party for office use as at the valuation date.	11,275,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2015) Di No. 001744, the property with a gross floor area of approximately 253.34 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for commercial use.
2. According to a Tenancy Agreement entered into between SEC Property and China Eastern Airlines Co., Ltd. (“中國東方航空股份有限公司”), the property with a gross floor area of approximately 253.34 sq.m. was rented to China Eastern Airlines Co., Ltd. for a term commencing from 15 May 2015 and expiring on 14 May 2018 at a monthly rent of RMB45,464 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB40,000/sq.m. to RMB60,000/sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB44,505/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
60.	A parcel of land and an industrial building located at Hill No.1, Block 76, Jinqiao Export Processing Zone Pudong New District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 27,739 sq.m. and an industrial building erected thereon which was completed in 1996.</p> <p>The building has a gross floor area of approximately 18,683.20 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 19 June 2006 and expiring on 8 May 2044 for industrial use.</p>	Except for portions of the property which were rented to various parties for industrial use, the remaining portion of the property was vacant as at the valuation date.	96,892,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2015) Di No. 081816, the land use rights of a parcel of land with a site area of approximately 27,739 sq.m. have been granted to SEC Property for a term commencing from 19 June 2006 and expiring on 8 May 2044 for industrial use.
2. The building of the property with a gross floor area of approximately 18,683.20 sq.m. has not obtained Real Estate Title Certificate (Building part).
3. According to various Tenancy Agreements, portions of the property with a total gross floor area of approximately 14,771.33 sq.m. were rented to various parties for various terms with commencement dates between 1 March 1995 and 1 May 2014 and the expiry dates between 30 April 2018 and 30 April 2044 at a total monthly rent of RMB465,393 before tax for industrial use, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the land use rights of the property;
 - b) There would be no legal impediment for SEC Property to obtain relevant title certificate upon the fulfillment of relevant planning, construction and acceptance procedures according to relevant laws; and
 - c) As Shanghai Electric (Group) Corporation has agreed to undertake the loss caused by the fact that the Real Estate Title Certificate (Building part) has not been obtained, this will not constitute a legal impediment for the Acquisition Agreement.
5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the building part of the property. However, for reference purpose, we are of the opinion that the market value of the building part of the property as at the valuation date would be RMB19,057,000 assuming proper title certificates had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
61.	Levels 1 and 2 of a building located at No. 108 Nandan Road Xuhui District Shanghai The PRC	<p>The property comprises Levels 1 and 2 of a 18-storey building which was completed in 1997.</p> <p>The property has a gross floor area of approximately 2,062.13 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 25 November 2005 and expiring on 24 November 2045 for commercial use.</p>	Except for portions of the property which were rented to various parties for commercial and office uses, the remaining portion of the property was vacant as at the valuation date.	63,720,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Xu Zi (2015) Di No. 026903, the property with a gross floor area of approximately 2,062.13 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property for a term commencing from 25 November 2005 and expiring on 24 November 2045 for commercial use.
2. According to 6 Tenancy Agreements, portions of the property with a total gross floor area of approximately 1,240 sq.m. were rented to various parties for various terms with commencement dates between 1 January 2016 and 1 July 2016 and the expiry dates between 30 June 2017 and 31 January 2018 at a total monthly rent of RMB128,824 before tax for commercial and office uses, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB28,000/sq.m. to RMB45,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB30,900/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
62.	A residential building located at No. 242 Wuyi Road Changning District Shanghai The PRC	<p>The property comprises a 3-storey residential building which was completed in 1937. Upon inspection, the property was well maintained.</p> <p>The property has a gross floor area of approximately 449.64 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 19 June 2006 and expiring on 18 June 2076 for residential use.</p>	The property was rented to a party for office use as at the valuation date.	41,569,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Chang Zi (2015) Di No. 009663, the property with a gross floor area of approximately 449.64 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 1,002 sq.m. have been granted to SEC Property for a term commencing from 19 June 2006 and expiring on 18 June 2076 for residential use.
2. According to a Tenancy Agreement entered into between Shanghai Electric Group Assets Operation Co., Ltd and Shanghai Kailun Paper Printing (Group) Co., Ltd (“上海開倫造紙印刷集團有限公司”), the property was rented to Shanghai Kailun Paper Printing (Group) Corporation for a term commencing from 10 April 2014 and expiring on 24 July 2019 at a monthly rent of RMB121,448 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB85,000/sq.m. to RMB105,000/sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB92,450/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
63.	Office Units 802 to 805 and 901 to 905 on Level 8 and 9 of a building located at Nos. 69 & 71 Yanping Road Jingan District Shanghai The PRC	<p>The property comprises 4 office units on Level 8 and 5 office units on Level 9 of a building which were completed in 1997.</p> <p>The property has a gross floor area of approximately 1,395.36 sq.m.</p> <p>The land use rights of the property have been granted without specific expiry date for composite use.</p>	Except for portions of the property which were rented to various parties for office use, the remaining portion of the property was vacant as at the valuation date.	32,923,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2015) Di No. 001750, the property with a gross floor area of approximately 1,395.36 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for composite use.
2. According to 6 Tenancy Agreements, portions of the property with a gross floor area of 1,095.62 sq.m. was rented to various parties for various terms with commencing dates between 1 April 2014 and 1 September 2016 and expiry date between 31 March 2017 and 31 August 2018 at a monthly rent of RMB90,199.5 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB20,000/sq.m. to RMB26,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB23,595/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
64.	Office Units 4B and 4C on Level 4 of a building located at No. 69 Yixueyuan Road Xuhui District Shanghai The PRC	<p>The property comprises 2 office units on Level 4 of a building which were completed in 1996.</p> <p>The property has a gross floor area of approximately 481.48 sq.m.</p> <p>The land use rights of the property have been granted without specific expiry date for composite use.</p>	The property was rented to a party for office use as at the valuation date.	10,848,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Xu Zi (2015) Di No. 026905, the property with a gross floor area of approximately 481.48 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for composite use.
2. According to a Tenancy Agreement entered into between Shanghai Electric Group Assets Operation Co., Ltd. and Shanghai Nanyang Cable Co., Ltd. (“上海南洋電纜有限公司”), the property was rented to Shanghai Nanyang Cable Co., Ltd. for a term commencing from 1 June 2013 and expiring on 30 November 2017 at a monthly rent of RMB26,361 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB20,000/sq.m. to RMB26,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB22,531/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
65.	Room 1504 of a building located at No. 1, Lane 600 Xikang Road Jingan District Shanghai The PRC	<p>The property comprises a residential unit on Level 15 of a 17-storey building which was completed in 1999.</p> <p>The property has a gross floor area of approximately 240.31 sq.m.</p> <p>The land use rights of the property has been granted without specific expiry date for composite use.</p>	The property was vacant as at the valuation date.	9,437,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Chang Zi (2015) Di No. 001753, the property with a gross floor area of approximately 240.31 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for composite use.
2. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB38,000/sq.m. to RMB50,000/sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB39,270/sq.m. for the subject property.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
66.	A parcel of land and a building located at No. 109 Tianshui Road Hongkou District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 3,850 sq.m. and an industrial building erected thereon which were completed in 1980. The building has a total gross floor area of approximately 3,850 sq.m.	The property was rented to a party for commercial use as at the valuation date.	No commercial value

Notes:

1. According to a notification named as Notice of that the Building at No. 109, Tianshui Road are in the demolishing scope of reconstruction project of No. 171 Neighbourhood (“關於天水路109號被列入171街坊舊城區改建房屋徵收範圍的函”), signed by the local government, the property has been listed in the demolishing scope.
2. According to a Tenancy Agreement entered into SEC Property and Shanghai Tong Jia Comprehensive Market Operation Management Co., Ltd. (“上海同嘉綜合市場經營管理有限公司”), the property was rented to Shanghai Tong Jia Comprehensive Market Operation Management Co., Ltd. for a term commencing from 15 April 2015 and expiring on 14 April 2017 at a monthly rent of RMB76,117.7 before tax for commercial use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) As Shanghai Electric (Group) Corporation has agreed to undertake the loss caused by the fact that the Real Estate Title Certificate has not been obtained, this will not constitute a legal impediment for the Acquisition Agreement; and
 - b) The implementation of such demolition and expropriation will not be affected by the current status of the property without title certificates.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as proper title certificate of the property were not obtained and it could not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB27,469,000 assuming proper title certificates had been obtained and the property could be freely transferred.
5. Pursuant to a Transfer Agreement – Hu Dian Zi Jing (Di) Zi (13) Di No. 10 entered into between Shanghai Huaxia Zhendan China Fire Co., Ltd. (“上海華夏震旦消防設備有限公司”) and Shanghai Electric Group Asset Management Co., Ltd. dated 26 June 2013, SEC Property has acquired the property at a consideration of RMB32,819.2. The total costs expended on the property are RMB32,819.2.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
67.	A parcel of land and 9 buildings located at No. 365 Chenghang Branch Road Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 4,417 sq.m. and 9 buildings erected thereon which were completed in 1988.</p> <p>The buildings have a total gross floor area of approximately 2,653.5 sq.m.</p> <p>The buildings mainly include industrial buildings and office buildings.</p>	Except for portions of the property which were rented to a party for warehouse use, the remaining portion of the property was vacant as at the valuation date.	No commercial value

Notes:

1. According to a notification named as Notice of Road Reconstruction Project of Chenhang Road (“關於《浦江鎮陳行公路道路改建工程》告知書”), Pujiang Town signed by the Demolishment Management Office of Pujiang Town on 16 December 2015, the property has been listed in the demolishing scope.
2. According to a Tenancy Agreement entered into Shanghai Wen Tong Property Management Co., Ltd. and Shanghai Li Meng Warehouse Service Co., Ltd. (“上海立夢倉儲服務有限公司”) for a term commencing from 1 April 2012 and expiring on 30 April 2017 at a monthly rent of RMB27,808.6 before tax for warehouse use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) As Shanghai Electric (Group) Corporation has agreed to undertake the loss caused by the fact that the Real Estate Title Certificate has not been obtained, this will not constitute a legal impediment for the Acquisition Agreement; and
 - b) The implementation of such demolition and expropriation will not be affected by the current status of the property without title certificates.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the proper title certificate of the property were not obtained and it could not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB2,878,000 assuming proper title certificates had been obtained and the property could be freely transferred.
5. Pursuant to a Transfer Agreement – Hu Dian Zi Jing (Di) Zi (14) Di No. 17 entered into between Shanghai Machine Tool Works Ltd. (“上海機床工具(集團)有限公司”) and Shanghai Electric Group Asset Management Co., Ltd. dated 11 August 2014, SEC Property has acquired the property at a consideration of RMB2,060,000. The total costs expended on the property are RMB2,060,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB										
68.	A commercial unit on Level 1, an office unit on Level 2 and a basement of a building located at No. 4, Lane 30 Caodong Second Road Xuhui District Shanghai The PRC	<p>The property comprises a commercial unit on Level 1, an office unit on Level 2 and a basement of a building which were completed in 1997.</p> <p>The property has a gross floor area of approximately 2,405.21 sq.m.</p> <table border="0"> <thead> <tr> <th>Type</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>1,020.00</td> </tr> <tr> <td>Office</td> <td>636.00</td> </tr> <tr> <td>Basement for car parking</td> <td>389.21 (10 spaces)</td> </tr> <tr> <td>Total:</td> <td><u>2,045.21</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term commencing from 5 November 1996 and expiring on 4 December 2046 for composite use.</p>	Type	Gross Floor Area (sq.m.)	Commercial	1,020.00	Office	636.00	Basement for car parking	389.21 (10 spaces)	Total:	<u>2,045.21</u>	The property was partly rented to 2 parties for office and commercial uses and partly vacant as at the valuation date.	53,200,000
Type	Gross Floor Area (sq.m.)													
Commercial	1,020.00													
Office	636.00													
Basement for car parking	389.21 (10 spaces)													
Total:	<u>2,045.21</u>													

Notes:

- Pursuant to a Real Estate Title Certificate – Hu Fang Di Xu Zi (2016) Di No. 001868, the property with a gross floor area of approximately 2,405.21 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property for a term commencing from 5 November 1996 and expiring on 4 December 2046 for composite use.
- According to 2 Tenancy Agreements, portions of the property with a gross floor area of 1,656 sq.m. was rented to 2 parties for terms with commencing dates on 20 May 2016 and 20 November 2016 and the expiry dates on 19 May 2018 and 30 April 2019 at a total monthly rent of RMB117,540 before tax for office and commercial use, exclusive of management fees, water and electricity charges.
- In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB16,500/sq.m. to RMB20,000/sq.m. for office units, from RMB35,000/sq.m. to RMB45,000/sq.m. for commercial units and from RMB250,000/space to RMB400,000/space for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB17,500/sq.m. for the office unit, RMB38,304/sq.m. for the commercial unit RMB300,000/space for the car parking spaces of the subject property.
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
69.	A commercial unit on Level 1 of a building located at No. 203 Fenzhou Road Yangpu District Shanghai The PRC	<p>The property comprises a commercial unit on Level 1 of a building which was completed in 2000.</p> <p>The property has a gross floor area of approximately 31.43 sq.m.</p> <p>The land use rights of the property have been granted with the limitation of Land Use Agreement (“土地使用協議書”) without specific expiry date for commercial and residential uses.</p>	The property was rented to a party for commercial use as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Yang Zi (2001) Di No. 019840, the property with a gross floor area of approximately 31.43 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights of the property have been granted to Shanghai Electric Group Assets Operation Co., Ltd. with the limitation of Land Use Agreement (“土地使用協議書”) without specific expiry date for commercial and residential uses.
2. According to a Tenancy Agreement entered into SEC Property and Shanghai Ningjiang Electromechanical Equipment Co., Ltd. (上海寧江機電設備有限公司) for a term commencing from 1 May 2015 and expiring on 30 April 2019 at a monthly rent of RMB800 before tax for commercial use, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) According to relevant policy, the land granting procedure of the land of the property could not be transacted; and
 - b) SEC Property might be subject to restrictions in offering the property for transfer, lease, mortgage or disposal through other legal means.
4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained with limitation of Land Use Agreement (“土地使用協議書”) and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB1,390,000 assuming proper title certificates without subject to the limitation of Land Use Agreement had been obtained and the property could be freely transferred.
5. In our valuation for reference purpose as stated in note 4, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB40,000/sq.m. to RMB50,000/sq.m. for commercial units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB44,225/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
70.	3 rooms in a building (Rooms 101 to 103) located at No. 9, Lane 735 Jiangpu Road Yangpu District Shanghai The PRC	<p>The property comprises 3 residential units in a building which were completed in 1999.</p> <p>The property has a gross floor area of approximately 86.1 sq.m.</p> <p>The land use rights of the property have been granted with the limitation of Land Use Agreement (“土地使用協議書”) without specific expiry date for residential use.</p>	The property was vacant as at the valuation date.	No commercial value

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Chang Zi (2001) Di No. 019836, the property with a gross floor area of approximately 86.1 sq.m. is owned by Shanghai Electric Group Assets Operation Co., Ltd. (now known as SEC Property). The land use rights have been granted to Shanghai Electric Group Assets Operation Co., Ltd. with limitation of Land Use Agreement (“土地使用協議書”) without specific expiry date for residential use.
2. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) According to relevant policy, the land granting procedure of the land of the property could not be transacted; and
 - b) SEC Property might be subject to restrictions in offering the property for transfer, lease, mortgage or disposal through other legal means.
3. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property as the land use rights of the property were obtained with limitation of Land Use Agreement (“土地使用協議書”) and may not be transferred freely. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB3,978,000 assuming proper title certificates without subject to the limitation of Land Use Agreement had been obtained and the property could be freely transferred.
4. In our valuation for reference purpose as stated in note 3, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB40,000/sq.m. to RMB50,000/sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB46,202/sq.m. for the subject property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
71.	Unit 201 of a building located at No. 3, Lane 315 Qingyun Road Jingan District Shanghai The PRC	The property comprises a residential unit on Level 2 of a 7-storey building which was completed in 1996. The property has a gross floor area of approximately 184.1 sq.m. The land use rights of the property have been granted without specific expiry date for residential use.	The property was rented to a party for office use as at the valuation date.	6,869,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2016) Di No. 000099, the property with a gross floor area of approximately 184.1 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for residential use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Yang Ge Bearing Co., Ltd. (上海揚舸軸承有限公司), the property was rented to Shanghai Ynag Ge Bearing Co., Ltd for a term commencing from 1 July 2014 and expiring on 30 July 2016 at a monthly rent of RMB4,400 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB30,000/sq.m. to RMB40,000/sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB37,311/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
72.	A parcel of land and 3 buildings located at No. 546 Yuexiu Road Jingan District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 1,492 sq.m. and 3 buildings erected thereon which were completed 1990.</p> <p>The buildings have a total gross floor area of approximately 1,610 sq.m.</p> <p>The buildings mainly include industrial buildings and ancillary building.</p> <p>The land use rights of the property have been granted for a term commencing from 13 July 2007 and expiring on 12 July 2057 for warehouse use.</p>	The property was vacant as at the valuation date.	10,085,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2016) Di No. 000100, the property with a gross floor area of approximately 1,610 sq.m. is owned by SEC Property. The land use rights of a parcel of land with a site area of approximately 1,492 sq.m. have been granted to SEC Property for a term commencing from 13 July 2007 and expiring on 12 July 2057 for warehouse use.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
73.	Units 104, 105, 301, 302, 401 to 403, 405, 501, 502 and 505 of a building located at No. 1279 Dingxi Road Changning District Shanghai The PRC	<p>The property comprises 11 residential units on Levels 1, 3, 4 and 5 of a 24 storey building which was completed in 1997.</p> <p>The property has a gross floor area of approximately 1,404.53 sq.m.</p> <p>The land use rights of the property have been granted without specific expiry date for residential use.</p>	The property was rented to various parties for office use as at the valuation date.	50,935,000

Notes:

1. Pursuant to 11 Real Estate Title Certificates – Hu Fang Di Chang Zi (2015) Di No. 009283, 009284, 009285, 009286, 009287, 009288, 009289, 009290, 009291, 009292 and 009293, the property with a gross floor area of approximately 1,404.53 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for residential use.
2. According to 10 Tenancy Agreements, the property was rented to various parties for various terms with commencing dates between 1 January 2015 and 16 August 2016 and expiring dates between 14 May 2017 and 10 October 2020 at a total monthly rent of RMB58,730 before tax for office use, exclusive of management fees, water and electricity charges.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB34,000/sq.m. to RMB38,000/sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB36,265/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
74.	Room A on Level 2, Room B on Level 1, Rooms A and B on Level 3 of the West Building, located at No. 22, Lane 376 West Yan'an Road Jingan District Shanghai The PRC	The property comprises 4 office units on Levels 1, 2 and 3 of a 12-storey building which was completed in 1996. The property has a gross floor area of approximately 767.72 sq.m. The land use rights of the property have been granted without specific expiry date for office use.	The property was rented to a party for office use as at the valuation date.	14,004,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Jing Zi (2015) Di No. 001751, 001746, 001752 & 001748, the property with a gross floor area of approximately 767.72 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property without specific expiry date for office use.
2. According to a Tenancy Agreement entered into between SEC Property and Shanghai Water Resource Foundation (“上海水資源保護基金會”), the property was rented to Shanghai Water Resource Foundation for a term commencing from 1 September 2015 and expiring on 31 August 2020 at no monthly rent.
3. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB18,000/sq.m. to RMB21,000/sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate of RMB18,241/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.
5. Pursuant to 3 Transfer Agreements – Hu Dian Zi Jing (Di) Zi (14) Di Nos. 18, 19 & 20 entered into between Shanghai Electric Group Import and Export Co., Ltd. (“上海電氣集團進出口公司”) and Shanghai Electric Group Asset Management Co., Ltd. dated 13 August 2014, SEC Property has acquired the property at a consideration of RMB6,240,000. The total costs expended on the property are RMB6,774,191.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
75.	An office unit on Level 1 of a building located at No. 145 Middle Sichuan Road Huangpu District Shanghai The PRC	<p>The property comprises an office unit on Level 1 of a 6-storey composite building.</p> <p>The property has a gross floor area of approximately 22.97 sq.m.</p> <p>The land use rights of the property have been granted for a term commencing from 13 February 2015 and expiring on 12 February 2055 for commercial use.</p>	The property was vacant as at the valuation date.	1,819,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Huang Zi (2015) Di No. 005722, the property with a gross floor area of approximately 22.97 sq.m. is owned by SEC Property. The land use rights of the property have been granted to SEC Property for a term commencing from 13 February 2015 and expiring on 12 February 2055 for commercial use.
2. In the course of valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB65,000/sq.m. to RMB85,000/sq.m. for commercial unit. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed to arrive at an assumed unit rate of RMB79,190/sq.m. for the subject property.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) SEC Property legally owns the building ownership rights and the land use rights of the property.
4. Pursuant to a Transfer Agreement – Hu Dian Zi Jing (Di) Zi (11) Di No. 51 entered into between Shanghai Electric Group Asset Management Co., Ltd., Shanghai Nong Gong Shang Group Wusi Corporation (“上海農工商集團五四總公司”) and Shanghai Huangpu Real Estate (Group) Co., Ltd. (“上海黃浦置地(集團)有限公司”) dated 26 December 2011, SEC Property has acquired the property at a consideration of RMB1,678,018. The total costs expended on the property are RMB2,855,100.

The following is the text of the valuation report on total equity of Thales Saic dated 14 November 2016 prepared in Chinese by Orient Appraisal Co., Ltd., the qualified PRC valuer. The Chinese text shall prevail over the English text in the event of inconsistency. A1B5(3)

Appraisal Report for Enterprise Value

(Report)

Vol.1

Project Name: Appraisal Report on Total Equity of THALES SAIC TRANSPORTATION SYSTEM LIMITED COMPANY with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016)0930348



Orient Appraisal Co., Ltd.

Nov. 14th, 2016

Appraisal Report for Enterprise Value

(Contents)

Project Name: **Appraisal Report on Total Equity of THALES SAIC
TRANSPORTATION SYSTEM LIMITED COMPANY with
regard to Shanghai Electric Group Co., Ltd's Issue Shares for
Assets Purchase**

Project Number: **HDZZPBZ No.(2016)0930348**

I.	OUTLINE OF THE CLIENT AND OTHER REPORT USERS	6
I.	THE CLIENT	6
II.	OTHER REPORT USERS	8
II.	OUTLINE OF THE ASSESSED PARTY	8
III.	VALUATION PURPOSE	10
IV.	VALUATION SCOPE AND OBJECTS	11
V.	VALUE TYPE AND DEFINITION	21
VI.	THE VALUATION DATE	21
VII.	VALUATION BASIS	22
I.	ECONOMIC ACTIVITY BASIS	22
II.	MAJOR LEGAL BASIS OR REFERENCE OF RULE & LAW	22
III.	EVALUATION CRITERION	22
IV.	PRICING BASIS ADOPTED	23
V.	KEY CONTRACTS, AGREEMENTS AND PROPERTY RIGHT CERTIFICATES ...	24
VI.	OTHER FILES	24
VII.	REFERENCE FROM OTHER APPRAISER COMPANY	24
VIII.	VALUATION APPROACHES	24
I.	OUTLINE	24
II.	THE APPROACH CHOSEN REASON AND OTHER EXPLANATION	24
III.	INTRODUCTION OF ASSET-BASED APPROACH	25
IV.	INTRODUCTION OF INCOME APPROACH	28
IX.	VALUATION PROCESS	30
X.	PREMISES AND ASSUMPTIONS OF TENABILITY OF THE REPORT	31
XI.	VALUATION CONCLUSION	33
I.	OUTLINE	33
II.	CONCLUSION ANALYSIS	35
XII.	ADDITIONAL DISCLOSURE ITEMS	36
XIII.	RESTRICTION OF THE USE OF THE REPORT	38
I.	THE USE SCOPE OF THE REPORT	38
II.	VALIDITY PERIOD OF THE REPORT	38
III.	SPECIAL TERMS REGARDING TO STAT-OWNED ASSETS	38
IV.	THE EXPOSITIVE RIGHT OF THE REPORT	38
XIV.	THE SUBMISSION DATE OF THE REPORT	38
	<i>Files for Reference</i>	<i>40</i>

Valuation Report
No.(2016)0930348

Appraisers' Statement

The signing certified appraisers herein state that we observe the principles of independence, objectivity and fairness, abide by the relative laws, regulations and the rules of valuation standards, the contents expressed in this report is objective and we are willing to take the legal responsibility to the legitimacy of the valuation conclusion according to the collected material in our working process.

The assets and liabilities list of valuation objects should be declared and confirmed by the clients and valued parties by sealing on. 'Valuation Standards-General' Article 23 stipulates that the appraisers shall take responsibilities for presenting their professional opinion on the value of the engaged objects as at the valuation date through analysis and computation according to the related laws, regulations and the rules of valuation standards, while the Clients as well as concerning parties shall take responsibilities that they would provide necessary materials and make sure that the materials provided by them are real, legal and complete and also take responsibility for using the report properly.

We have done the scene survey to the valuation objects and the related assets in this report, checked and paid necessary attention on the related legal property rights conditions of the valuation objects, disclosed the discovered problem strictly according to the facts, and submit to the clients and the certain parties to improve it in accordance to satisfy the requirement of submitting the valuation report. 'Valuation Standards-General' Article 24 and 'Attention by Certified Asset Appraisers Toward the Legal Ownership of Appraised Objects Guiding Opinion' stipulate that the Clients as well as concerning parties shall take responsibilities that the materials about legal property right are real, legal and complete. The goal of valuation performed by appraisers is to present their professional opinion on the value of the engaged objects and confirming the legal rights of the objects or putting forth opinions on that is beyond appraisers' work scope. The report does not provide guarantee or certification of legal property rights of the objects.

'Valuation Ethics Code -General' Article 26 stipulates that the report is restricted by professional abilities of the appraisers and the appraisal company. The certified appraisers have the responsibility for warning the report users of understanding and using the report in a proper way and the certified appraisers are exempt from decision-making responsibilities of relevant parties.

The analysis, judgments and conclusion in the report restricted by the assumptions and restriction terms, the report user should fully consider the influence to the valuation conclusion by the assumptions, restriction terms, additional disclosure items and others. 'Valuation Standards-Report' Article 13 stipulates that the report users should read the whole report carefully and pay special attention to the additional disclosure items and the restriction of the use of the report.

Valuation Report
No.(2016)0930348

Appraisal Report for Enterprise Value

(Abstract)

Project Name: Appraisal Report on Total Equity of THALES SAIC TRANSPORTATION SYSTEM LIMITED COMPANY with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016)0930348

The Client

Shanghai Electric Group CORP and Shanghai Electric Group Co., Ltd

Other Report Users

The legal user of the report including the client and the user formulated by State laws and regulations according to the engagement letter.

The Assessed Party

Thales Saic Transportation System Limited Company
(hereinafter refers to Thales Saic Transportation System)

Valuation Purpose

Issue Shares for Assets Purchase

The Valuation Date

Sep. 30th, 2016

Valuation Scope and Objects

The valuation object is total equity of shareholders.

The valuation scope includes current assets and non-current assets(long-term investments, fixed assets, construction in progress, intangible assets, Long-term deferred expense and differed tax assets) and liabilities.

Net assets engaged for valuation amount to RMB 340,483,047.37 Yuan in book.

Net assets attributable to parent company per consolidated statement amount to RMB 340,500,508.22 Yuan.

Value Type

Market Value

Valuation Approach

Valuation Report
No.(2016)0930348

The Income Approach and Asset-based Approach.

According to the analysis of the assessed party, the Income Approach is finally adopted as valuation conclusion.

Valuation Conclusion

Through computation, the total equity of shareholders is valued as RMB 525,000,000.00 Yuan. In words: RMB 525 million.

Period Of Validity

The validity lasts for one year since the valuation date, i.e. until 29 Sep. 2017.

Additional Disclosure Items

There is dividend distribution issue after valuation date. See special disclosure in valuation report.

Special Notice:

This report can only be used on the engaged purpose. The content above abstracts from the text, you can read the text to know the detail information and get a better understanding of the valuation conclusion of this project.

Valuation Report
No.(2016)0930348

Appraisal Report for Enterprise Value

(Text)

Notice: The Report can be used exclusively for the purpose engaged and is tenable under engaged conditions. To learn all information of this project, please read the whole report and files for reference carefully.

Shanghai Electric Group CORP and Shanghai Electric Group Co., Ltd:

Orient Appraisal Co., Ltd. have received engagement to evaluate Thales Saic Transportation System 's total equity, according to the law, the regulations ,the asset appraisal principle and standards and the necessary evaluation program, through computation with the Asset-based Approach and Income Approach, in purpose of Shanghai Electric Group Co., Ltd 's Issue Shares for Assets Purchase , in order to offer market value dated Sep. 30th , 2016. The report is as follows:

Project Name: Appraisal Report on Total Equity of THALES SAIC TRANSPORTATION SYSTEM LIMITED COMPANY with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016)0930348

I. Outline of the Client and Other Report Users

i.The Client

The client1: Shanghai Electric Group CORP.;

Registered Address: No.110, Middle Sichuan Road;

Registered Capital: RMB 7,024,766,000;

Company Type: ownership by the whole people

Legal Representative: Dinan Huang

Business Scope: contractor business for electric engineering project and conglomeration or division of equipment, labor repatriation, investment of property, produce and sale of machinery equipment and relevant products, provide technique consulting or training services to import or export projects, manage state-owned assets in authorized scope, domestic trading (except special restrains) 【special projects shall be conducted after approved by relevant government department】

Company Introduction:

Shanghai Electric Group CORP. is one of the largest equipment manufacturing and conglomeration companies in China. It engages on the relevant project

Valuation Report
No.(2016)0930348

design and it was formally named as Shanghai Electric Union. On 22 Aug 1984, the company was approved by Shanghai government, based on the restructuring of the Shanghai Power Station Equipment Company, where Shanghai Motor Factory, Shanghai Steam Turbine Factory, Shanghai Boiler Factory and Shanghai Power Station Auxiliary Equipment Factory and some other factories has been restructured ad had been transferred out from Shanghai Motor Manufacturing Management Bureau. Under the approval of Finance and Commerce Bureau, in 1994, the company changed its name to Shanghai Electric (Group) Corporation

The client 2: Shanghai Electric Group Co., Ltd (Share No. 601727)

Registered Address: Floor.30, No.8, Xinyi Road,Shanghai;

Registered Capital: RMB 12,823,626,660;

Company Type: LLC(Taiwan, Hongkong, Macao and domestic joint venture, listed)

Legal Representative: Dinan Huang

Business Scope: Power station and electronic transfer, conglomeration of motor/electrical equipment, transportation, design, manufacturing, sales and after sales services for environmental device and related equipment.

Wholesales, import and export of goods and technology, agency commission service and other packaging services. Contractor for electronic project, conglomeration and division of device/equipment, and technical services.

【special projects shall be conducted after approved by relevant government department】

There are 4 major blocks for main business, which are new energy equipment, efficient and clean energy equipment, industrial equipment and modern service industry.

The client 1: Shanghai Electric Group CORP. is the shareholder of the assessed party.

The client 2: Shanghai Electric Group Co., Ltd is the acquiring party, which issues shares for assets purchase.

Valuation Report
No.(2016)0930348

ii. Other Report Users

The legal users of the report include the users as agreed in the engagement letter and formulated by State laws and regulations, and the relevant regulatory departments and authorities of the state-owned assets appraisal for economic behavior. Beyond that, any third party has acquired valuation report, who should not be regarded as the report users.

II. Outline of the Assessed Party

The assessed party: Thales Saic Transportation System

Address: No.1000, Building 28, Jinhai Road, Free Trade Zone, Shanghai City, China;

Legal Representative: Yacheng Lv;

Registered Capital: RMB 200 million;

Company type: LLC (Sino-foreign joint ventures)

1. Shareholders of the company as of valuation date is shown as below:

(Unit: RMB million)

	Shareholders	Investment	Percentage (%)
1	Shanghai Electric Group CORP.	100.20	50.10%
2	Thales International SAS	99.80	49.90%
	Total	200.00	100.00%

2. Operating conditions of Recent 2 Years plus one period are given as follows:

The condition for assets and financial per latest consolidated statements:

(Unit: RMB '0000 Yuan)

Item	2014-12-31	2015-12-31	2016-09-30
Asset	61,863.72	80,050.11	93,810.85
Liabilities	36,730.28	50,917.67	59,760.80
Net Assets	25,133.44	29,132.44	34,050.05
Net assets attributable to parent company	25,133.44	29,132.44	34,050.05

Valuation Report
No.(2016)0930348

(Unit: RMB '0000 Yuan)

Item	2014	2015	Jan. to Sep. 2016
Revenue	51,792.76	68,261.93	53,175.71
Total Profit	5,072.65	6,396.63	5,629.57
Net Profit	4,519.01	5,806.49	4,917.61
Net Profit attributable to parent company	4,519.01	5,806.49	4,917.61

(Unit: RMB '0000 Yuan)

Item	2014	2015	Jan. to Sep. 2016
Net Cash Flow Generated from Operating Activities	7,799.02	6,123.50	-3,695.12
Net Cash Flow Generated from Investment Activities	-1,330.04	-1,456.95	-1,910.36
Net Cash Flow Generated from Financial Activities	7,167.74	-1,807.50	0.00
Net Increase in Cash and Cash Equivalents	13,636.72	2,859.05	-5,605.48

The condition for assets and financial per latest parent company statements:

(Unit: RMB '0000 Yuan)

Item	2014-12-31	2015-12-31	2016-09-30
Asset	59,375.03	77,702.21	92,899.29
Liabilities	34,151.82	48,577.26	58,850.98
Net Assets	25,223.21	29,194.95	34,048.30

(Unit: RMB '0000 Yuan)

Item	2014	2015	Jan. to Sep. 2016
Revenue	48,967.01	64,729.90	53,388.21
Total Profit	5,049.08	6,364.37	5,546.69
Net Profit	4,501.34	5,779.24	4,853.36

(Unit: RMB '0000 Yuan)

Item	2014	2015	Jan. to Sep. 2016
Net Cash Flow Generated from Operating Activities	6,280.48	5,558.26	-7,798.29
Net Cash Flow Generated from Investment Activities	-1,330.04	-1,546.75	-1,944.14
Net Cash Flow Generated from Financial Activities	7,167.74	-1,807.50	0.00
Net Increase in Cash and Cash Equivalents	12,118.19	2,204.02	-9,742.44

Valuation Report
No.(2016)0930348

The above statistics abstracts from the unqualified audit report for special purpose issued by PWC Zhongtian CPA company as of 2 years plus one period.

Thales Saic Transportation System adheres to enterprise accounting system. The VAT rate is 17%. The urban construction tax ,educational surtax and river management fee are 1%, 5%,1% of turnover tax respectively.

THALES SAIC TRANSPORTATION SYSTEM acquired certification for Hi-tech Enterprise on 11th Sep. 2013, which enjoys preferential income tax rate 15%.

The assessed party was subject to tax exemption in 2013, as was allowed a 50 % reduction from 25% income tax during 2014 to 2016.

The subsidiary company of Nanchang TST Transportation Automation System Co., Ltd is small low-profit enterprise. The income tax rate is 20%. Annul income is allowed a 50 % reduction in income tax.

The income tax rate is 25% for subsidiary companies such as Shanghai TST International Trade Co., Ltd, Guangzhou TST Automation System Co., Ltd and Wuhan Wisdom Subway Technology Co., LTD.

3. The situation for long-term investment as of valuation date is as follows:

NO.	Enterprise Name	Book Value(Unit: Yuan)	Shareholding Ratio
1	Shanghai TST International Trade Co., Ltd	2,000,000.00	100%
2	Wuhan Wisdom Subway Technology Co., LTD.	7,500,000.00	15%
3	Guangzhou TST Automation System Co., Ltd	500,000.00	100%
4	Nanchang TST Transportation Automation System Co., Ltd	2,000,000.00	100%

III. Valuation Purpose

The purpose of report is to provide a market value reference of related assets of Thales Saic Transportation System as of valuation date, in purpose of Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase of Shanghai Electric Group CORP's 50.10% equity.

The acquired economic behavior document are as flows:

1. Board approval of Shanghai Electric Group Co., Ltd;

Valuation Report
No.(2016)0930348

2. Board approval of Shanghai Electric Group CORP;

IV. Valuation Scope and Objects

1. The valuation scope includes current assets and non-current assets(long-term investments, fixed assets, construction in progress, intangible assets, Long-term deferred expense and differed tax assets) and liabilities. Net assets engaged for valuation amount to RMB 340,483,047.37 Yuan in book. Net assets attributable to parent company per consolidated statement amount to RMB 340,500,508.22 Yuan.

2. Per declaration list, the office for assessed company located on Building 28, No.1000, Jinhai Road, Pudong New District, Shanghai and the warehouse located on Building 2, No. 251 on Jinyu Road are leased from Shanghai Zeli Co.,LTD and Shanghai Instrument Information Network Co., LTD respectively.



3. Per declaration list, there are 5018 sets of equipment engaged, which remain normal use.

4. Per declaration list, the booked intangible assets refer to 320 sets of purchased software. The 16 sets of brands, 24 sets of patent technology and 233 sets of software copyright are included in valuation scope, as are not reflected in book.

The details are as follows:

4.1. Brands

The registered intangible assets for brands are as follows.

No	Reg. No.	Ratified Use of Product	Trademark Sign	Period of validity
1.	<u>13012114</u>	9		From 2015-08-14 To 2025-08-13
2.	<u>14114638</u>	9	TSTVCU	From 2015-06-07 To 2025-06-06
3.	<u>14114635</u>	9	TSTEUCU	From 2015-09-07 To 2025-09-06
4.	<u>14114633</u>	42	TSTCBTC2.0	From 2015-06-07 To 2025-06-06
5.	<u>13012115</u>	9		From 2015-08-21 To 2025-08-20
6.	<u>14114642</u>	9	TSTCBTC2.0	From 2015-05-07 To 2025-05-06
7.	<u>14114641</u>	9	TSTram	From 2015-09-07 To 2025-09-06

Valuation Report
No.(2016)0930348

8.	<u>14114640</u>	9	TSTCCU	From 2015-06-07 To 2025-06-06
9.	<u>14114643</u>	9	TSTCBTC	From 2015-06-07 To 2025-06-06
10.	<u>14114637</u>	9	TSTFCU	From 2015-06-07 To 2025-06-06
11.	<u>14114639</u>	9	TSTM CU	From 2015-06-07 To 2025-06-06
12.	<u>14114636</u>	9	TSTD CU	From 2015-06-07 To 2025-06-06
13.	<u>14114634</u>	42	TSTCBTC	From 2015-04-14 To 2025-04-13
14.	<u>15689427</u>	9、42	TSTSAMS	From 2015-12-28 To 2025-12-27
15.	<u>15689425</u>	9、42	TSTAMIS	From 2015-12-28 To 2025-12-27
16.	<u>15689426</u>	9、42	TSTANDS	From 2015-12-28 To 2025-12-27

4.2.Patents

The declared patents are as follows:

No.	Patent Name	Name	Patent Group	Period of validity
1	2016201125507	一种用于加速度传感器性能的检测平台	Utility Model	10 years from 2016-02-03
2	2015101922665	一种轨旁以及车载无线单元的配置方法	Patent for Invention	20 years from 2015-04-20
3	2014106067467	一种用于试车线和培训中心的 ACE 机架	Patent for Invention	20 years from 2014-10-31
4	2014105790209	一种轨道交通信号设备的内部信号故障测试装置	Patent for Invention	20 years from 2014-10-24
5	2014105545531	一种 CBTC 用自动通知及调度系统	Patent for Invention	20 years from 2014-10-17
6	2014104594564	列车屏蔽门的冗余控制系统及控制方法	Patent for Invention	20 years from 2014-09-10
7	2014103229900	轨旁信号系统安全控制平台	Patent for Invention	20 years from 2014-07-08
8	2014103224682	车载信号系统安全控制平台	Patent for Invention	20 years from 2014-07-08
9	2014103229968	2 取 2 车载信号系统安全接口子架及其收纳结构	Patent for Invention	20 years from 2014-07-08
10	2015203856856	一种用于车地通信的无线设备的接入点装置	Utility Model	10 years from 2015-06-05
11	2014106553770	一种点式 ATP 模式下 PMI 联锁系统的临时限速方法	Patent for Invention	20 years from 2014-11-18

Valuation Report
No.(2016)0930348

12	2014106402380	PMI 联锁系统与车辆段接口转换轨管理权分配方法	Patent for Invention	20 years from 2014-11-13
13	2014106289405	一种信号联锁子系统与防淹门系统的联锁方法	Patent for Invention	20 years from 2014-11-10
14	2014106085179	一种基于 ATC 的防淹区域防护系统	Patent for Invention	20 years from 2014-11-03
15	2014206489924	2 乘 2 取 2 元素控制单元外围处理单元子架的收纳结构	Utility Model	10 years from 2014-11-03
16	2014206307288	一种用于元素控制单元二乘二取二主处理单元的机架	Utility Model	10 years from 2014-10-28
17	2014104577978	远程记轴预复位系统及方法	Patent for Invention	20 years from 2014-09-10
18	2014203754260	2 取 2 车载信号系统安全接口子架的收纳结构	Utility Model	10 years from 2014-07-08
19	201420375509X	一种 2 取 2 车载信号系统安全控制器子架的收纳结构	Utility Model	10 years from 2014-07-08
20	2014100362977	列车控制系统及方法	Patent for Invention	20 years from 2014-01-26
21	2014100362996	非受控列车的临时限速处理系统及方法	Patent for Invention	20 years from 2014-01-26
22	2014200485845	无线接入装置	Utility Model	10 years from 2014-01-26
23	2013203038124	安全控制箱	Utility Model	10 years from 2013-05-29
24	2013203038139	道岔模拟测试箱	Utility Model	10 years from 2013-05-29

4.3. Software Copyright

The declared Software Copyright out of book are as follows:

No.	Full name of Software Copyright	Registration Mark
1	灯丝告警功能软件 V1.0	2016SR040021
2	CBTC2.0 移动控制单元-2 乘 3 取 2 联锁子模块进路实施同步管理软件 V1.0	2016SR031456
3	CBTC2.0 移动控制单元-2 乘 3 取 2 联锁子模块进路注册同步管理软件 V1.0	2016SR031455
4	CBTC2.0 移动控制单元-2 乘 3 取 2 双套 MCU 与相邻站 MCU 通信软件 V1.0	2016SR031223
5	CBTC2.0 移动控制单元-2 乘 3 取 2 双套 MCU 与 VCU 通信软件 V1.0	2016SR031214
6	CBTC2.0 移动控制单元-2 乘 3 取 2 移动闭塞子模块列车监控同步管理软件 V1.0	2016SR029988
7	CBTC2.0 移动控制单元-2 乘 3 取 2 上位机命令同步管理软件 V1.0	2016SR029981
8	CBTC2.0 移动控制单元-2 乘 3 取 2 联锁子模块进路授权同步管理软件 V1.0	2016SR029975
9	CBTC2.0 移动控制单元-2 乘 3 取 2 双套冗余 MCU 通信软件 V1.0	2016SR029481
10	CBTC2.0 移动控制单元-2 乘 3 取 2 移动闭塞子模块相邻站 MCU 标识号同步管理软件 V1.0	2016SR029467
11	CBTC2.0 移动控制单元-2 乘 3 取 2 移动闭塞子模块临时限速同步管理软件 V1.0	2016SR028860
12	CBTC2.0 移动控制单元-2 乘 3 取 2 移动闭塞子模块进路状态同步管理软件 V1.0	2016SR028694
13	计轴告警功能软件 V1.0	2016SR019167

Valuation Report
No.(2016)0930348

14	车载控制器-iATP 功能软件 V1.0	2016SR019130
15	CBTC2.0 2 乘 3 取 2 移动控制单元-输入输出信息同步软件 V1.0	2016SR019128
16	CBTC2.0 移动控制单元-2 乘 3 取 2 移动闭塞子模块进路控制同步管理软件 V1.0	2016SR019065
17	CBTC2.0 移动控制单元-2 乘 3 取 2 热备切换管理软件 V1.0	2016SR019058
18	手动向前模式下列车高速运行软件 V1.0	2016SR018486
19	CBTC2.0 移动控制单元-2 乘 3 取 2 单套 MCU 健康状态管理软件 V1.0	2016SR018180
20	TSTMC 移动控制单元-CBTC2.0 2 乘 3 取 2 列车号同步管理软件 V1.0	2016SR018071
21	TSTMCU 移动控制单元-CBTC2.0 2 乘 3 取 2 联锁子模块转换锁闭同步管理软件 V1.0	2016SR017574
22	车载控制器-iATO 功能软件 V1.0	2016SR017570
23	车载控制器-双开门功能软件 V1.0	2016SR017565
24	车载 SD 状态监控系统 V1.0	2016SR017481
25	计轴远程复位测试模拟仿真软件 V1.00.00	2016SR017477
26	道岔切除功能软件 V1.0	2016SR017469
27	基于 UFT 的 CBTC 信号系统自动化测试软件 V1.0	2016SR017465
28	轨道运营线路仿真图表生成软件 V1.0	2016SR017463
29	IBP 扣车功能仿真软件 V1.0	2016SR017428
30	不停车模式转换测试模拟仿真软件 V1.0	2016SR012690
31	联锁表自动验证工具软件 V1.0	2016SR012687
32	CBTC 信号系统自动化测试平台软件 V1.0	2016SR012684
33	2 乘 2 取 2 车载记录仪数据分析软件 V2.0	2016SR011814
34	移动控制单元子系统轨道数据生成器软件 V1.0	2016SR011811
35	PMI 联锁系统与车辆段接口转换轨管理权限分配测试软件 V1.0	2016SR011236
36	屏蔽门状态旁路测试软件 V1.0	2016SR011233
37	轨道信号系统网络节点配置管理软件 V1.0	2016SR010879
38	CBTC 灭灯功能软件 V1.0	2016SR010877
39	列车里程统计功能软件 V1.0	2016SR010861
40	一种应用于二取二车载子架工厂验收的测试脚本软件 V1.0	2016SR010797
41	防淹门联锁功能测试软件 V1.0	2016SR010786
42	快慢车混合运营-自动调整功能软件 V1.0	2016SR010780
43	点式 ATP 模式下 PMI 联锁系统的临时限速功能测试软件 V1.0	2016SR010774
44	站台发车按钮模拟仿真软件 V1.0	2016SR010312
45	IBP 扣车功能软件 V1.0	2016SR006776
46	TSTCCU 支持双套轨旁设备切换功能控制软件 V1.0	2016SR006775
47	快慢车混合运营-时刻表优化软件 V1.0	2016SR006774
48	中央与本地控权人工选择系统 V1.0	2016SR006772
49	非受控列车出站信号机防护功能控制软件 V1.0	2016SR006771
50	轨道信号系统 2oo3 平台通道选择器软件 V1.0	2015SR191593
51	动态配置屏蔽门旁路功能软件 V1.0	2015SR190561
52	非受控列车屏蔽门旁路功能控制软件 V1.0	2015SR190467
53	TST 轨旁控制器 -2 乘 3 取 2 轨旁控制器数据同步软件 V1.0	2015SR190463
54	轨道信号系统平台软件动态支持外围设备控制器软件 V1.0	2015SR180593
55	防淹门防护功能测试模拟仿真软件 V1.0	2015SR180590
56	车载控制器-主备功能软件 V00.01.01	2015SR180518
57	轨旁控制器二线维护功能验证的测试脚本软件 V1.0	2015SR180515

Valuation Report
No.(2016)0930348

58	移动闭塞系统轨道数据生成器软件 V1.09.00	2015SR180455
59	联锁表自动生成工具软件 V1.0	2015SR180259
60	ATO 调试脚本工具软件 V00.01.01	2015SR179575
61	TST 轨旁控制器-2 乘 3 取 2 冗余切换软件 V00.01.01	2015SR179572
62	车载控制器-不停车模式转换功能软件 V00.01.01	2015SR152100
63	TST 轨旁控制器与现场控制器通信软件 V00.01.01	2015SR152061
64	CBTC 移动控制单元-受控非受控列车同步授权软件 V00.01.01	2015SR151859
65	车载控制器支持双套轨旁设备切换功能软件 V00.01.01	2015SR151858
66	轨旁子系统 2oo2 热备冗余车载配套软件 V1.0	2015SR151856
67	TST 现场控制器-支持 2 乘 3 取 2 轨旁控制器的 IO 控制软件 V00.01.01	2015SR151679
68	CBTC2.0 移动控制单元-受控非受控区域切换软件 V00.01.01	2015SR113331
69	CBTC2.0 移动控制单元-列车定位控制软件 V00.01.01	2015SR113323
70	CBTC2.0 移动控制单元-上电自检软件 V00.01.01	2015SR113318
71	CBTC2.0 移动控制单元-2 乘 2 取 2 ECU 安全分析软件 V1.0	2015SR096685
72	CBTC2.0 移动控制单元-轨旁数据库自动模块测试软件 V00.01.01	2015SR096490
73	CBTC2.0 设备控制单元-UDP 数据有效性验证管理软件 V00.01.01	2015SR096365
74	CBTC2.0 移动控制单元-信号模式安全分析软件 V1.0	2015SR096360
75	CBTC2.0 移动控制单元-联锁子模块信号机控制安全分析软件 V1.0	2015SR096008
76	CBTC2.0 移动控制单元-移动闭塞子模块信号模式控制软件 V1.0	2015SR095896
77	CBTC2.0 移动控制单元-站台紧急停车按钮联锁安全分析软件 V1.0	2015SR094856
78	CBTC2.0 移动控制单元-进路目标点监督软件 V1.0	2015SR094851
79	CBTC2.0 移动控制单元-联锁子模块道岔区段联锁安全分析软件 V1.0	2015SR094848
80	CBTC2.0 移动控制单元-站台屏蔽门控制安全分析软件 V1.0	2015SR094660
81	CBTC2.0 移动控制单元-屏蔽门自动模块测试软件 V00.01.01	2015SR091228
82	CBTC2.0 移动控制单元-入段进路监督软件 V00.01.01	2015SR090108
83	CBTC2.0 移动控制单元-防淹门控制软件 V00.01.01	2015SR090107
84	CBTC2.0 移动控制单元-进路授权自动模块测试软件 V00.01.01	2015SR090062
85	CBTC2.0 移动控制单元-移动闭塞子模块故障报警管理软件 V00.01.01	2015SR090031
86	CBTC2.0 设备控制单元-输入输出管理自动模块测试软件 V00.01.01	2015SR090027
87	CBTC2.0 移动控制单元-进路识别号管理软件 V00.01.01	2015SR089930
88	CBTC2.0 移动控制单元-信号机物理状态自动模块测试软件 V00.01.01	2015SR089880
89	CBTC2.0 移动控制单元-进路预留软件 V00.01.01	2015SR089624

Valuation Report
No.(2016)0930348

90	CBTC2.0 移动控制单元-道岔物理驱动自动模块测试软件 V00.01.01	2015SR089543
91	CBTC2.0 移动控制单元-缓行退行控制软件 V00.01.01	2015SR089232
92	CBTC2.0 移动控制单元-移动授权控制软件 V00.01.01	2015SR089176
93	CBTC2.0 移动控制单元-通信故障管理软件 V00.01.01	2015SR089175
94	CBTC2.0 移动控制单元-IO 数据库自动模块测试软件 V00.01.01	2015SR081205
95	CBTC2.0 移动控制单元-控区边界管理软件 V00.01.01	2015SR081198
96	CBTC2.0 移动控制单元-轨道打开/关闭控制软件 V1.0	2015SR081193
97	CBTC2.0 移动控制单元-紧急停车按钮状态自动模块测试软件 V00.01.01	2015SR081134
98	CBTC2.0 移动控制单元-列车标识号管理软件 V1.0	2015SR081086
99	CBTC2.0 移动控制单元-安全进路控制软件 V00.01.01	2015SR081080
100	CBTC2.0 设备控制单元到移动控制单元报警信息处理软件 V00.01.01	2015SR081070
101	CBTC2.0 移动控制单元-移动闭塞子模块信号机控制软件 V1.0	2015SR081061
102	CBTC2.0 移动控制单元-轨道临时限速控制软件 V00.01.01	2015SR081066
103	CBTC2.0 移动闭塞模式下设备控制单元工作状态管理软件 V00.01.01	2015SR081035
104	CBTC2.0 移动闭塞模式下-混合 ECU 集成模拟软件 V00.01.00	2015SR081031
105	CBTC2.0 设备控制单元-输入输出安全分析软件 V1.0	2015SR080994
106	CBTC2.0 移动控制单元-道岔逻辑控制自动模块测试软件 V00.01.01	2015SR080958
107	CBTC2.0 移动控制单元-进路实施安全分析软件 V1.0	2015SR080935
108	CBTC2.0 设备控制单元固态继电器控制软件 V00.01.01	2015SR080824
109	CBTC2.0 设备控制单元 ID 管理软件 V00.01.01	2015SR080822
110	CBTC2.0 设备控制单元工作状态安全分析软件 V1.0	2015SR080769
111	CBTC2.0 设备控制单元-固态继电器控制安全分析软件 V1.0	2015SR080765
112	CBTC2.0 移动控制单元-信号机临时限速管理软件 V1.0	2015SR080489
113	CBTC2.0 移动控制单元-道岔锁闭继电器状态自动模块测试软件 V00.01.01	2015SR080480
114	CBTC2.0 移动控制单元-区段状态自动模块测试软件 V00.01.01	2015SR080414
115	CBTC2.0 移动控制单元-进路集成自动模块测试软件 V00.01.01	2015SR080407
116	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块轨旁报警自动模块测试软件 V00.01.01	2015SR074658
117	CBTC2.0 移动闭塞模式下-移动闭塞子模块道岔控制软件 V1.0	2015SR074655
118	CBTC2.0 移动闭塞模式下-双仿真 ECU 集成模拟软件 V1.0	2015SR074651
119	CBTC2.0 移动闭塞模式下-中央控制单元联锁协议接口代码自动生成软件 V1.0	2015SR074649

Valuation Report
No.(2016)0930348

120	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块过岔锁闭自动模块测试软件 V00.01.01	2015SR073904
121	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块到移动闭塞子模块道岔状态处理软件 V00.01.01	2015SR059567
122	CBTC2.0 移动闭塞模式移动控制单元-联锁子模块信号机状态监督软件 V1.0	2015SR059564
123	CBTC2.0 移动闭塞模式下中央控制单元-联锁子模块与 CCU 通用协议处理软件 V1.0	2015SR059265
124	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块与移动闭塞子模块数据缓存安全分析软件 V1.0	2015SR059261
125	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔选排一致检查自动模块测试软件 V00.01.01	2015SR059245
126	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块转换锁闭自动模块测试软件 V00.01.01	2015SR059233
127	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块轨旁报警监督软件 V00.01.01	2015SR047469
128	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块到 CCU 编码软件 V00.01.01	2015SR047468
129	CBTC2.0 移动闭塞模式下移动控制单元-基于 2 乘 2 取 2 ECU 输入的逻辑控制软件 V00.01.01	2015SR047423
130	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路转换锁闭安全分析软件 V1.0	2015SR047419
131	CBTC2.0 移动闭塞模式下-混合输入输出模拟软件 V00.01.01	2015SR047417
132	CBTC2.0 移动闭塞模式下移动控制单元-支持多个 ECU 通信协议软件 V00.01.01	2015SR046965
133	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔锁闭继电器回采物理状态监督软件 V00.01.01	2015SR046962
134	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔驱动错峰软件 V00.01.01	2015SR046958
135	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块屏蔽门状态安全分析软件 V1.0	2015SR046955
136	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路实施自动模块测试软件 V00.01.01	2015SR046951
137	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块信号模式控制软件 V00.01.01	2015SR046291
138	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块信号机控制软件 V00.01.01	2015SR046282
139	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块信号机状态安全分析软件 V1.0	2015SR046229
140	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔操作模式控制软件 V00.01.01	2015SR046224
141	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块到移动闭塞子模块数据缓存软件 V00.01.01	2015SR041893
142	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔进	2015SR040713

Valuation Report
No.(2016)0930348

	路锁闭控制软件 V00.01.01	
143	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔区段锁闭控制软件 V00.01.01	2015SR040707
144	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔选排一致检查软件 V00.01.01	2015SR040492
145	CBTC2.0 移动闭塞模式下移动控制单元-移动闭塞子模块到联锁子模块命令处理软件 V00.01.01	2015SR040490
146	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块到移动闭塞子模块屏蔽门状态处理软件 V00.01.01	2015SR040488
147	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔预留安全分析软件 V1.0	2015SR040486
148	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔锁闭继电器回采故障监督软件 V00.01.01	2015SR040484
149	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块 I/O 数据库软件 V00.01.01	2015SR039988
150	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔区段锁闭特殊条件控制软件 V00.01.01	2015SR039818
151	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路授权特殊条件控制软件 V00.01.01	2015SR039798
152	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块到移动闭塞子模块信号机状态处理软件 V00.01.01	2015SR039796
153	CBTC2.0 移动闭塞模式下移动控制单元-移动闭塞子模块到联锁子模块数据缓存软件 V00.01.01	2015SR039505
154	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块到移动闭塞子模块进路状态处理软件 V00.01.01	2015SR039497
155	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块轨旁数据库软件 V00.01.01	2015SR039492
156	CBTC2.0 设备控制单元输入输出管理软件 V00.01.01	2015SR039488
157	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔锁闭继电器回采故障控制安全分析软件 V1.0	2015SR039424
158	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔选排一致检查安全分析软件 V1.0	2015SR039420
159	CBTC2.0 设备控制单元输入输出接口模拟软件 V00.01.01	2015SR039418
160	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔命令控制软件 V00.01.01	2015SR039415
161	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔命令控制安全分析软件 V1.0	2015SR039403
162	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔命令驱动软件 V00.01.01	2015SR039399
163	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路注册软件 V00.01.01	2015SR037890
164	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路转换锁闭软件 V00.01.01	2015SR037885
165	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔输出模块安全分析软件 V00.01.01	2015SR037884

Valuation Report
No.(2016)0930348

166	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔输入模块安全分析软件 V00.01.01	2015SR037878
167	轨旁移动授权单元防淹门控制功能软件 V1.0	2015SR036982
168	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路授权安全分析软件 V00.01.01	2015SR036966
169	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路注册安全分析软件 V00.01.01	2015SR036965
170	CBTC2.0 移动闭塞模式移动控制单元-联锁子模块区段监督软件 V00.01.01	2015SR036964
171	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块紧急停车按钮监督软件 V00.01.01	2015SR030812
172	CBTC2.0 移动闭塞模式下移动控制单元与设备控制单元通信软件 V00.01.01	2015SR030257
173	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块屏蔽门控制软件 V1.0	2015SR030128
174	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块自动模块测试软件 V00.01.01	2015SR030006
175	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块屏蔽门旁路监督软件 V00.01.01	2015SR026364
176	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块屏蔽门关门锁闭监督软件 V1.0	2015SR026339
177	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块轨旁输入监督软件 V00.01.01	2015SR025947
178	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块道岔物理状态监督软件 V00.01.01	2015SR025913
179	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块轨旁输出控制软件 V00.01.01	2015SR025849
180	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路授权软件 V00.01.01	2015SR025830
181	CBTC2.0 移动闭塞模式下移动控制单元-联锁子模块进路实施软件 V00.01.01	2015SR024841
182	CBTC2.0 移动闭塞模式下移动控制单元与设备控制单元间通信解码软件 V00.01.01	2015SR024837
183	多线程实时列车仿真软件 V1.0	2015SR012012
184	移动闭塞模式屏蔽门控制软件 V1.8	2015SR008086
185	ATS 与联锁接口自动生成软件 V2.2	2015SR008080
186	点式 ATP 列车速度限制功能软件 V1.0	2014SR215268
187	轨旁移动授权单元后备模式下屏蔽门控制软件 V1.00.00	2014SR214835
188	轨旁移动授权单元站台双侧屏蔽门控制功能软件 V1.0	2014SR214759
189	列车远程复位与切换应用软件 V1.0	2014SR203683
190	车载控制器站台双侧屏蔽门控制功能软件 V1.0	2014SR203678
191	用于轨道布局自动生成软件 V1.1	2014SR203673
192	计轴预复位应用软件 V1.0	2014SR203670
193	固定闭塞模式屏蔽门控制软件 V2.0	2014SR196943

Valuation Report
No.(2016)0930348

194	后备模式联锁自动测试平台软件 V4.3.9.5	2014SR196941
195	用于集线架图纸自动生成软件 V1.0	2014SR196940
196	固定闭塞模式屏蔽门旁路软件 V1.0	2014SR196936
197	点式 ATP 模式屏蔽门控制软件 V2.2	2014SR196921
198	车载数据记录仪日志查看软件 V1.0	2014SR196919
199	仿真接口处理器单元软件 V1.0	2014SR196536
200	轨道数据库验证软件 V1.0	2014SR164959
201	环境模拟器站双侧屏蔽门控制功能软件 V1.0	2014SR164955
202	双侧屏蔽门管理软件 V1.0	2014SR164361
203	一种应用于车载控制器二线维护功能验证的测试脚本软件 V1.0	2014SR163763
204	车载控制器后备模式下屏蔽门控制功能软件 V1.0	2014SR163420
205	热冗余联锁子系统的主备切换平台软件 V2.1	2014SR163343
206	数据通信系统性能分析软件 V1.0	2014SR138977
207	防淹门信息集成软件 V1.0	2014SR099972
208	车辆运用计划管理软件 V1.0	2014SR099488
209	规程化临时限速软件 V1.0	2014SR099479
210	后备控制单元布尔逻辑规则库编辑软件 V4.3.0.4	2014SR099475
211	信号系统线路布置图数据自动整理 EXCEL 软件 V1.0	2014SR099467
212	后备控制单元开发 Petri 网辅助软件 V4.3.0.4	2014SR098621
213	维护终端应用软件 V1.0	2014SR098513
214	自仪泰雷兹通知中心软件 V2.0	2014SR092686
215	自仪泰雷兹图元定位软件 V2.0	2014SR092683
216	自仪泰雷兹转换轨管理软件 V2.0	2014SR092681
217	自仪泰雷兹通信数据记录软件 V1.0	2014SR092376
218	自仪泰雷兹在线时刻表修改软件 V3.0	2013SR018299
219	自仪泰雷兹三开道岔控制软件 V3.0	2013SR018279
220	自仪泰雷兹 PMI 联锁表冲突进路验证器应用软件 V1.0	2013SR018138
221	自仪泰雷兹 PMI 自动测试统计引擎应用软件 V1.1	2012SR137308
222	自仪泰雷兹 ATC 系统日志分析软件 V2.0	2012SR137305
223	自仪泰雷兹 VOBC 日志分析器软件 V1.2	2012SR137302
224	自仪泰雷兹 PMI 自动验证应用软件 V1.3	2012SR137298
225	自仪泰雷兹时刻表转换器应用软件 V1.0	2012SR137295
226	自仪泰雷兹 PMI 自动功能测试平台应用软件 V1.3	2012SR137291
227	ATS 进路生成软件 V1.0	2016SR229877
228	科安达计轴与 PMI 接口测试软件 V1.0	2016SR229870
229	PMI 自动化测试数据验证工具软件 V1.0	2016SR229787
230	CBTC 移动闭塞模式下移动控制单元-灭灯方案软件 V1.0	2016SR229778
231	GPI 按钮功能测试软件 V1.0	2016SR229771
232	灭灯测试模拟仿真软件 V1.0	2016SR229754
233	完全独立双侧屏蔽门控制软件 V1.0	2016SR227930

Notes: The above Software Copyrights are owned by Thales Saic Transportation System.

Valuation Report
No.(2016)0930348

5. The situation for 4 long-term investment as of valuation date is as follows, 3 of which have right of control:

NO.	Enterprise Name	Book Value(Unit: Yuan)	Shareholding Ratio
1	Shanghai TST International Trade Co., Ltd	2,000,000.00	100%
2	Wuhan Wisdom Subway Technology Co., LTD.	7,500,000.00	15%
3	Guangzhou TST Automation System Co., Ltd	500,000.00	100%
4	Nanchang TST Transportation Automation System Co., Ltd	2,000,000.00	100%

6. The engaged valuation objects and scope are conform to the valuation objects and scope related to the valuation purpose. The balance sheet as of valuation date has been audited without qualification by PWC Zhongtian CPA company.

V. Value Type and Definition

Value type herein is market value which is of the estimated most probable price to be realized for the engaged objects in an exchange between a willing buyer or seller, with equity to both, neither being under any compulsion to buy or sell as of the valuation date.

It should be cautioned that the same assets probably have different value in different market. The valuation herein is based on domestic observable market condition and market environment.

The value type we chose herein is based on the elements including valuation purpose, market condition, valuation presumption and the valuation objects.

The assessed value herein refers to the opinion, got through process and approaches illustrated in the report, serving only for the purpose engaged within the valuation scope and under the valuation principles, premises and assumptions.

VI. The Valuation Date

1. The valuation date is set on Sep 30th, 2016.
2. The valuation date is selected with permission of the clients and is after the consideration of the realized valuation purpose and the fiscal year.
3. The selection of the valuation date is in a common way and affected by no factors. The pricing standards of the valuation are based on the effective prices

Valuation Report
No.(2016)0930348

as at the valuation date.

VII. Valuation Basis

i.Economic Activity Basis

1. Board approval of Shanghai Electric Group Co., Ltd;
2. Board approval of Shanghai Electric Group CORP.

ii.Major Legal Basis or Reference of Rule & Law

1. Company Law of the PRC in 2013;
2. The securities law of the People's Republic of China in 2013;
3. The law for PRC state-owned enterprises in 2008;
4. No.32 ,Supervision and Management Measures for State-owned assets;
5. No.91 in 1991, Administration of State Asset Valuation;
6. Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council “the Interim Measures for the State-owned Assets Appraisal Management ”;
7. The state-owned assets evaluation management regulations(NO.14 issued by treasury department);
8. Notice of the relevant questions on strengthening the management of enterprises’ state-owned assets evaluation. (No. 274 issued by SASAC property in 2006);
9. Temporary regulations for State-owned assets’ supervision and management (NO.378 issued by state council in 2003);
- 10.No.[2013]64, the guide for valuation project filing of enterprise state owned assets;
- 11.No.3 Ministry of Finance doc, interim measures on transfer management of state-owned property rights;
- 12.No.[2006]306, A notice of relevant matters on enterprise state-owned property rights transferring;
- 13.No. [2009]941, A notice of valuation report review as of state owned assets;
- 14.No.[2012]468, Guide book for approval and filing for appraisal project to Shanghai State owned assets enterprise;
- 15.Other laws and regulations.

iii.Evaluation Criterion

1. Assets appraisal -Basic Standards;
2. Assets appraisal ethical principles- Basic Principles;
3. Assets appraisal ethical principles-Independence;

Valuation Report
No.(2016)0930348

4. Assets appraisal standards-Valuation Report;
5. Assets appraisal standard-Valuation Process;
6. Assets appraisal standard-Working Paper;
7. Assets appraisal standard-Engagement Letter;
8. Assets appraisal standard- Business Valuation;
9. Assets appraisal standard-Equipment;
10. Assets appraisal standard-Intangible Assets;
11. Appraisal Guiding Opinions on-Patents;
12. Appraisal Guiding Opinions on-Copyright;
13. Appraisal Guiding Opinions on-Brands;
14. Guiding Opinions on types of value;
15. Guiding Opinions about CPV 's focus on Evaluation objects for legal ownership;
16. Guiding Opinions on valuation report on state owned assets;
17. Quality control guide for Evaluation institutions;
18. ASBE issued by NO.33 Decree of the Ministry of Finance;
19. Other laws and regulations.

iv.Pricing Basis Adopted

1. Manual for the latest assets evaluation data and parameters (China Statistical Publishing House);
2. Quoted Price Pamphlet about machinery equipment (China Machine PRESS) ;
3. <http://www.chinacar.com.cn/>;
4. Compulsory scrap standard for Motor vehicle(No.12, 2013);
5. The pricing information from <http://www.pconline.com.cn/>;
6. Audit report for special purpose issued by PWC Zhongtian CPA company;
7. Part of the contracts and agreements released from assessed party;
8. Historical financial data and forecasting information;
9. Analysis of Statistical Data for National macro economy , Industry, regional market and enterprise;
10. "10JQKA" of securities trend analysis system for stock A information;
11. Rate of return on national debt and lone interest rate close to valuation

Valuation Report
No.(2016)0930348

date;

12. Others.

v.Key Contracts, Agreements and Property Right Certificates

1. Vehicle license
2. Registration for patents;
3. Other related certification documents.

vi.Other Files

1. Financial statements of the valuation date, books and vouchers furnished by the party in question;
2. Assets lists with book values provided by the party in question;
3. Technical statistics of Orient;
4. Relating price information;
5. Others.

vii.Reference from other appraiser company

1. None.

VIII. Valuation Approaches

i.Outline There are 3 Approaches of valuation, which are Cost Approach, Income Approach and Market Approach.

①The Cost Approach is also called Assets-based Approach. The valuation conclusion for net assets has been reached based on deducting assessed liabilities from sum of the assessed assets.

②The Income Approach refers to discount or capitalize future income per appropriate discounting rate in order to reach the valuation conclusion.

③The Market Approach refers to make comparisons between valuation object and enterprise reference, enterprise which has deal cases in market, shareholders' equity, securities and other equity assets in order to reach valuation conclusion by adjustment and revise.

ii.The chosen reason and other Approach Per "Assets appraisal principles---business valuation", the appraisers shall analyze the feasibility of Assets-based Approach, Income Approach and Market Approach in order to adopt one or multiple methodology

Valuation Report
No.(2016)0930348

explanation	<p>appropriately, per valuation objects, value type, condition for collecting documents, during conducting business value appraisal.</p> <p>Per valuation purpose, valuation objects, value type, condition for collecting documents and analysis of applicable conditions for three basic valuation approaches:</p> <p>The valuation purpose hereinafter is Issue Shares for Assets Purchase.</p> <p>The value type is market value.</p> <p>Per collection of documents, it is appropriate to adopt assets based approach and income approach.</p> <p>The assets based approach is based on investment to estimate the business value.</p> <p>The future period and income can be estimated and calculated per currency.</p> <p>The bearing risk for future income can be quantified. Thus, it is also appropriate to adopt income approach.</p> <p>However, the deal cases in open market and inquire materials are difficult to be acquired. Thus, it is not appropriate to adopt Market Approach.</p>
iii.Introduction of Asset-based Approach	<p>The Asset-based Approach is also called Cost Approach. The valuation conclusion for total shareholders' equity has been reached, on the assumption of replacement of different production factors on valuation date, per specific condition of the engaged assets by item, adopting appropriate methodology in order to sum up the assessed assets by item, meanwhile deducting assessed value for related debts.</p>
Cash & cash equivalent	<p>For the appraisal of monetary capital, we checked the cash as at the verification date according to the account statement provided by the enterprise, and retrodicted the cash amount as at the appraisal date based on the cash receipts and payments from the appraisal date to the check date, and confirmed the appraisal value with the verified book value; we made and checked the trial balance for the bank reconciliation, and confirmed the appraisal value with the verified book value.</p>
Receivables	<p>If there is reasonable ground to believe that the receivables can be recoverable totally, they are valued according to the book value; For those long aging</p>

Valuation Report
No.(2016)0930348

receivables,if they can not be recoverable for specific identification, they are valued as zero according to the historical dunning information, annalysis of reasons for arrear, of fund ,credit and management status for debtors. The rest receivables are valued per risk condition combined with provision for bad debt of accounting. The valuation conclusion has been reached per the receivables deducting amount that may not be paid back. Meantime, the provision for bad debt set by the assessed party is valued as zero.

Prepayment The assessed value is determined according to the value of recoverable assets or rights. For the recoverable assets and rights, the book value after verification is regarded as the assessed value.

Inventory The replacement unit price is based on market price,which is acquired according to the maket price information or company's factory price. The assessed value is calculated by replacement unit price combined with quantity. For the inventories of which replacement unit price is just about the unit price in book, the unit price in book will be choosen as the replacement unit price; As for "Engineering Construction", Per sales price and gross profit confirmed by construction contracts signed by enterprise, the contract performance is confirmed by actual construction cost. "Engineering Construction" is checked and adjusted as of valuation date per above accounting standard The appraisers checked related contracts and reviewed related documents for conctruction performance. The appraisers believed that the "Engineering Construction" as of valuation date reasonably reflected cost of under construction contract and gross profit deducting appropriate profit, in oder to reach valuation conclusion.

Long Term investment As for absolute holding investment project, the longterm investment company is assessed wholly. The valuation conclusion has been reached per assessed value combined with proportion of investment. As for holding investment project with short investment period and little change for capital structure and asset value, the valuation conclusion has

Valuation Report
No.(2016)0930348

		<p>been reached per booked net assets in financial report combined with proportion of investment.</p> <p>As for non-absolute holding investment project, the valuation conclusion has been reached per booked net assets after analysis and adjustment in financial report combined with proportion of investment.</p>
Fixed assets		<p>As for machines, vehicles and electronic equipments, Replacement Cost Approach is adopted.</p> <p>The value of equipments= replacement price×comprehensive depreciation rate</p> <p>Per 2008 NO. 170, the VAT regulation and 2009 NO.113 “Notice about deducting input VAT from fixed assets”, the VAT is not included for some equipments which meet the requirements.</p>
Construction in progress-equipment installation	in	<p>The related approval documents, progress image during site survey were collected for engineer project. The payment schedule and book content were observed. The assessed value is confirmed by verified book value because of short period for construction.</p>
Intangible assets-other		<p>Other intangible assets refer to patents. The extra earnings method is adopted per principle of contribution</p> <p>As for purchased general software, the methods are as follows.</p> <p>As for purchased software can be sold in market as of valuation date, the assessed value is confirmed per market value as of valuation date.</p> <p>As for purchased software can be sold in market as of valuation date, however, the version of which is updated, the assessed value is confirmed per market value deducting upgrade fee as of valuation date.</p>
Long term Amortization Fee	term	<p>They are valued per actual remaining right or assets value.</p>
Deferred tax assets(DTA)		<p>The appraisers get a general idea of the content and counting process of DTA.</p> <p>The valuation conclusion has been reached per valuation for subject and recalculation.</p>
Liabilities		<p>The assessed value is determined based on the verified book value and the</p>

Valuation Report
No.(2016)0930348

actual liabilities payable.

iv.Introduction
of
Income Approach

The Income Approach refers to a kind of appraisal approach to calculate the value of assets by discounting the future expected assets income based on appropriate discounting rate, which means to compute the total shareholders' equities by subtracting the interest-bearing debts from the sum of the value of business assets calculated by discounting the free cash flows in the future years at appropriate discounting rate, and the value of surplus assets, non-business assets, ending assets.

Appraisal model
and formula

In the Income Approach, the model of enterprise free cash flow discounting was selected after taking the enterprise business model into account.

Total shareholders' equities = total enterprise value - value of interest-bearing debts

Total enterprise value= value of productive assets + value of surplus and non-business assets

Total productive asset value (P)= present value of free cash flow during certain forecast period+ present value of free cash flow after certain forecast period

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$$

Wherein:

r — the selected discounting rate.

Fi —estimated income in period i

n —specific forecast period from valuation date to stable operating date. The N is chosen for 5 years for specific forecast period.

Per current business,financial condition,asset specificity,resource condition and prospect of development, the after-date earnings period are confirmed per indefinite period.

g- annual growth rate of future earnings, if F_i is invariant after n years,g will take zero.

Valuation Report
No.(2016)0930348

Evaluation idea	<p>1.Review of the income for the forecast period submitted by the management;</p> <p>2. By analysing historical revenues, costs, expenses and other financial data, combined with the reasonable adjustment for management forecast during definit period after taking capital struture, operating condition, historical performance, development prospect into consideration.</p> <p>3. The appraisal hypothesis is confirmed reasonably by considering different possilibility and influence in future</p> <p>4. According to macro and regional economic situation, prospects for industry development, business model, to predict later sustainable income trend analysis, to choose appropriate approach for estimating value after forecast period.</p> <p>5. The working capital and capital expenditure are confirmed by considering assets allocation and utility condition of the fixed assets.</p>
Discounting rate	<p>Discounting rate is also called the expected rate of return on investment, which is the key parameter to determine the appraisal value in the Income Approach. According to the principle of consistency of income amount and discounting rate, the income amount in this appraisal is the net cash flow, and the discounting rate is based on Weighted Average Cost of Capital (WACC) method, which is weighted average of rate of return on equity and rate of return on creditors' rights with the adjusted income tax.</p> $WACC = (Re \times We) + [Rd \times (1 - T) \times Wd]$ <p>Wherein: Re is cost of equity capital of company; Rd is cost of debt capital of company; We is the percentage of equity capital in the capital structure; Wd is the percentage of debt capital in the capital structure; T is effecient income tax rate of company;</p> <p>The modified Capital Assets Pricing Model (CAPM) is adopted for this appraisal to determine the cost of equity capital. Formula is as follows.</p> $Re = Rf + \beta \times MRP + \varepsilon$ <p>Wherein: Rf is risk-free rate of return; β is risk factor of the company;</p>

Valuation Report
No.(2016)0930348

MRP is the risk premium;
ε is adjusted factor of specific risk of company.

Surplus assets and non-business assets & liabilities
Surplus assets are extra assets which aren't directly related to the main business earnings and beyond assets necessary to the enterprise's business, including surplus cash and idle assets. Non-business assets and liabilities aren't directly related to enterprise's business and are excluded from the earnings forecast scope, normally including the non-controlling long-term investment, deferred income tax assets and liabilities, investment real estate, retirement pension, etc., which are added after being appraised separately.

Interest bearing debts
It refers to the loan borrowed by the appraised party from financial institutions or other companies or individuals, such as short-term loan, long-term loan or bonds payable, as are valued per cost method.

IX. Valuation Process

According to relevant state regulations and principles on appraisal, we performed appraisal and ownership verification on the assets within the scope and conducted necessary due diligence on the operation and management status of the appraised party. The process is as follows:

1. Communicated with the client and appraisal object; Interviewed the staff of company, to better understand its profile, history and current status of assets entrusted for appraisal; to further understand the appraisal purpose, scope and object; set up valuation date, signed the letter of engagement and drafted the appraisal proposal.
2. Mentored the company to fill in the assets appraisal declaration form.
3. Conducted site survey, including the check of the non-physical assets, mainly by reviewing the original accounting documents and letters, and inspecting the formation of creditor's rights and debts and the authenticity of the book value; and the check of the physical assets, mainly by viewing, taking pictures for and recording the assets and their conditions on site, while collecting the ownership certificates of the assets entrusted for appraisal and reviewing such materials as the machinery operation, maintenance and accident records. And interviewed people in charge of the assets management to understand the operation and

Valuation Report
No.(2016)0930348

management of the assets.

4. Supplemented and completed the assets appraisal declaration form after checking the financial records and data and site survey.

5. Interviewed the management and learnt the introduction of the enterprise operating mode, status of income from major product or service business and changes thereof, cost composition and changes thereof, earning status for the previous years and key reason for changes; understood the accounting systems & management mode, core technology, R&D power, future development plan, competitive advantage and disadvantage; learnt about the surplus assets and non-business assets and the utilization condition thereof.

6. Collected the operational indicators, financial indicators, business plan in the future and materials of renewal of fixed assets or investment plan; investigated the status of industry, regional market condition and development trend; analyzed the macro-economic situation and industrial environmental factors influencing the enterprise's operation; conducted market research and enquiry, and collected information about the capital market of the same industry.

7. Evaluated and estimated. The appraisers selected the appropriate appraisal approaches according to the appraisal object, type of value and collection of relevant materials; made preliminary appraisal conclusion with calculation and judgement after choosing the corresponding model and formula and analyzing reasons for changes of various indicators, analyzed the preliminary conclusions reached by different appraisal approaches, and then finally determined the appraisal conclusion by comprehensively evaluating the reasonability of different appraisal approaches and preliminary appraisal conclusions and the quality and quantity of data used.

8. The appraisers discussed with other intermediaries to confirm there was no overlapping and missing appraisal scope in order to release draft report and appraisal conclusion;

9. After three-grade reviewing, submitted the report to the client and the appraised party and discussed with them thereon; revised and completed the report after exchanging opinions with the client and submitted the formal appraisal report.

X. Premises and Assumptions of Tenability of the Report

Valuation Report
No.(2016)0930348

A Basic Assumptions

1. Open-market hypothesis: Open-market refers to fully developed and perfect market condition, which has willing buyers and willing sellers in volunteer competitive market. In this market, willing buyer and willing seller, who have opportunity and time for enough market information from each other, remain equal position. The transaction between buyers and sellers is based on the condition that the parties had each acted voluntarily, sensibly without compulsion or limitation.
2. Continuous use hypothesis: First, the hypothesis is assumed that the assessed assets are for normal use, including the assets in-use and for backup; Besides, it is assumed that the assets in-use sustain its continuous use per the related data and information. Continuous use hypothesis not only refers to market condition or environment but also focuses on the continuous situation for assets.
3. Continuous operation hypothesis: The report is based on the assumption that the company shall be capable of continuous and legal operation, which shall not be close up for different reasons in the near future, with the existing assets and resource condition.

B Specific Assumptions

1. Unless specifically stated herein, the report is based on the assumption that there is no other existing or potential abnormal factor such as mortgage, guarantee and special transaction mode that shall affect the appraisal conclusion.
2. There is no significant change to the existing laws and regulations, industrial policy, national macroeconomic situation, as well as the political, economic and social environment at the place where the appraisal object is located. Meanwhile, the report is based on the assumption that there are no other force majeure events and unforeseeable factors which shall cause significant adverse effects.
3. There is no significant change to the tax policy and tax rate adopted by the appraisal object. The credit policy, interest rate and exchange rate remain basically stable.
4. The type of value has been confirmed as the market value as per the appraisal purpose. Any pricing standard adopted for this appraisal is based on the valid

Valuation Report
No.(2016)0930348

pricing standard and system as at the valuation date.

C Income Approach Assumptions

1. The materials such as the business contract, Business License, Articles of Association, signed agreement, audit report and financial documents provided by the appraised party are authentic and valid.
2. The in-service and future management of the appraised party will fulfill their duties. There will be no major violations that may impede the company's development and income realization, and the existing operation and management mode will maintain.
3. The contracts signed by the company in the current and previous year are valid and the contracting parties will keep on performing the contracts.
4. The appraisal refers to reasonable forecast based on current market situation, without considering significant changes and fluctuation unpredictable at the moment in future market, such as political unrest, economic crisis and hyperinflation, etc.
5. The different income, related prices and costs used in the report are the professional judgement after due diligence, based on historical data provided by the assessed party.

The valuation conclusion has been reached per condition of valuation object on valuation date, valuation assumptions and restricted condition. The valuation assumes that the premises are valid on valuation date, according to the valuation requirements. The valuation conclusion is usually untenable and the report is invalid in case of changes of forgoing economic environments.

We are exempt from relevant responsibilities of changes for assumptions which may deduce different valuation conclusion.

XI. Valuation Conclusion

i.Outline

According to relevant laws, regulations and standards for assets appraisal, abiding by the principles of independence, objectiveness and fairness, we appraised the market value of the assessed party as of valuation date per necessary appraisal procedures, and made the conclusion per Asset-based

Valuation Report
No.(2016)0930348

Approach and Income Approach as follow:

1. Appraisal conclusion per Assets-based Approach:

Through computation by Asset-based Approach, the total equity of shareholders is valued as RMB 389,807,270.81 as of valuation date in market condition.

Including: total assets engaged in book value amounts to RMB 928,992,850.37, while assessed value amounts to RMB 978,317,073.81, with the increase of RMB 49,324,223.44 and increase rate of 5.31%;

Liabilities engaged in book value amounts to RMB 588,509,803.00, while assessed value amounts to RMB 588,509,803.00, without any increase or decrease;

Net assets engaged in book value amounts to RMB 340,483,047.37, while assessed value amounts to RMB 389,807,270.81, with the increase of RMB 49,324,223.44 and increase rate of 14.49%.

The reason for appreciation and depreciation of assets and liabilities are as follows:

(1) Long Term Investment

The book value for Long Term Investment is RMB 12.00 million, while the assessed value is RMB 12.3201 million, with increase of RMB 0.3201 million .

The valuation conclusion has been reached per assessed value or booked net assets after analysis combined with proportion of investment, as contribute to the appreciation. See attached conclusion analysis for reason of appreciation or depreciation in subsidiaries.

(2) Fixed Assets

The book value for fixed assets is RMB 35.0791 million, while the net assessed value is RMB 42.0984 million, with increase of RMB 7.0193 million. The major reason for appreciation is as follows.

1.The engaged machinery in valuation scope depreciated quickly, as contribute to the appreciation.

2.The vehicles license in Shanghai is for auction. The valuation conclusion includes the market value of license, which contributes to the huge appreciation for assessed value of transportation.

3. The electronic equipment depreciated quickly. But assessed value is confirmed by economic useful year and actual condition, which contribute to

Valuation Report
No.(2016)0930348

the difference. Thus, there is appreciation for assessed value.

(3) Intangible Assets

The net book value for intangible assets is RMB 33.4229 million, while the assessed value is RMB 75.4078 million, with increase of RMB 41.9849 million .

The major reason refers that the brands, patents and copyright which are not in book are included in valuation scope. The valuation conclusion has been reached per contribute rate, as caused appreciation.

2. Appraisal conclusion per Income Approach:

Through computation by Income Approach, the total equity of shareholders on basis of the above assumptions are valued RMB 525 million Yuan, increased by RMB 184.5170 million compared to the audited book value of net assets, with increase rate of 54.19%.

ii. Conclusion
Analysis

The major reasons for choice of valuation conclusion are as follows:

The Assets-based Approach is to appraise the value of the appraised object by reasonably appraising the itemized assets and liabilities, which means calculating the value of the total shareholders' equities by subtracting the appraised value of liabilities from the total value of itemized assets.

The Income Approach refers to reflect comprehensive profitability of each asset with a perspective of future profitability for enterprise.

The two appraisal approaches reflects the different value scope of the enterprise, which contribute to the difference.

It is very difficult to quantify one by one for unverified goodwill such as business qualification, service platform, R&D, management team, brand advantage per assets based approach.

However, the income approach can reflect the intrinsic value of the assessed party objectively and comprehensively, which contribute to the discrepancy of conclusion between 2 approaches.

Thus, the income approach is finally adopted for valuation conclusion to reflect real value of the assessed party objectively and reasonably per valuation purpose. Through computation, the total equity of shareholders is valued as RMB 525,000,000.00Yuan.

Valuation Report
No.(2016)0930348

Valuation Sheet

Valuation date: Sep 30 2016

Unit: RMB '0000

Item	Book Value	Assessed value	Increase/ decrease	Increase/decrease rate%
Current Assets	82,758.50			
None-Current Assets	10,140.78			
Including: Financial assets available for sale				
Net investment held to maturity				
Term account receivable				
Long-term Investment	1,200.00			
Investment real estate				
Fixed Assets	3,507.91			
Construction in Progress	183.17			
Project goods and material				
Disposal of fixed assets				
The productive biological net assets				
Hydrocarbon net assets				
Intangible Assets Net Amount	3,342.29			
Development expenditure				
Good will				
Long-term deferred expense	243.26			
Deferred tax assets	1,664.15			
Other non current assets				
Total Assets	92,899.28			
Current Liabilities	53,715.56			
Non-current Liabilities	5,135.42			
Total liabilities	58,850.98			
Net Assets	34,048.30	52,500.00	18,451.70	54.19

XII. Additional Disclosure Items

Valuation Report
No.(2016)0930348

The report users shall pay attention to the additional disclosure items which would probably have impacts on the valuation conclusion.

1. In the event that the assets change in quantity and pricing benchmark, the valuation conclusion shall be adjusted with the original valuation approach;
2. We are exempt from relevant responsibilities of legality, integrity and authenticity of such materials reaching us as the resolutions of the management, the Business Licenses, property right certificates, vouchers and / or files submitted by other intermediaries.
3. Per board resolution as of 27th Oct.2016, the assessed party accrued legal surplus reserve of RMB 5,806,494.65 per 10% of net profit as of 2015 and other surplus reserve of RMB 5,806,494.65 per 10% of net profit as of 2015. The dividends payable for investors of Shanghai Electric Group CORP. and Thales International SAS were RMB 6,981,729.17 and RMB 6,953,858.00 respectively, as were not booked for liabilities in financial report. The above issue was not considered for the influence of valuation conclusion.
4. The cash and other account ledgers refer to foreign currency, which is not considered in income forecast for currency fluctuation. May report users attention.
5. As of issued date of appraisal report, per declaration documents released from client and related parties, there is no other major events for assessed party.
6. We found no other key items that may influence the valuation conclusion within our proficiencies and abilities of valuation and computation. However, users of the report shall not rely on the report but have independent judgment on property rights, values and influences etc. and take them into consideration when performing economic activity.
7. We are exempt from relating responsibilities and/or obligations in the event that relating parties did not state the special items possibly having impacts on the valuation conclusion during engagement or our fieldwork and those special items usually cannot be acknowledged or collected only with appraisers' professional experiences.
8. The report is invalid and the valuation conclusion is untenable in the event that above-mentioned items do have impacts on the valuation conclusion and no adjustment has been made in the report.

Valuation Report
No.(2016)0930348

XIII. Restriction of the Use of the Report

i.The Use Scope of the Report

1. The report is used by the report users exclusively for the purpose stated herein and the necessary investigation by the related government departments;
2. We entitle no any other party with any other use of the report, neither admit any other parties showed or having the report unless both the behavior and the party are approved by us formally. We shall take no responsibility of the abuse of the report without our formal approval;
3. The appendixes and the other formal materials specially provide for the government and administrations have the same legal rights and sanctions as the report.

ii.Validity Period of the Report

- 1.The valuation conclusion will survive a valid period for one year according to prevailing regulations, i.e. it is valid from Sep. 30th, 2016 to Sep. 29th, 2017.
- 2.The report is not permitted to use after the deadline.

iii.Special Terms Regarding to Stat-owned Assets

In the event that the report concerning state-owned assets, when it is not formally registered, approved or confirmed by the state-owned assets management branches, the report cannot be regarded as the basis of economic behavior.

iv.The Expositive Right of the Report

The valuation institution that submits the report owns the expositive rights of opinions in the report. No any other party is authorized to expose and/or explain the report unless the party (parties) is/are allowed exposing and/or explaining them by laws and regulations of the state.

This valuation report is written in both Chinese and English. In case there is any discrepancy between the Chinese and English versions of this valuation report, the Chinese version shall prevail.

XIV. The Submission Date of the Report

Nov. 14th, 2016 (No text hereinafter in this page)

Valuation Report
No.(2016)0930348

Appraisal Report for Enterprise Value

(Appendix)

Project Name: **Appraisal Report on Total Equity of THALES SAIC
TRANSPORTATION SYSTEM LIMITED COMPANY with
regard to Shanghai Electric Group Co., Ltd's Issue Shares for
Assets Purchase**

Project Number: **HDZZPBZ No.(2016)0930348**

- | No. | Name |
|-----|---|
| 1. | Board approval of Shanghai Electric Group Co., Ltd; |
| 2. | Board approval of Shanghai Electric Group CORP.; |
| 3. | License of Shanghai Electric Group Co., Ltd (Shanghai Electric); |
| 4. | License of Shanghai Electric Group CORP.; |
| 5. | License of Thales Saic Transportation System; |
| 6. | Capital verification report of Thales Saic Transportation System; |
| 7. | Audit report for special purpose of Thales Saic Transportation System; |
| 8. | Vehicles license and other property certificate for assessed party; |
| 9. | Letter of Commitment from the Clients and Concerning Parties; |
| 10. | Engagement Letter; |
| 11. | Business License of Orient Appraisal Co. Ltd.; |
| 12. | License for Undertaking of Securities of Orient Appraisal Co., Ltd.; |
| 13. | Credential of Assets Valuation Qualification of Orient Appraisal Co., Ltd.; |
| 14. | Letter of Commitment from the Valuation Institution and Appraiser; |
| 15. | Assets list and summary sheets. |



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE BUSINESS VALUATION OF
THALES SAIC TRANSPORTATION SYSTEM LIMITED COMPANY**

**TO THE BOARD OF DIRECTORS OF SHANGHAI ELECTRIC GROUP COMPANY
LIMITED**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 14 November 2016 prepared by Shanghai Orient Appraisals Co., Ltd. in respect of the appraisal of the fair value of the 50.1% equity interests in Thales Saic Transportation System Limited Company (the "Target Company") is based. The final assumptions of the Valuation is set out in (i) the announcement of Shanghai Electric Group Company Limited (the "Company") dated 14 November 2016 in relation to, among other things, the assets acquisition by issuance of shares and supporting funds raising, and (ii) the announcement of the Company dated 14 November 2016 in relation to the valuation report in respect of the appraisal of the fair value of the 50.1% equity interest in the Target Company dated 14 November 2016 prepared by Shanghai Orient Appraisals Co., Ltd. (the "Announcements"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Announcements. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Hong Kong Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT
ON THE CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS
IN CONNECTION WITH THE BUSINESS VALUATION OF
THALES SAIC TRANSPORTATION SYSTEM LIMITED COMPANY (Continued)**

Reporting Accountant's Responsibilities (Continued)

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Announcements. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Hong Kong Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out in the Announcements.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 November 2016

**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)

Letter from the Board of Shanghai Electric Group Company Limited

14 November 2016

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs or Madams,

References are made to the announcement of Shanghai Electric Group Company Limited (the “**Company**”) dated 14 November 2016 in relation to, among other things, the assets acquisition by issuance of shares and supporting funds raising, and the announcement of the Company dated 14 November 2016 in relation to the valuation report in respect of the appraisal of the fair value of the 50.1% equity interest in Thales Saic Transportation System Limited Company (the “**Target Company**”) dated 14 November 2016 prepared by Shanghai Orient Appraisals Co., Ltd. Unless the context otherwise requires, terms defined in the above-mentioned announcements shall have the same meanings when used herein.

The valuation of 50.1% equity interest in the Target Company based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). In accordance with the requirements under Rule 14.62(3) of the Listing Rules, the Board of the Company confirms that such profit forecast has been made after due and careful enquiry of the Board of the Company.

On behalf of the Board
**Shanghai Electric Group Company
Limited**
Huang Dinan
Chairman of the Board

The following is the text of the valuation report on total equity of SEC dated 14 November 2016 prepared in Chinese by Orient Appraisal Co., Ltd., the qualified PRC valuer. The Chinese text shall prevail over the English text in the event of inconsistency. A1B5(3)

Appraisal Report for Enterprise Value

(Report)

Vol.1

Project Name: Appraisal Report on Total Equity of Shanghai Electric Group Property Co.,Ltd with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0937166



Orient Appraisal Co., Ltd.

Nov. 14th, 2016

Appraisal Report for Enterprise Value

(Contents)

Project Name: Appraisal Report on Total Equity of Shanghai Electric Group Property Co.,Ltd with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0937166

I.	OUTLINE OF THE CLIENT AND OTHER REPORT USERS	6
I.	THE CLIENT	6
II.	OTHER REPORT USERS	8
II.	OUTLINE OF THE ASSESSED PARTY	8
III.	VALUATION PURPOSE	11
IV.	VALUATION SCOPE AND OBJECTS	11
V.	VALUE TYPE AND DEFINITION	16
VI.	THE VALUATION DATE	16
VII.	VALUATION BASIS	16
I.	ECONOMIC ACTIVITY BASIS	16
II.	MAJOR LEGAL BASIS OR REFERENCE OF RULE & LAW	16
III.	EVALUATION CRITERION	17
IV.	PRICING BASIS ADOPTED	18
V.	KEY CONTRACTS, AGREEMENTS AND PROPERTY RIGHT CERTIFICATES	19
VI.	OTHER FILES	19
VII.	OTHER APPRAISAL REFERENCE	19
VIII.	VALUATION APPROACHES	19
I.	OUTLINE	19
II.	THE APPROACH CHOSEN REASON AND OTHER EXPLANATION	20
III.	ASSET-BASED APPROACH	21
IV.	INCOME APPROACH	23
IX.	VALUATION PROCESS	25
X.	PREMISES AND ASSUMPTIONS OF TENABILITY OF THE REPORT	27
XI.	VALUATION CONCLUSION	29
I.	OUTLINE	29
II.	CONCLUSION ANALYSIS	31
III.	OTHERS	32
XII.	ADDITIONAL DISCLOSURE ITEMS	32
XIII.	RESTRICTION OF THE USE OF THE REPORT	40
I.	THE USE SCOPE OF THE REPORT	40
II.	VALIDITY PERIOD OF THE REPORT	40
III.	SPECIAL TERMS REGARDING TO STAT-OWNED ASSETS	40
IV.	THE EXPOSITIVE RIGHT OF THE REPORT	40
XIV.	THE SUBMISSION DATE OF THE REPORT	41
	<i>Files for Reference</i>	43

Valuation Report
No.(2016)0937166

Appraisers' Statement

The signing certified appraisers herein state that we observe the principles of independence, objectivity and fairness, abide by the relative laws, regulations and the rules of valuation standards, the contents expressed in this report is objective and we are willing to take the legal responsibility to the legitimacy of the valuation conclusion according to the collected material in our working process.

The assets and liabilities list of valuation objects should be declared and confirmed by the clients and valued parties by sealing on. 'Valuation Standards-General' Article 23 stipulates that the appraisers shall take responsibilities for presenting their professional opinion on the value of the engaged objects as at the valuation date through analysis and computation according to the related laws, regulations and the rules of valuation standards, while the Clients as well as concerning parties shall take responsibilities that they would provide necessary materials and make sure that the materials provided by them are real, legal and complete and also take responsibility for using the report properly.

We have done the scene survey to the valuation objects and the related assets in this report, checked and paid necessary attention on the related legal property rights conditions of the valuation objects, disclosed the discovered problem strictly according to the facts, and submit to the clients and the certain parties to improve it in accordance to satisfy the requirement of submitting the valuation report. 'Valuation Standards-General' Article 24 and 'Attention by Certified Asset Appraisers Toward the Legal Ownership of Appraised Objects Guiding Opinion' stipulate that the Clients as well as concerning parties shall take responsibilities that the materials about legal property right are real, legal and complete. The goal of valuation performed by appraisers is to present their professional opinion on the value of the engaged objects and confirming the legal rights of the objects or putting forth opinions on that is beyond appraisers' work scope. The report does not provide guarantee or certification of legal property rights of the objects.

'Valuation Ethics Code -General' Article 26 stipulates that the report is restricted by professional abilities of the appraisers and the appraisal company. The certified appraisers have the responsibility for warning the report users of understanding and using the report in a proper way and the certified appraisers are exempt from decision-making responsibilities of relevant parties.

The analysis, judgments and conclusion in the report restricted by the assumptions and restriction terms, the report user should fully consider the influence to the valuation conclusion by the assumptions, restriction terms, additional disclosure items and others. 'Valuation Standards-Report' Article 13 stipulates that the report users should read the whole report carefully and pay special attention to the additional disclosure items and the restriction of the use of the report.

Valuation Report
No.(2016)0937166

Appraisal Report for Enterprise Value

(Abstract)

Project Name: Appraisal Report on Total Equity of Shanghai Electric Group Property Co.,Ltd with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0937166

The Client

Shanghai Electric Group CORP and Shanghai Electric Group Co., Ltd

Other Report Users

The legal user of the report including the client and the user formulated by State laws and regulations according to the engagement letter.

The Assessed Party

Shanghai Electric Group Property Co.,Ltd.
(hereinafter refers to SEGP)

Valuation Purpose

Issue Shares for Assets Purchase

The Valuation Date

Sep. 30th, 2016

Valuation Scope and Objects

The valuation object is total equity of shareholders. The valuation scope includes assets and liabilities as of valuation date.

Including current assets and non-current assets(including investment property, fixed assets, construction in progress, long term amortization fee and deferred tax assets) and liabilities.

Net assets in book is RMB 1,041,521,193.77 Yuan.

Value Type

Market Value

Valuation Approach

The Asset-based Approach and Income Approach.

According to the analysis of the assessed party, we've finally adopted Asset-based Approach as our valuation conclusion.

Valuation Report
No.(2016)0937166

Valuation Conclusion

Through computation, the total equity of shareholders is valued as RMB 2,575,759,144.53Yuan.

Period Of Validity

The validity lasts for one year since the valuation date, i.e. until 29 Sep. 2017.

Additional Disclosure Items

See special disclosure in valuation report.

Special Notice:

This report can only be used on the engaged purpose. The content above abstracts from the text, you can read the text to know the detail information and get a better understanding of the valuation conclusion of this project.

Valuation Report
No.(2016)0937166

Valuation Report

(Text)

Notice: The Report can be used exclusively for the purpose engaged and is tenable under engaged conditions. To learn all information of this project, please read the whole report and files for reference carefully.

Shanghai Electric Group CORP and Shanghai Electric Group Co., Ltd:

We have received your engagement to evaluate SEGP's total equity, according to the law, the regulations ,the asset appraisal principle and standards and the necessary evaluation program, through our computation with the Asset-based Approach and Income Approach, in purpose of Shanghai Electric Group Co., Ltd 's Asset Replacement and Issue Shares for Assets Purchase , in purpose of Shanghai Electric Group CORP 's transferring equity to Shanghai Electric Group Co., Ltd , in order to offer market value dated Sep. 30th , 2016. The report is as follows:

Project Name: Appraisal Report on Total Equity of Shanghai Electric Group Property Co.,Ltd with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0937166

I. Outline of the Client and Other Report Users

i.The Client

The client1: Shanghai Electric Group CORP.;

Registered Address: No.110, Middle Sichuan Road;

Registered Capital: RMB 7,024,766,000;

Company Type: ownership by the whole people

Legal Representative: Dinan Huang

Business Scope: contractor business for electric engineering project and conglomeration or division of equipment, labor repatriation, investment of property, produce and sale of machinery equipment and relevant products, provide technique consulting or training services to import or export projects, manage state-owned assets in authorized scope, domestic trading (except special restrains) 【special projects shall be conducted after approved by relevant government department】

Company Introduction:

Shanghai Electric Group CORP. is one of the largest equipment manufacturing

Valuation Report
No.(2016)0937166

and conglomeration companies in China. It engages on the relevant project design and it was formally named as Shanghai Electric Union. On 22 Aug 1984, the company was approved by Shanghai government, based on the restructuring of the Shanghai Power Station Equipment Company, where Shanghai Motor Factory, Shanghai Steam Turbine Factory, Shanghai Boiler Factory and Shanghai Power Station Auxiliary Equipment Factory and some other factories has been restructured and had been transferred out from Shanghai Motor Manufacturing Management Bureau. Under the approval of Finance and Commerce Bureau, in 1994, the company changed its name to Shanghai Electric (Group) Corporation

The client 2: Shanghai Electric Group Co., Ltd (Share No. 601727)

Registered Address: Floor.30, No.8, Xinyi Road, Shanghai;

Registered Capital: RMB 12,823,626,660;

Company Type: LLC(Taiwan, Hongkong, Macao and domestic joint venture, listed)

Legal Representative: Dinan Huang

Business Scope: Power station and electronic transfer, conglomeration of motor/electrical equipment, transportation, design, manufacturing, sales and after sales services for environmental device and related equipment. Wholesales, import and export of goods and technology, agency commission service and other packaging services. Contractor for electronic project, conglomeration and division of device/equipment, and technical services.

【special projects shall be conducted after approved by relevant government department】

There are 4 major blocks for main business, which are new energy equipment, efficient and clean energy equipment, industrial equipment and modern service industry.

The client 1: Shanghai Electric Group CORP. is the shareholder of the assessed party.

The client 2: Shanghai Electric Group Co., Ltd is the acquiring party, which replaces assets and issues shares for assets purchase.

Valuation Report
No.(2016)0937166

ii.Other Report Users

The legal users of the report include the users as agreed in the engagement letter and formulated by State laws and regulations, and the relevant regulatory departments and authorities of the state-owned assets appraisal for economic behavior. Beyond that, any third party has acquired valuation report , who should not be regarded as the report users.

II. **Outline of the Assessed Party**

The assessed party: SEGP

Registered Address: Room 538, Xikang Road.

Registered Capital: RMB 658.00 million;

Company type: One person limited liability company (sole proprietorship of legal person)

Legal Representative: Yuejun Wu;

1.Shareholders of the company as of valuation date is shown as below:

(Unit: RMB million)

	Shareholders	Investment	Percentage (100%)
1	Shanghai Electric Group CORP.	658.00	100%
	Total	658.00	100%

2. Business Condition

As of valuation date, SEGP has no projects of real estate development on sell or on construction, as majorly engages in replacement, transaction and lease for real estate so far. The business for SEGP includes 2 parts, one of which refers to lease of owned property and the other of which refers to internal entrust from Shanghai Electric Group CORP. SEGP shall entrust management of Shanghai Electric Group CORP's property and charge management fee. As of valuation date, SEGP's investment property refers to lease totally.

3.Historical financial data and financial system:

Assets and financial conditions of Recent 2 Years plus one period per proforma are given as follows:

Valuation Report
No.(2016)0937166

(Unit: RMB '0000 Yuan)

Item	2014-12-31	2015-12-31	2016-09-30
Asset	171,524.30	182,436.03	153,435.83
Liabilities	21,589.54	27,787.52	49,283.71
Net Assets	149,934.76	154,648.51	104,152.12

Item	2014	2015	Jan. to Sep. 2016
Revenue	108,445.68	40,004.69	107,152.97
Total Profit	21,594.81	13,899.50	22,872.56
Net profit	16,040.10	10,423.68	17,140.48

The above statistics abstracts from the unqualified proforma audit report for special purpose issued by BAKER TILLY International Limited.

Basis for Preparation of Simulated Financial Statements:

(1) This Company plans to transfer 50 plots of land property to Shanghai Gongxin Investment Management Co., Ltd., causing the inventory, investment property, intangible assets and other payables to respectively reduce by CNY 10,077,742.91, CNY 2,488,476.08, CNY 3,438,020.77 and CNY 1,911,505.00.

(2) The Company transfers the stock rights of Shanghai Gongxin Investment Management Co., Ltd to Shanghai Electric (Group) Corp. for free and transfers the stock rights in other 14 companies (as details below) to Shanghai Gongxin Investment Management Co., Ltd. for free. The compilation of Simulated Financial Statements deems that the gratuitous transfers occurred at the beginning of 2014.

NO.	Company	Ratio of share holding
1	Shanghai Electric Property Co., Ltd.	100%
2	Shanghai Electric Auto Service Co., Ltd.	100%
3	Shanghai Gongxin Investment Management Co., Ltd.	100%
4	Shanghai XintongPuhao Real Estate Co., Ltd.	100%
5	Shanghai Mechanical & Electrical Building Management Co., Ltd.	100%
6	Shanghai Green Island Investment Management Co., Ltd.	90%
7	Shanghai Dianchuang Investment Development Co., Ltd.	50%
8	Shanghai Fifth Electric Wire Factory Co., Ltd.	100%
9	Shanghai Beiji Building Materials Management Co., Ltd.	100%

Valuation Report
No.(2016)0937166

10	Shanghai Babaixiu Enterprise Management Co., Ltd.	20%
11	Shanghai Dahao Real Estate Co., Ltd.	20%
12	Shanghai Yishen Real Estate Development Co., Ltd.	45%
13	Shanghai Paihui Investment Management Co., Ltd.	30%
14	Shanghai ChangyangChuanggu Enterprise Development Co., Ltd.	49%
15	Shanghai Xinyefang Shangying Enterprise Development Co., Ltd.	25%

(3) This Simulated Financial Statements for 2014, 2015 and January to September 2016 except for Simulated cash flow statement and Simulated statement of change in equity of the Company are prepared based on on-going business and actual transactions and items of the Company, and confirmed and measured pursuant to Enterprise Accounting Standards-Basic Standards of MOF and concrete enterprise accounting standards, application guidance and explanation of accounting standards, and other related regulations (hereinafter merged as “enterprise accounting standards”), by combining Order 15 of Rules of Information Disclosure and Report for the Companies Publicly Issuing Securities - General Regulations on Financial Statements (Revision of 2014) of CSRC, and in accordance with the related regulations of Measures for Administration of Major Assets Restructuring of Listed Companies and Order 26 of Rules of Information Disclosure and Report for the Companies Publicly Issuing Securities - Application Document of Major Assets Restructuring of Listed Companies of CSRC.

(4) Due to the special purpose of the Simulated Financial Statements, the cash flow statement and Simulated statement of change in equity have not been prepared. In addition, in the Simulated Balance Sheet, only the total amount of owner’s equity shall be listed without the detailed items.

SEGP adheres to enterprise accounting system.

The major tax and tax rate are as follows:

Valuation Report
No.(2016)0937166

Tax Category	Taxation Base	Tax Rate
VAT	Sale of goods	5%,6%
Urban Maintenance and Construction tax	Business Tax and VAT	7%
Educational surtax	Business Tax and VAT	5%
River management fees	Business Tax and VAT	1%
Enterprise Income tax	Taxable income	25%

III. Valuation Purpose

The purpose of report is to provide a market value reference of related assets of SEGP as of valuation date, in purpose of Shanghai Electric Group Co., Ltd's Issue Shares for Purchasing Shanghai Electric Group CORP.'s 100% equity of SEGP

The acquired economic behavior document are as flows:

1. Board approval of Shanghai Electric Group Co., Ltd;
2. Board approval of Shanghai Electric Group CORP;

IV. Valuation Scope and Objects

1. The valuation object is total equity of shareholders. The valuation scope includes assets and liabilities as of valuation date.

Including current assets and non-current assets(including investment property, fixed assets, construction in progress, long term amortization fee and deferred tax assets) and liabilities.Net assets in book is RMB 1,041,521,193.77 Yuan.

2. Per declaration documents, there are 8 sets of inventory-merchandise inventory, the amount of which is RMB 84,240,871.60 Yuan. The area amounts to 34,311.49 m². The details are as follows.

No	No. of Property Ownership Certificate	Name	Structure	Area (m ²)	Land Ownership
1	Without Certificate	No.365 Chenxin Branch Road	Mixed	2,653.50	Without Certificate
2	(2016) 000101	No. 465, Tiantongan Road	Mixed / Brick Wood	4,469.00	Allotted
3	(2015) 005722	Middle Sichuan Road, No.145, Front Ground Floor	Steel Mixed	22.97	Transfer
4	(2016) 000099	Room 201, No.3, Lane 315, Qingyun Road	Mixed	184.10	Transfer
5	(2007) 002783	No. 239-243, Shimen yi Road	Steel Mixed	5,099.92	Transfer
6	(2007) 018423	No.115, Xingfu Village	Mixed	547.00	Transfer

Valuation Report
No.(2016)0937166

7	(2015) 007375/ (2015) 007376	73 Hills and 91/1 Hills, Chongming Changzheng Farm	Mixed / Brick Wood	18,842.00	Transfer
8	(2015) 032284	No.7, Lane 550, Jiangchuan Road	Brick Wood	2,493.00	Allotted
	Total			34,311.49	

3. Per appraisal declaration, there are 58 engaged investment properties, the original book value of which is RMB 850,423,035.30 Yuan and the net book value is RMB 507,512,304.87 Yuan. The total covered area is 146,436.43 m², including the area with certificate is 123,903.23 m² and the area without certificate is 22,533.20 m². Including: the area without certificate is 18,683.20 m², as is Industrial Plant located on Hill 1, Neighbour 76, Jinqiao Export Processing Zone and was acquired by transfer of construction in progress.

The details are as follows.

No	Registration No.	Property Name	Area (m ²)
1	(2005) 000237	No.2467,Changyang Road	10,157.54
2	(2013)015778	No.165, Xiangyin Road	7,640.89
3	(2015)002110	Floor 1,No. 346/348 Hailun Road	92.00
4	(2015) 007681	No.19, Building 1,2,3,4,5, Lane 1203,Liyang Road,	3,090.00
5	(2015) 007680	No.283, Floor 1 to 2, East Changzhi Road	413.45
6	(2015) 007682	No.16,18, Lane 149, Huiming Road	897.79
7	Without certificate(transfer of construction in progress)	Industrial Plant located on Hill 1, Neighbour 76, Jinqiao Export Processing Zone	18,683.20
8	Without certificate	No.109, Tianshui Road	3,850.00
9	(2001) 019840	No.203, Fenzhou Road	31.43
10	(2001) 019836	Room 101 to 103,No.9,Lane 735,Jiangpu Road	86.10
11	(2015) 054175	No.458, Jumen Road	4,438.00
12	(2003) 010861	No.105, Fuzhou Road	1,606.85
13	(2004) 002454	No.1, Lane 271, Middle Henan Road	251.15

Valuation Report
No.(2016)0937166

14	(2003) 010862	Room 901, No.170, Middle Jiangxi Road	614.59
15	(2003) 011017	Floor 2 and 3, No.49, Middle Sichuan Road	1,064.84
16	(2008) 002329	No.89, Fuzhou Road	1,515.52
17	(2003) 010863	Front Ground Floor, No. 202-204, Huanghe Road	43.19
18	(2015) 054174	No.18, Ground Floor, South Maoming Road	102.33
19	(2004) 000373	No. 3230, Gonghe Xin Road	4,008.00
20	(2008) 015848	No.51, Wenshui Road	6,232.42
21	(2016) 000100	No. 546, Yuexiu Road	1,610.00
22	(2005) 000020	No.121, Tiantongan Road	1,015.50
23	(2016) 003097	No.14, Lane 491, Wuyi Road	2,105.78
24	(2015) 009663	No.242, Wuyi Road	449.64
25	(2015) 009283	Room 104, No.1279, Dingxi Road	191.11
26	(2015) 009284	Room 105, No.1279, Dingxi Road	132.49
27	(2015) 009285	Room 301, No.1279, Dingxi Road	118.46
28	(2015) 009286	Room 302, No.1279, Dingxi Road	119.60
29	(2015) 009293	Room 401, No.1279, Dingxi Road	118.46
30	(2015) 009287	Room 402, No.1279, Dingxi Road	119.60
31	(2015) 009288	Room 403, No.1279, Dingxi Road	128.93
32	(2015) 009289	Room 405, No.1279, Dingxi Road	118.91
33	(2015) 009290	Room 501, No.1279, Dingxi Road	118.46
34	(2015) 009291	Room 502, No.1279, Dingxi Road	119.60
35	(2015) 009292	Room 505, No.1279, Dingxi Road	118.91

Valuation Report
No.(2016)0937166

36	(2016) 002225	No.73,75,77,Nanhui Road	1,807.47
37	(2015) 064599	No.182,Qixin Road	8,984.00
38	(2016) 001014	No.400,Xikang Road	6,271.00
39	(2015)026902	No.12,Lane 250,Yishan Road	2,536.06
40	(2005) 000130	No.1406,South Xizang Road	3,434.31
41	(2004) 000273	West Beijing Road,No.1287	4,667.34
42	(2006) 003510	No.800,Changde Road	16,991.00
43	(2006) 000065	No.868, Huyi Highway	12,766.76
44	(2015) 001754	Room ABCD,No.212, Floor 7, Jiangning Road	1,533.76
45	(2015) 001749	No.538,Building 1 and 3, Xikang Road	1,700.98
46	(2015) 001745	No.212, Floor 9B, Floor 9 C-1,Jiangning Road	608.30
47	(2015) 001747	Ground Floor, Second Floor,No.611, North Chengdu Road	1,069.83
48	(2015) 028737	No.2 and 12 ,Lane 1306,Jiangning Road /No.351, Aomen Road	5,055.33
49	(2015) 001744	Ground Floor(2), No.212, Jiangning Road	253.34
50	(2015) 026903	No. 108,Floor 1-2, Nandan Road	2,062.13
51	(2015) 001750	No.69 and 71, Yanping Road	1,395.36
52	(2015) 026905	No.69, Yixunyuan Road	481.48
53	(2015) 001753	Room1504,Lane 600, No.1, Xikang Road	240.31
54	(2016) 001868	Basement, Floor 1 to 2, No.4,Lane 30, Caodong Road	2,405.21
55	(2015) 001751	Room A, Floor 2,No.22, Lane 376, West Yanan Road,West building	233.85
56	(2015) 001746	Room B, Ground Floor ,No.22, Lane 376, West Yanan Road,West building	95.88
57	(2015) 001752	Room A, Floor 3 ,No.22, Lane 376, West Yanan Road,West building	233.85

Valuation Report
No.(2016)0937166

58	(2015) 001748	Room B, Floor 3 ,No.22, Lane 376, West Yanan Road,West building	204.14
	Total		146,436.43

4. Per appraisal declaration, there are 14 engaged investment properties-land(industry, science research and storage). The total covered area is 110,698.90 m²,including the area without certificate is 3,850.00 m².

The details are as follows:

NO.	Land Registration	Land Location	Land Property	Land Usage	Area (m ²)
1	(2005) 000237	NO.2467,Changyang Road	Transfer without paying transfer fee	Industry	13,493.80
2	(2013) 015778	No.165,Xiangyin Road	Allotted	Scientific Design	6,372.50
3	(2015) 081816	Hill 1, Neighbour 76, Jinqiao Export Processing Zone	Transfer	Industry	27,739.00
4	Without Certification	No.109, Tianshui Road	Allotted	Industry	3,850.00
5	(2015) 054175	No.458,Jumen Road	Transfer without paying transfer fee	Industry	1,165.00
6	(2004) 000373	No.3230,Gonghexin Road	Transfer without paying transfer fee	warehouse	6,381.50
7	(2008) 015848	No.51,Wenshui Road	Transfer without paying transfer fee	Industry	11,192.00
8	(2016) 000100	No.546,Yuexiu Road	Transfer	warehouse	1,492.00
9	(2005) 000020	No.121, Tiantongan Road	Allotted	Industry	366.3
10	(2016) 003097	No.1, Lane 491,Wuyi Road	Transfer	Industry	1,329.00
11	(2015) 064599	No.182,Qixin Road	Allotted	Industry	9,758.00
12	(2015) 026902	No.12,Lane 250,Yishan Road	Transfer without paying transfer fee	Industry	1,739.00
13	(2006) 003510	No.800,Changde Road	Transfer (authorization for Land inventory)	Industry	11,209.00
14	(2006) 000065	No.868, Huyi Highway, Jiading District	Allotted	Industry	14,611.80
	合计				110,698.90

Valuation Report
No.(2016)0937166

5. Per declaration list, there are 353 sets of equipment engaged, which are pony cars, computers, printers and other office equipment remaining normal use so far.

6. The engaged valuation objects and scope are conform to the valuation objects and scope related to the valuation purpose.

The balance sheet as of valuation date has been audited without qualification by BAKER TILLY International Limited.

V. Value Type and Definition

Value type herein is market value which is of the estimated most probable price to be realized for the engaged objects in an exchange between a willing buyer or seller, with equity to both, neither being under any compulsion to buy or sell as of the valuation date.

It should be cautioned that the same assets probably have different value in different market. The valuation herein is based on domestic observable market condition and market environment.

The value type we chose herein is based on the elements including valuation purpose, market condition, valuation presumption and the valuation objects.

The assessed value herein refers to the opinion, got through process and approaches illustrated in the report, serving only for the purpose engaged within the valuation scope and under the valuation principles, premises and assumptions.

VI. The Valuation Date

1. The valuation date is set on Sep 30th, 2016.
2. The valuation date is selected with permission of the clients and is after the consideration of the realized valuation purpose and the fiscal year.
3. The selection of the valuation date is in a common way and affected by no factors. The pricing standards of the valuation are based on the effective prices as at the valuation date.

VII. Valuation Basis

i. Economic Activity Basis

1. Board approval of Shanghai Electric Group Co., Ltd;
2. Board approval of Shanghai Electric Group CORP.

ii. Major Legal Basis or Reference of Rule & Law

Valuation Report
No.(2016)0937166

1. Company Law of the PRC;
2. The law for PRC state-owned enterprises;
3. No.32 ,Supervision and Management Measures for State-owned assets;
4. No.91 in 1991, Administration of State Asset Valuation;
5. Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council “the Interim Measures for the State-owned Assets Appraisal Management ”;
6. The state-owned assets evaluation management regulations(NO.14 issued by treasury department);
7. Notice of the relevant questions on strengthening the management of enterprises’ state-owned assets evaluation. (No. 274 issued by SASAC property in 2006);
8. Temporary regulations for State-owned assets’ supervision and management (NO.378 issued by state council in 2003);
9. No.3 Ministry of Finance doc, interim measures on transfer management of state-owned property rights;
- 10.No.[2006]306, A notice of relevant matters on enterprise state-owned property rights transferring;
- 11.No. [2009]941, A notice of valuation report review as of state owned assets;
- 12.No.[2012]468, Guide book for approval and filing for appraisal project to Shanghai State owned assets enterprise;
- 13.The real estate administration law of the People's Republic of China;
- 14.Other laws and regulations.

iii.Evaluation Criterion

1. Assets appraisal -Basic Standards;
2. Assets appraisal ethical principles- Basic Principles;
3. Assets appraisal ethical principles-Independence;
4. Assets appraisal standards-Valuation Report;
5. Assets appraisal standard-Valuation Process;
6. Assets appraisal standard-Working Paper;
7. Assets appraisal standard-Engagement Letter;
8. Assets appraisal standard- Business Valuation;
9. Assets appraisal standard-Equipment;

Valuation Report
No.(2016)0937166

10. Guiding Opinions on types of value;
11. Guiding Opinions about CPV 's focus on Evaluation objects for legal ownership;
12. Guiding Opinions on valuation report for investment property assets;
13. Guiding Opinions on valuation report for state-owned assets;
14. Quality control guide for Evaluation institutions;
15. Experts Operation Tips for asset appraisal-report disclosure for listed companies' major assets restructuring;
16. Assets evaluation professional code of ethics-Independence;
17. ASBE issued by NO.33 Decree of the Ministry of Finance;
18. Code for appraisal of real estate(national standard GB/T50291-2015);
19. Benchmark premium on the valuation of urban land(national standard GB/T18508-2014);
20. Other laws and regulations.

iv.Pricing Basis Adopted

1. Manual for the latest assets evaluation data and parameters (China Statistical Publishing House);
2. Quoted Price Pamphlet about machinery equipment (China Machine PRESS) ;
3. <http://www.chinacar.com.cn/>;
4. Compulsory scrap standard for Motor vehicle(No.12, 2013);
5. <http://www.ebook.hc360.com/> as of valuation date;
6. The budget ration for Shanghai construction engineering (2000);
7. The pricing information for raw material released from <http://www.ciac.sh.cn>;
8. Regulations for related fee as of shanghai construction engineer;
9. The deal cases from related property information website;
10. The update project report for benchmark land price (Shanghai 2013);
11. The notice for "land assessment technical regulations of property holdings conditions for Shanghai profit-oriented land", "correction factor for plot ratio of industry land" (Sep 2 2015)
12. <http://www.landvalue.com.cn/>;
13. <http://www.shgtj.gov.cn/>;

Valuation Report
No.(2016)0937166

14. Lease case from website of real estate;
15. Statistical information from Orient Appraisal Co., Ltd.;
16. Proforma Audit Report for special purpose issued by BAKER TILLY International Limited;
17. Part of the contracts and agreements released from assessed party;
18. Historical financial data and forecasting information;
19. Analysis of Statistical Data for National macro economy , Industry, regional market and enterprise;
20. "10JQKA" of securities trend analysis system for stock A information;
21. Rate of return on national debt and lone interest rate close to valuation date;
22. Others.

v.Key Contracts, Agreements and Property Right Certificates

1. Property registration;
2. Investment contracts, agreement, vehicle license;
3. Other related certification documents.

vi.Other Files

1. Financial statements of the valuation date, books and vouchers furnished by the party in question;
2. Assets lists with book values provided by the party in question;
3. Technical statistics of Orient;
4. Relating price information;
5. Others.

vii. OtherAppraisal Reference 1. None.

VIII. Valuation Approaches

i.Outline

There are 3 Approaches of valuation, which are Cost Approach, Income Approach and Market Approach.

①The Cost Approach is also called Assets-based Approach. The valuation conclusion for net assets has been reached based on deducting assessed liabilities from sum of the assessed assets.

②The Income Approach refers to discount or capitalize future income per appropriate discounting rate in order to reach the valuation conclusion.

Valuation Report
No.(2016)0937166

③The Market Approach refers to make comparisons between valuation object and enterprise reference, enterprise which has deal cases in market, shareholders' equity, securities and other equity assets in order to reach valuation conclusion by adjustment and revise.

- ii.The Approach chosen reason and other explanation
- Per "Assets appraisal principles---business valuation", the appraisers shall analyze the feasibility of Assets-based Approach, Income Approach and Market Approach in order to adopt one or multiple methodology appropriately, per valuation objects, value type, condition for collecting documents, during conducting business value appraisal.
- Per valuation purpose, valuation objects, value type, condition for collecting documents and analysis of applicable conditions for three basic valuation approaches:
- Firstly, with regard to assets features of valuation object, the major assets for assessed party refer to current account, inventory, investment property, fixed assets and related liabilities, which have been audited as of valuation date by CPA. The book value is clear.
- The Assets based Approach is based on balance sheet
- The valuation conclusion for net assets has been reached based on deducting assessed liabilities from sum of the assessed assets, by means of replacing historical cost with market value of individual assets and liabilities. It is appropriate to adopt Assets based Approach herein report.
- Secondly, the assessed company has stable scale and stronger profitability. The income in future forecast and other major business index can be estimated per historical information. The cost can also be estimated per historical information.
- The business condition will maintain rising momentum with stable profit source. Thus, it is appropriate to adopt income approach.
- Thirdly, it is hard to acquire the financial information for similar non-listed companies in same industry for public market. The appraisers can not use public information for contrastive analysis. Thus, it is not appropriate to adopt Market Approach.
- Above all, Assets based Approach is adopted per assets features and trading purpose.

Valuation Report
No.(2016)0937166

iii.Asset-based
Approach

The Asset-based Approach is also called Cost Approach. The valuation conclusion for total shareholders' equity has been reached, on the assumption of replacement of different production factors on valuation date, per specific condition of the engaged assets by item, adopting appropriate methodology in order to sum up the assessed assets by item, meanwhile deducting assessed value for related debts.

Cash & cash equivalent

For the appraisal of monetary capital, we checked the cash as at the verification date according to the account statement provided by the enterprise, and retrodicted the cash amount as at the appraisal date based on the cash receipts and payments from the appraisal date to the check date, and confirmed the appraisal value with the verified book value; we made and checked the trial balance for the bank reconciliation, and confirmed the appraisal value with the verified book value.

Receivables

The receivables refers to accounts receivable and other accounts receivable. If there is reasonable ground to believe that the receivables can be recoverable totally, they are valued according to the book value; For those long aging receivables, if they can not be recoverable for specific identification, they are valued as zero according to the historical dunning information, analysis of reasons for arrear, of fund, credit and management status for debtors. The rest receivables are valued per risk condition combined with provision for bad debt of accounting. The valuation conclusion has been reached per the receivables deducting amount that may not be paid back. Meantime, the provision for bad debt set by the assessed party is valued as zero.

Inventory

As for inventory with signed agreement for compensation and resettlement of relocation, the valuation conclusion has been reached per total compensation fee appointed by agreement deducting after-cost, in consideration of income tax.

As for other inventory, the appraisers considered and analyzed comprehensively, per appraisal purpose, appraisal object property, actual condition, and documents collected. The valuation conclusion has been

Valuation Report
No.(2016)0937166

	reached per assessed property deducting selling and administrative expense, tax and partial net profit, in consideration of Land VAT, income tax.
Other Current Assets	The valuation conclusion has been reached per remaining benefit right or recoverable assets value.
Investment Property	<p>Investment property refers to leased properties. The engaged real estate is industry plant, residence, stores and office.</p> <p>(1) As for industry building, the land and buildings are assessed respectively. The industry plant is the constuction project designed for individual users. The replacement cost approach can reflects the market value for real estate. The industry plant is assessed per replacement cost approach.</p> <p>As for industry land, there are lots of simiar land deal cases close to engaged land during latest years after mraket survey by appraisers. There is full land benchmark revised system. The market approach can reflect the market value and the assessed value can be verified per land datum value method.</p> <p>As for transferred without paying transfer fee for industry land, the 20 years for industry transfer is adopted for estimation.</p> <p>(2)As for residential houses, office and stores, there are lots of similar deal cases and rent cases close to the related engaged property. It is appropriate to adopt market approach and income approach in order to estimate the market value for land and building together.</p> <p>As for land which should be made a supplementary payment for transfer fee, the related land price payable should be temporarily accrued in other payables.</p>
Fixed assets	<p>As for vehicles and electronic equipments, Replacement Cost Approach is adopted.</p> <p>The value of equipments= replacement price×comprehensice depreciation rate</p> <p>Per 2008 NO. 170, the VAT regulation and 2009 NO.113 “Notice about deducting input VAT from fixed assets”, the VAT is not included for some equipments which meet the requirements.</p>
Construction in progress	The “construction in progress- land construciton” refers to renovation project fee, as basically reflects the refurbishmet cost as of valuation date. The

Valuation Report
No.(2016)0937166

	valuation conclusion has been reached per occurred amount excluding loan interest and reasonable cost & profit. The capital cost is considered per average investment.
Long Term Amortization Fee	They are valued per remaining benefit right or assets value.
Deferred tax assets(DTA)	The appraisers get a general idea of the content and counting process of DTA. The valuation conclusion has been reached per valuation for subject and recalculation.
Liabilities	The assessed value is determined based on the verified book value and the actual liabilities payable.
iv.Income Approach	The Income Approach refers to a kind of appraisal approach to calculate the value of assets by discounting the future expected assets income based on appropriate discounting rate, which means to compute the total shareholders' equities by subtracting the interest-bearing debts from the sum of the value of business assets calculated by discounting the free cash flows in the future years at appropriate discounting rate, and the value of surplus assets, non-business assets, ending assets.
Appraisal model and formula	<p>In the Income Approach, the model of enterprise free cash flow discounting was selected after taking the enterprise business model into account.</p> <p>Total shareholders' equities = total enterprise value – value of interest-bearing debts</p> <p>Total enterprise value= value of productive assets + value of surplus and non-business assets</p> <p>Total productive asset value (P)= present value of free cash flow during certain forecast period+ present value of free cash flow after certain forecast period</p> $P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$ <p>Wherein:</p> <p>r – the selected discounting rate.</p> <p>Fi –estimated income in period i</p>

Valuation Report
No.(2016)0937166

n —specific forecast period from valuation date to stable operating date. The N is chosen for 5 years for specific forecast period.

Per current business, financial condition, asset specificity, resource condition and prospect of development, the after-date earnings period are confirmed per indefinite period.

g- annual growth rate of future earnings, if F_i is invariant after n years, g will take zero.

Evaluation idea

1. Review of the income for the forecast period submitted by the management;
2. By analysing historical revenues, costs, expenses and other financial data, combined with the reasonable adjustment for management forecast during definite period after taking capital structure, operating condition, historical performance, development prospect into consideration.
3. The appraisal hypothesis is confirmed reasonably by considering different possibility and influence in future
4. According to macro and regional economic situation, prospects for industry development, business model, to predict later sustainable income trend analysis, to choose appropriate approach for estimating value after forecast period.
5. The working capital and capital expenditure are confirmed by considering assets allocation and utility condition of the fixed assets.

Discounting rate

Discounting rate is also called the expected rate of return on investment, which is the key parameter to determine the appraisal value in the Income Approach. According to the principle of consistency of income amount and discounting rate, the income amount in this appraisal is the net cash flow, and the discounting rate is based on Weighted Average Cost of Capital (WACC) method, which is weighted average of rate of return on equity and rate of return on creditors' rights with the adjusted income tax.

$$WACC = (Re \times We) + [Rd \times (1 - T) \times Wd]$$

Wherein: Re is cost of equity capital of company;

Rd is cost of debt capital of company;

Valuation Report
No.(2016)0937166

We is the percentage of equity capital in the capital structure;

Wd is the percentage of debt capital in the capital structure;

T is effecient income tax rate of company;

The modified Capital Assets Pricing Model (CAPM) is adopted for this appraisal to determine the cost of equity capital. Formula is as follows.

$$Re = Rf + \beta \times MRP + \varepsilon$$

Wherein: Rf is risk-free rate of return;

β is risk factor of the company;

MRP is the risk premium;

ε is adjusted factor of specific risk of company.

Surplus assets and non-business assets & liabilities

Surplus assets are extra assets which aren't directly related to the main business earnings and beyond assets necessary to the enterprise's business, including surplus cash and idle assets. Non-business assets and liabilities aren't directly related to enterprise's business and are excluded from the earnings forecast scope, normally inculding the non-ctrolling long-term investment, deferred income tax assets and liabilities, investment real estate, retirement pension, etc., which are added after being appraised separately.

Interest bearing debts

It refers to the loan borrowed by the appraised party from financial institutions or other companies or individuals, such as short-term loan, long-term loan or bonds payable. There is no Interest bearing debts after verification.

IX. Valuation Process

According to relevant state regulations and principles on appraisal, we performed appraisal and ownership verification on the assets within the scope and conducted necessary due diligence on the operation and management status of the appraised party. The process is as follows:

1. Communicated with the client and appraisal object; Interviewed the staff of company, to better understand its profile, history and current status of assets entrusted for appraisal; to further understand the appraisal purpose, scope and object; set up valuation date, signed the letter of engagement and drafted the appraisal proposal.
2. Mentored the company to fill in the assets appraisal declaration form.
3. Conducted site survey, including the check of the non-physical assets, mainly

Valuation Report
No.(2016)0937166

by reviewing the original accounting documents and letters, and inspecting the formation of creditor's rights and debts and the authenticity of the book value; and the check of the physical assets, mainly by viewing, taking pictures for and recording the assets and their conditions on site, while collecting the ownership certificates of the assets entrusted for appraisal and reviewing such materials as the machinery operation, maintenance and accident records. And interviewed people in charge of the assets management to understand the operation and management of the assets.

4. Supplemented and completed the assets appraisal declaration form after checking the financial records and data and site survey.

5. Interviewed the management and learnt the introduction of the enterprise operating mode, status of income from major product or service business and changes thereof, cost composition and changes thereof, earning status for the previous years and key reason for changes; understood the accounting systems & management mode, core technology, R&D power, future development plan, competitive advantage and disadvantage; learnt about the surplus assets and non-business assets and the utilization condition thereof.

6. Collected the operational indicators, financial indicators, business plan in the future and materials of renewal of fixed assets or investment plan; investigated the status of industry, regional market condition and development trend; analyzed the macro-economic situation and industrial environmental factors influencing the enterprise's operation; conducted market research and enquiry, and collected information about the capital market of the same industry.

7. Evaluated and estimated. The appraisers selected the appropriate appraisal approaches according to the appraisal object, type of value and collection of relevant materials; made preliminary appraisal conclusion with calculation and judgement after choosing the corresponding model and formula and analyzing reasons for changes of various indicators, analyzed the preliminary conclusions reached by different appraisal approaches, and then finally determined the appraisal conclusion by comprehensively evaluating the reasonability of different appraisal approaches and preliminary appraisal conclusions and the quality and quantity of data used.

8. The appraisers discussed with other intermediaries to confirm there was no overlapping and missing appraisal scope in order to release draft report and

Valuation Report
No.(2016)0937166

appraisal conclusion;

9. After three-grade reviewing, submitted the report to the client and the appraised party and discussed with them thereon; revised and completed the report after exchanging opinions with the client and submitted the formal appraisal report.

X. **Premises and Assumptions of Tenability of the Report**

A Basic Assumptions

1. Open-market hypothesis: Open-market refers to fully developed and perfect market condition, which has willing buyers and willing sellers in volunteer competitive market. In this market, willing buyer and willing seller, who have opportunity and time for enough market information from each other, remain equal position. The transaction between buyers and sellers is based on the condition that the parties had each acted voluntarily, sensibly without compulsion or limitation.

2. Continuous use hypothesis: First, the hypothesis is assumed that the assessed assets are for normal use, including the assets in-use and for backup; Besides, it is assumed that the assets in-use sustain its continuous use per the related data and information. Continuous use hypothesis not only refers to market condition or environment but also focuses on the continuous situation for assets.

3. Continuous operation hypothesis: The report is based on the assumption that the company shall be capable of continuous and legal operation, which shall not be close up for different reasons in the near future, with the existing assets and resource condition.

B Specific Assumptions

1. Unless specifically stated herein, the report is based on the assumption that there is no other existing or potential abnormal factor such as mortgage, guarantee and special transaction mode that shall affect the appraisal conclusion.

2. There is no significant change to the existing laws and regulations, industrial policy, national macroeconomic situation, as well as the political, economic and social environment at the place where the appraisal object is located. Meanwhile, the report is based on the assumption that there are no other force majeure events and unforeseeable factors which shall cause significant adverse

Valuation Report
No.(2016)0937166

effects.

3. There is no significant change to the tax policy and tax rate adopted by the appraisal object. The credit policy, interest rate and exchange rate remain basically stable.

4. The type of value has been confirmed as the market value as per the appraisal purpose. Any pricing standard adopted for this appraisal is based on the valid pricing standard and system as at the valuation date.

C Income Approach Assumptions

1. The materials such as the business contract, Business License, Articles of Association, signed agreement, audit report and financial documents provided by the appraised party are authentic and valid.

2. The in-service and future management of the appraised party will fulfill their duties. There will be no major violations that may impede the company's development and income realization, and the existing operation and management mode will maintain.

3. The contracts signed by the company in the current and previous year are valid and the contracting parties will keep on performing the contracts.

4. The appraisal refers to reasonable forecast based on current market situation, without considering significant changes and fluctuation unpredictable at the moment in future market, such as political unrest, economic crisis and hyperinflation, etc.

5. The different income, related prices and costs used in the report are the professional judgement after due diligence, based on historical data provided by the assessed party.

6. It is assumed that the investment properties which are rented shall be renewed when the lease period has been expired. The vacancy rate is not considered for valuation conclusion if the property is not renewed.

The valuation conclusion has been reached per condition of valuation object on valuation date, valuation assumptions and restricted condition. The valuation assumes that the premises are valid on valuation date, according to the valuation requirements. The valuation conclusion is usually untenable and the

Valuation Report
No.(2016)0937166

report is invalid in case of changes of forgoing economic environments.

We are exempt from relevant responsibilities of changes for assumptions which may deduce different valuation conclusion.

XI. Valuation Conclusion

i.Outline

According to relevant laws, regulations and standards for assets appraisal, abiding by the principles of independence, objectiveness and fairness, we appraised the market value of the assessed party as of valuation date per necessary appraisal procedures, and made the conclusion per Asset-based Approach and Income Approach as follow:

1. Appraisal conclusion per Assets-based Approach:

Through computation by Asset-based Approach, the total equity of shareholders is valued as RMB 2,575,759,144.53as of valuation date in market condition. Including: total assets engaged in book value amounts to RMB 1,534,358,338.60, while assessed value amounts to RMB 3,324,916,289.36, with the increase of RMB 1,790,557,950.76 and increase rate of 116.70%;

Liabilities engaged in book value amounts to RMB 492,837,144.83, while assessed value amounts to RMB 749,157,144.83, with increase of 256,320,000.00 and increase rate of 52.01% ; Net assets engaged in book value amounts to RMB 1,041,521,193.77, while assessed value amounts to RMB 2,575,759,144.53, with increase of RMB1,534,237,950.76 and increase rate of 147.31%.

The valuation conclusion and details are shown as follows.

Valuation Sheet

Valuation date: Sep 30 2016

Unit: RMB '0000

Item	Book Value	Assessed value	Increase/ decrease	Increase/ decrease rate%
Current Assets	93,344.99	101,337.91	7,992.92	8.56
None-Current Assets	60,090.84	231,153.71	171,062.87	284.67
Including: Financial assets available for sale				
Net investment held to maturity				
Term account receivable				
Long-term Investment				
Investment real estate	50,751.23	221,639.46	170,888.23	336.72
Fixed Assets	102.68	190.19	87.51	85.23
Construction in Progress	4,927.43	5,249.22	321.79	6.53
Project goods and material				

Valuation Report
No.(2016)0937166

Disposal of fixed assets				
The productive biological net assets				
Hydrocarbon net assets				
Intangible Assets Net Amount				
Development expenditure				
Good will				
Long-term deferred expense	4,306.78	4,072.12	-234.66	-5.45
Deferred tax assets	2.72	2.72		
Other non current assets				
Total Assets	153,435.83	332,491.62	179,055.79	116.70
Current Liabilities	49,283.71	74,915.71	25,632.00	52.01
Non-current Liabilities				
Total liabilities	49,283.71	74,915.71	25,632.00	52.01
Net Assets	104,152.12	257,575.91	153,423.79	147.31

The reason for appreciation and depreciation of assets and liabilities are as follows:

(1) Current Assets

The book value for current assets is RMB 933.4499 million, while the assessed value is RMB 1,013.3791million , with increase of RMB 79.9292 million.

The major reason is that the acquired date for inventory of merchandise goods has acquired in earlier time, the price of which was at low level. However, the current property price has been increased hugely compared with that of latest years.

(2) Investment Property

The book value for investment property is RMB 507.5123 million, while the assessed value is RMB 2,216.3946 million, with increase of RMB 1,708.8823million.

The major reason for appreciation is that the property has acquired in earlier time, the price of which was at low level. However, the current property price has been increased hugely compared with that of latest years.

(3) Fixed Assets

The net book value for fixed assets is RMB 1.0268 million, while the assessed value is RMB 1.9019 million, with increase of RMB 0.8751 million. The major reason are as follows:

Valuation Report
No.(2016)0937166

A. The vehicles license in Shanghai is for auction. There are 3 service vehicles for enterprise. The valuation conclusion includes the market value of license, which contributes to the huge appreciation for net assessed value of transportation.

B. The accounting depreciation for electronic equipment is quick and the net book value is lower. The assessed value is confirmed by economic useful year and actual condition, which contribute to the difference. Thus, there is appreciation for net assessed value.

(4) Construction in progress (CIP)

The book value for CIP was RMB 49.2743 million, while the assessed value is RMB 52.4922 million, with increase of RMB 3.2179million.

The reason for appreciation is that the capital cost was considered per book value.

(5) Long-term deferred expense

The book value for Long-term deferred expense was RMB 43.0678 million, while the assessed value is RMB 40.7212 million, with decrease of RMB 2.3466 million.

The reason for depreciation is that the refurbishment fee for owned property is assessed in investment property, as is assessed for 0.

(6) Other payable

The book value for Other payable was RMB 110.1177 million, while the assessed value is RMB 366.4377 million, with increase of RMB 256.32 million.

The reason for appreciation is that the transfer fee should be made a supplementary payment after valuation date, as is considered in other payable.

2. Appraisal conclusion per Income Approach:

Through computation by Income Approach, the total equity of shareholders on basis of the above assumptions are valued RMB 1,474.00 million Yuan, increased by RMB 432.4788 million compared to the audited book value of net assets, with increase rate of 41.52%.

ii. Conclusion
Analysis

The difference rate is 74.75% between Assets based Approach and Income Approach.

The major reasons for difference between Assets based Approach and Income Approach are as follows:

The major assets for SEGP are investment property. The properties have been acquired in earlier days. The real estate price has been increased hugely

Valuation Report
No.(2016)0937166

compared with that of latest years. Thus, there is huge appreciation for investment property per assets based approach.

SEGP 's future profit shall be majorly generated from rent income and trustee management income. The rent income for property is not matched with the sales price in Shanghai Real Estate Market so far. The income approach can not reflect market value for SEGP 's property objectively.

The trustee management property for SEGP is majorly original old plants for intra-group, the part of which can not be in accord with government's current plan. There maybe removal and relocation ,replacement or purchase & storage in future. Thus, there shall be uncertainty for income forecast, as has related influence for valuation conclusion.

Thus, the Assets based Approach is better than Income Approach with regard to pertinence and precision.

The valuation conclusion has been reached finally per Assets based Approach.

Through computation, the total equity of shareholders is valued as RMB 2,575,759,144.53 Yuan.

iii.Others

With regard to limitation of market information, the premium and discount generated by controlling interest and minority interest haven't been considered herein. Besides, the influence for liquidity discount hasn't been considered for valuation conclusion.

XII. Additional Disclosure Items

The report users shall pay attention to the additional disclosure items which would probably have impacts on the valuation conclusion.

1. In the event that the assets change in quantity and pricing benchmark, the valuation conclusion shall be adjusted with the original valuation approach;
2. We are exempt from relevant responsibilities of legality, integrity and authenticity of such materials reaching us as the resolutions of the management, the Business Licenses, property right certificates, vouchers and / or files submitted by other intermediaries.
3. The appraisal meaning for engaged investment property and inventory does not include VAT. May reporter users have attention.
4. The law suits are as follows after site survey by appraisers.

Valuation Report
No.(2016)0937166

(1) On December 7, 2015, Fangjin Industry and Trade Co., Ltd. brought a lawsuit against the Company in relation to the house-leasing contract disputes concerning the rental of No. 180, Nanting Road, Baoshan District. The contract leasing term is from May 1, 2010 to April 30, 2015. The other side applied for renewal of the contract after its expiration. The Company notified the other side that it is not allowed to renew the lease on May 6, 2015. The other side requested the Company to pay the rent and other related losses amount of CNY 1,744,682.00. As of September 30, 2016, the court has not yet made a decision on this case.

(2) The Company brought a lawsuit against Shanghai HorgeReanu Machinery Co., Ltd. in relation to the house-leasing contract disputes concerning the rental of No. 546, Yuxiu Road. The contract leasing term is from January 1, 2008 to December 31, 2012. The other side did not renew the lease upon the expiration of the contract. The Company requested it to pay the house occupancy expenses of CNY 3,634,092.00 from January 1, 2013 to the actual date of returning the house. As of September 30, 2016, the case has not yet been concluded.

(3) The Company brought a lawsuit against Shanghai Yanlei Real Estate Management Co., Ltd. in relation to the house-leasing contract disputes concerning the rental of Suit No. 51, Wenshui (in the process of purchasing and storage). The contract leasing term is from November 20, 2009 to February 19, 2014. The Company agreed to renew the contract for another one year after its expiration. The Company requested Shanghai Yanlei Real Estate Management Co., Ltd. to pay the house occupancy expenses of CNY 2,125,522.00 from March 2, 2014 to the actual date of returning the house. As of September 30, 2016, the case has not yet been concluded.

(4) The Company brought a lawsuit against Shanghai Guanshun Investment Management Co., Ltd. in relation to the house-leasing contract disputes concerning the rental of No. 81 Lane, No. 949, West Baoxing Road, Hongkou District. The contract leasing term is from January 1, 2012 to December 31, 2021. The Company requested the other side to pay the house rent and liquidated damages of CNY 641,600.80 from April 1, 2015 to May 31, 2016. As of September 30, 2016, the court has made a decision, but the said decision is not yet effective.

Valuation Report
No.(2016)0937166

(5) The Company brought a lawsuit against Shanghai Dizi Building Materials Co., Ltd. in relation to the house-leasing contract disputes concerning the rental of Suit 101, No. 67 Building, No. 709, Lingshi Road. The contract leasing term is from June 16, 2014 to December 31, 2015. The other side has defaulted on the rent since July 1, 2015. The Company requested the other side to pay the house rent from July 1, 2015 to December 31, 2015 and the house occupancy expenses from January 1, 2016 to the actual date of leaving the leased house with total amount of CNY 27,417.00. As of September 30, the first instance judgement has been taken effect and the second instance has been dismissed.

(6) The Company brought a lawsuit against Shanghai Huachengzhongben Investment Management Co., Ltd. in relation to the house-leasing contract disputes concerning the rental of No. 19, No. 1203 Lane, Liyang Road, Hongkou District. The contract leasing term is from October 15 2014 to October 14, 2019. The other side has defaulted on the rent since December 15, 2015. The Company requested the other side to pay the house rent and liquidated damages with total amount of CNY 1,749,733.00 from December 15, 2015 to Apr. 30, 2016. As of September 30, 2016, the court has not made a decision on this case.

(7) The Company brought a lawsuit against Shanghai Jintuo Stone Materials Sales Co., Ltd. in relation to the house-leasing contract disputes concerning the rental of Room 1, 410 Lane. Longwu Road, Xuhui District. The contract leasing term is from August 15, 2014 to August 14, 2015. The other side refused to return the leasing house since August 15, 2015. The Company requested the other side to pay the house and site occupancy expenses from August 25, 2015 to the actual date of returning the house. Up to September 30, 2016 the total amount of occupancy expenses is CNY 503,625.60. As of September 30, 2016, the court has not yet made a decision on this case.

The influence for valuation conclusion from the above law suits have not been considered in report.

5. As of valuation date, per the related property right certificate released from SEGP, although the change of original ownership for property booked in ledger of investment property and inventory, the ownership name recorded in property ownership certificate is not changed, as is not consistent with the

Valuation Report
No.(2016)0937166

actual name for assessed party.

No	Property Name	Registration No.	Ownership
1	No.2467,Changyang Road	(2005) 000237	Shanghai Electric Group CORP Assets Management Co.,Ltd.
2	No.165, Xiangyin Road	(2013)015778	Shanghai Electric Group CORP Assets Management Co.,Ltd.
3	No.203, Fenzhou Road	(2001) 019840	Shanghai Electric Group CORP Assets Management Co.,Ltd.
4	Room 101 to 103,No.9,Lane 735,Jiangpu Road	(2001) 019836	Shanghai Electric Group CORP Assets Management Co.,Ltd.
5	No.105, Fuzhou Road	(2003) 010861	Shanghai Electric Group CORP Assets Management Co.,Ltd.
6	No.1, Lane 271, Middle Henan Road	(2004) 002454	Shanghai Electric Group CORP Assets Management Co.,Ltd.
7	Room 901, No.170, Middle Jiangxi Road	(2003) 010862	Shanghai Electric Group CORP Assets Management Co.,Ltd.
8	Floor 2 and 3, No.49, Middle Sichuan Road	(2003) 011017	Shanghai Electric Group CORP Assets Management Co.,Ltd.
9	No.89, Fuzhou Road	(2008) 002329	Shanghai Electric Group CORP Assets Management Co.,Ltd.
10	Front Ground Floor,No. 202-204,Huanghe Road	(2003) 010863	Shanghai Electric Group CORP Assets Management Co.,Ltd.
11	No. 3230,Gonghe Xin Road	(2004) 000373	Shanghai Electric Group CORP Assets Management Co.,Ltd.
12	No.51, Wenshui Road	(2008) 015848	Shanghai Electric Group CORP Assets Management Co.,Ltd.
13	No.121, Tiantongan Road	(2005) 000020	Shanghai Electric Group CORP Assets Management Co.,Ltd.
14	No.1406,South Xizang Road	(2005) 000130	Shanghai Electric Group CORP Assets Management Co.,Ltd.
15	West Beijing Road,No.1287	(2004) 000273	Shanghai Electric Group CORP Assets Management Co.,Ltd.
16	No.800,Changde Road	(2006) 003510	Shanghai Electric Group CORP Assets Management Co.,Ltd.
17	No.868, Huyi Highway	(2006) 000065	Shanghai Electric Group CORP Assets Management Co.,Ltd.
18	No. 239-243,Shimen yi Road	(2007) 002783	Shanghai Electric Group CORP Assets Management Co.,Ltd.
19	No.115, Xingfu Village	(2007) 018423	Shanghai Electric Group CORP Assets Management Co.,Ltd.

The above property ownership certificate is not consistent with the actual name for assessed party. The appraisers checked and verified details during site survey. The relevant evidential documents have been collected in order to confirm the ownership of related assets. The flaw issues for related name are not considered for valuation conclusion.

6. As of valuation date, per related documents released from SEGP, the engaged investment property and inventory refers to transfer, transfer without paying transfer fee, authorization, operation and activating land for authorization. The details are as follows:

Valuation Report
No.(2016)0937166

No	Registration No.	Location	Land Property
1	(2005) 000237	No.2467,Changyang Road	Transfer without Paying Transferring Fee
2	(2013) 015778	No.165, Xiangyin Road	Allotted
3	(2015) 054175	No.458, Jumen Road	Transfer without Paying Transferring Fee
4	(2003) 010861	No.105, Fuzhou Road	Transfer for Authorization Operation
5	(2004) 002454	No.1, Lane 271, Middle Henan Road	Perform responsibilities and obligations per land usage agreement for transfer
6	(2003) 010862	Room 901, No.170, Middle Jiangxi Road	Transfer for Authorization Operation
7	(2003) 011017	Floor 2 and 3, No.49, Middle Sichuan Road	Transfer for Authorization Operation
8	(2008) 002329	No.89, Fuzhou Road	Transfer for Authorization Operation
9	(2003) 010863	Front Ground Floor, No. 202-204, Huanghe Road	Transfer for Authorization Operation
10	(2004) 000373	No. 3230, Gonghe Xin Road	Transfer without Paying Transferring Fee
11	(2015) 064599	No.182, Qixin Road	Allotted
12	(2016) 001014	No.400, Xikang Road	Transfer without Paying Transferring Fee
13	(2015)026902	No.12, Lane 250, Yishan Road	Transfer without Paying Transferring Fee
14	(2005) 000130	No.1406, South Xizang Road	Transfer without Paying Transferring Fee
15	(2004) 000273	West Beijing Road, No.1287	Transfer without Paying Transferring Fee
16	(2006) 003510	No.800, Changde Road	Activating land for Authorization
17	(2006) 000065	No.868, Huyi Highway	Allotted
18	(2015) 032284	No.7, Lane 550, Jiangchuan Road	Allotted
19	(2001) 019840	No.203, Fenzhou Road	Perform responsibilities and obligations per land usage agreement for transfer
20	(2001) 019836	Room 101 to 103, No.9, Lane 735, Jiangpu Road	Perform responsibilities and obligations per land usage agreement for transfer

As of issue date of appraisal report, SEGP is carrying out the procedures for the transfer of above Land Use Rights for Item 1 to Item 18.

The valuation conclusion has been reached per transfer property for Land Use Rights during transfer procedures.

Valuation Report
No.(2016)0937166

The transfer fee has been calculated in other payable for liabilities.

7. There are 6 engaged properties for SEGP after site survey by appraisers, as are being or to be removed and relocated.

No.	Property Name	Certificate No.	Performance for Removal and Relocation	Land Property
1	Shimenyi Road No.239-243	(2007)002783	Signed compensation and resettlement agreement of non-residential housing demolition	Transfer
2	Wenshui Road No.51	(2008)015848	Signed Contract of state-owned land purchase and reserve	Transfer without Paying Transferring Fee
3	Tiantongan Road No.465	(2016) 000101	Received Letter for land purchase and reserve	Allotted
4	Tiantongan Road No.121	(2005) 000020	Received Letter for land purchase and reserve	Allotted
5	Tianshui Road No.109	Without Deed	Received Letter for rebuilding homes for old town	Allotted
6	Chenxingzhi Road No.365	Without Deed	Received notification from management office for demolition and relocation	Collective Land without Deed

Including: As for property to be removed of Item 1(No.239-243 Shimenyi Road) and Item 2(No.51,Wenshui Road), SEGP has signed compensation and resettlement agreement of non-residential housing demolition and contract of state-owned land purchase and reserve. The valuation conclusion for above 2 engaged properties has been reached per appointed total prices deducting after cost agreement in consideration of income tax.

As for property to be removed of Item 3 (No.465 Tiantongan Road) and Item 4(No.121 Tiantongan Road), the resettlement agreement has not been signed so far. The valuation conclusion for above 2 engaged properties has been reached per allotted industrial land.

As for property to be removed of Item 5 (No.109, Tianshui Road)and Item 6(No.365, Chenxingzhi Road), the resettlement agreement has not been signed so far.The valuation conclusion for land located on No.109, Tianshui

Valuation Report
No.(2016)0937166

Road has been reached per allotted industrial land. The valuation conclusion for land located on 365, Chenxingzhi Road has been reached per collective industrial land.

8. After survey by appraisers, there is difference between SEGP's property recorded area and actual area.

(1) As for No.7 in inventory, which is located in 91/1 Hills, Chongming Changzheng Farm, the registration No. is (2015) 007376 and the recorded area by property certificate is 10,880 m². There are 7 demolished real estates, the amount of which is 1,281.00 m². The rest area is 9,599 m², as is confirmed for valuation.

(2) As for No.1 in investment property-land, as is located in No.2467, Changyang Road, the recorded area by property certificate is 14,243 m², as was removed and relocated partially. The area for removal and relocation is 749.2 m². The rest area is 13,493.80 m², as is confirmed for valuation.

(3) As for No 76 in investment property-building, as is located in No.1406, South Xizang Road, the recorded area by property certificate is 4,513.01 m², as was removed and relocated partially. The area for removal and relocation is 1,078.70 m². The rest area is 3,434.31 m², as is confirmed for valuation.

(4) As for No 91 in investment property-building, as is located in Huyi Highway, No.868, Building 1, the recorded area by property certificate is 5,838.00 m², as was removed and relocated partially. The area for removal and relocation is 1,064.35 m². The rest area is 4,773.65 m², as is confirmed for valuation.

(5) As for No 78 in investment property-building, as is located in No.800, Changde Road, the recorded area by property certificate is 18,559.00 m², as was removed and relocated partially. The area for 6 buildings of removal and relocation is 1,568.00 m². The rest area is 16,991.00 m², as is confirmed for valuation.

(6) As for No 68 in investment property-building, as is located in Qixin Road, No.182, the recorded area by property certificate is 9,329.00 m². The 4 buildings have been demolished, the area of which amounts to 345.00 m². The rest area is 8,984.00 m², as is confirmed for valuation.

Valuation Report
No.(2016)0937166

9. The flaw issues for investment property and inventory is as follows after site survey by appraisers:

No	Property Name	Flaw Issues	Coverer Area (m ²)
1	No. 365, Chenxinzhi Road	Without Deed	2,653.50
2	No.109,Tianshui Road	Without Deed	3,850.00
3	Industrial Plant located on Hill 1, Neighbour 76, Jinqiao Export Processing Zone	Without Deed (transfer of construction in progress)	18,683.20
	Subtotal		25,186.70

Notes: For No.3, as is located on Industrial Plant located on Hill 1, Neighbour 76, Jinqiao Export Processing Zone, the related land deed has been handled. However, the Shanghai property right certificate for building has not been handled. Per (2015) 081816, the area for construction in progress is 18,683.20m², as is confirmed for property without certificate.

The above flaw issues are not considered for conclusion in valuation report.

10. On Oct. 2016, SEGP signed property management contract with Shanghai Electric Group CORP and Shanghai Gongxin Investment Management Co., Ltd. respectively. By means of income approach, the income forecast is based on the business model that SEGP shall receive trustee fee when contract is taken into effect. May report users have attention.

11. We found no other key items that may influence the valuation conclusion within our proficiencies and abilities of valuation and computation. However, users of the report shall not rely on the report but have independent judgment on property rights, values and influences etc. and take them into consideration when performing economic activity.

12. We are exempt from relating responsibilities and/or obligations in the event that relating parties did not state the special items possibly having impacts on the valuation conclusion during engagement or our fieldwork and those special items usually cannot be acknowledged or collected only with appraisers' professional experiences.

Valuation Report
No.(2016)0937166

13. The report is invalid and the valuation conclusion is untenable in the event that above-mentioned items do have impacts on the valuation conclusion and no adjustment has been made in the report

XIII. Restriction of the Use of the Report

i. The Use Scope of the Report

1. The report is used by the report users exclusively for the purpose stated herein and the necessary investigation by the related government departments;
2. We entitle no any other party with any other use of the report, neither admit any other parties showed or having the report unless both the behavior and the party are approved by us formally. We shall take no responsibility of the abuse of the report without our formal approval;
3. The appendixes and the other formal materials specially provide for the government and administrations have the same legal rights and sanctions as the report.

ii. Validity Period of the Report

1. The valuation conclusion will survive a valid period for one year according to prevailing regulations, i.e. it is valid from Sep. 30th, 2016 to Sep. 29th, 2017.
2. The report is not permitted to use after the deadline.

iii. Special Terms Regarding to Stat-owned Assets

In the event that the report concerning state-owned assets, when it is not formally registered, approved or confirmed by the state-owned assets management branches, the report cannot be regarded as the basis of economic behavior.

iv. The Expositive Right of the Report

The valuation institution that submits the report owns the expositive rights of opinions in the report. No any other party is authorized to expose and/or explain the report unless the party (parties) is/are allowed exposing and/or explaining them by laws and regulations of the state.

This valuation report is written in both Chinese and English. In case there is any discrepancy between the Chinese and English versions of this valuation

Valuation Report
No.(2016)0937166

report, the Chinese version shall prevail.

XIV. The Submission Date of the Report

Nov.14th, 2016 (No text hereinafter in this page)

Valuation Report
No.(2016)0937166

(No Text in this Page)

Valuation Institution

Orient Appraisal Co., Ltd.



The Submission Date of the Report

Nov. 14th, 2016

Address	Floor 19, Pacific Center, No. 889, West Yan An Road, Shanghai, 200050, PRC
Telephone	86-021-52402166 86-021-62252086(Fax)
Website	www.dongzhou.com.cn www.oa-china.com
E-mail	dongzhou@dongzhou.com.cn

Valuation Report
No.(2016)0937166

Valuation Report
(Appendix)

Project Name: Appraisal Report on Total Equity of Shanghai Electric Group Property Co.,Ltd with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0937166

- | No. | Name |
|-----|---|
| 1. | Board approval of Shanghai Electric Group Co., Ltd; |
| 2. | Board approval of Shanghai Electric Group CORP.; |
| 3. | License of Shanghai Electric Group Co., Ltd (Shanghai Electric); |
| 4. | License of Shanghai Electric Group CORP; |
| 5. | License of SEGP ; |
| 6. | Capital verification report of SEGP; |
| 7. | Profoma Audit report for special purpose of SEGP; |
| 8. | Property certificate of SEGP; |
| 9. | Vehicles of license of SEGP ; |
| 10. | Letter of Commitment from the Clients and Concerning Parties; |
| 11. | Engagement Letter; |
| 12. | Business License of Orient Appraisal Co. Ltd.; |
| 13. | License for Undertaking of Securities of Orient Appraisal Co., Ltd.; |
| 14. | Credential of Assets Valuation Qualification of Orient Appraisal Co., Ltd.; |
| 15. | Letter of Commitment from the Valuation Institution and Appraiser; |
| 16. | Assets list and summary sheets. |

The following is the text of the valuation report for the Target Properties dated 14 November 2016 prepared in Chinese by Orient Appraisal Co., Ltd., the qualified PRC valuer. The Chinese text shall prevail over the English text in the event of inconsistency. A1B5(3)

Assets Appraisal Report

(Report)

Vol.1

Project Name: Assets Appraisal Report on Partial Operating Assets owned by Shanghai Electric Group CORP.with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0944196



Orient Appraisal Co., Ltd.

Nov. 14th, 2016

Assets Appraisal Report
(Contents)

Project Name: **Assets Appraisal Report on Partial Operating Assets owned by Shanghai Electric Group CORP.with regard to Shanghai Electric Group Co., Ltd’s Issue Shares for Assets Purchase**

Project Number: **HDZZPBZ No.(2016) 0944196**

I.	OUTLINE OF THE CLIENT AND OTHER REPORT USERS	6
I.	THE CLIENT	6
II.	OTHER REPORT USERS	7
II.	OUTLINE OF THE ASSESSED PARTY.....	8
III.	VALUATION PURPOSE.....	8
IV.	VALUATION SCOPE AND OBJECTS	8
V.	VALUE TYPE AND DEFINITION	11
VI.	THE VALUATION DATE.....	11
VII.	VALUATION BASIS.....	12
I.	ECONOMIC ACTIVITY BASIS	12
II.	MAJOR LEGAL BASIS OR REFERENCE OF RULE & LAW.....	12
III.	EVALUATION CRITERION	12
IV.	PRICING BASIS ADOPTED	13
V.	KEY CONTRACTS, AGREEMENTS AND PROPERTY RIGHT CERTIFICATES.....	14
VI.	OTHER FILES	14
VII.	REFERENCE FROM OTHER APPRAISER COMPANY.....	14
VIII.	VALUATION APPROACHES.....	14
I.	OUTLINE	14
II.	THE APPROACH CHOSEN REASON AND OTHER EXPLANATION.....	14
III.	INTRODUCTION OF ADDITIVE METHOD OF SINGLE ITEM ASSET.....	15
IX.	VALUATION PROCESS	18
X.	PREMISES AND ASSUMPTIONS OF TENABILITY OF THE REPORT.....	19
XI.	VALUATION CONCLUSION	20
I.	OUTLINE	21
XII.	ADDITIONAL DISCLOSURE ITEMS.....	22
XIII.	RESTRICTION OF THE USE OF THE REPORT.....	24
I.	THE USE SCOPE OF THE REPORT	24
II.	VALIDITY PERIOD OF THE REPORT	24
III.	SPECIAL TERMS REGARDING TO STAT-OWNED ASSETS.....	25
IV.	THE EXPOSITIVE RIGHT OF THE REPORT	25
XIV.	THE SUBMISSION DATE OF THE REPORT.....	25
	<i>Files for Reference.....</i>	<i>27</i>

Valuation Report
No.(2016)0944196

Appraisers' Statement

The signing certified appraisers herein state that we observe the principles of independence, objectivity and fairness, abide by the relative laws, regulations and the rules of valuation standards, the contents expressed in this report is objective and we are willing to take the legal responsibility to the legitimacy of the valuation conclusion according to the collected material in our working process.

The assets and liabilities list of valuation objects should be declared and confirmed by the clients and valued parties by sealing on. 'Valuation Standards-General' Article 23 stipulates that the appraisers shall take responsibilities for presenting their professional opinion on the value of the engaged objects as at the valuation date through analysis and computation according to the related laws, regulations and the rules of valuation standards, while the Clients as well as concerning parties shall take responsibilities that they would provide necessary materials and make sure that the materials provided by them are real, legal and complete and also take responsibility for using the report properly.

We have done the scene survey to the valuation objects and the related assets in this report, checked and paid necessary attention on the related legal property rights conditions of the valuation objects, disclosed the discovered problem strictly according to the facts, and submit to the clients and the certain parties to improve it in accordance to satisfy the requirement of submitting the valuation report. 'Valuation Standards-General' Article 24 and 'Attention by Certified Asset Appraisers Toward the Legal Ownership of Appraised Objects Guiding Opinion' stipulate that the Clients as well as concerning parties shall take responsibilities that the materials about legal property right are real, legal and complete. The goal of valuation performed by appraisers is to present their professional opinion on the value of the engaged objects and confirming the legal rights of the objects or putting forth opinions on that is beyond appraisers' work scope. The report does not provide guarantee or certification of legal property rights of the objects.

'Valuation Ethics Code -General' Article 26 stipulates that the report is restricted by professional abilities of the appraisers and the appraisal company. The certified appraisers have the responsibility for warning the report users of understanding and using the report in a proper way and the certified appraisers are exempt from decision-making responsibilities of relevant parties.

The analysis, judgments and conclusion in the report restricted by the assumptions and restriction terms, the report user should fully consider the influence to the valuation conclusion by the assumptions, restriction terms, additional disclosure items and others. 'Valuation Standards-Report' Article 13 stipulates that the report users should read the whole report carefully and pay special attention to the additional disclosure items and the restriction of the use of the report.

Valuation Report
No.(2016)0944196

Assets Appraisal Report

(Abstract)

Project Name: Assets Appraisal Report on Partial Operating Assets owned by Shanghai Electric Group CORP.with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0944196

The Client

Shanghai Electric Group CORP;
Shanghai Electric Group Co., Ltd(hereinafter refers to Shanghai Electric)

Other Report Users

The legal user of the report including the client and the user formulated by State laws and regulations according to the engagement letter.

The Assessed Party

Shanghai Electric Group CORP

Valuation Purpose

Issue Shares for Assets Purchase

The Valuation Date

Sep. 30th, 2016

Valuation Scope and Objects

The valuation object is partial assets portfolio of assessed party.

The valuation scope is related partial property (structures), equipment and land use right with regard to issue shares for assets purchase.

Including: the book value for buildings and structures is RMB 557,138,860.60 yuan; The building area is 404,647.92 m².

The book value for equipment is RMB 27,967,769.27 yuan; There are engaged 981 sets of equipment.

The book value for land use right is RMB 416,619,923.31yuan; There are engaged 26 pieces of lands. The total land area is 772,789.38 m².

The total engaged assets book value is RMB 1,001,726,553.18 Yuan.

Valuation Report
No.(2016)0944196

Value Type

Market Value

Valuation Approach

Additive Method of single item asset. Including:

The industrial buildings (structures) and equipment are assessed per replacement cost method.

The office and commercial real estate are assessed per market approach and income approach, with regard to valuation for property and land together, the valuation conclusion for which is finally per market approach.

The intangible assets –land use right is assessed per Market Approach and land datum value method, the valuation conclusion for which is finally per market approach.

Valuation Conclusion

Through computation, the engaged assets as of valuation date is valued as RMB 2,805,561,340.17 Yuan.

Period Of Validity

The validity lasts for one year since the valuation date, i.e. until 29 Sep. 2017.

Additional Disclosure Items

See special disclosure in valuation report.

Special Notice:

This report can only be used on the engaged purpose. The content above abstracts from the text, you can read the text to know the detail information and get a better understanding of the valuation conclusion of this project.

Valuation Report
No.(2016)0944196

Assets Appraisal Report

(Text)

Notice: The Report can be used exclusively for the purpose engaged and is tenable under engaged conditions. To learn all information of this project, please read the whole report and files for reference carefully.

Shanghai Electric Group CORP and Shanghai Electric Group Co., Ltd:

We have received your engagement to evaluate SHANGHAI ELECTRIC GROUP CORP 's partial operating assets , according to the law, the regulations ,the asset appraisal principle and standards and the necessary evaluation program, through our computation with the Additive Method of single item asset, in purpose of Shanghai Electric Group Co., Ltd 's Issue Shares for Assets Purchase, in purpose of partial operating assets for capital contribution to Shanghai Electric ,in order to offer market value dated Sep. 30th , 2016. The report is as follows:

Project Name: Assets Appraisal Report on Partial Operating Assets owned by Shanghai Electric Group CORP.with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0944196

I. Outline of the Client and Other Report Users

i.The Client

The client1: Shanghai Electric Group CORP.;

Registered Address: No.110, Middle Sichuan Road;

Registered Capital: RMB 7,024,766,000;

Company Type: ownership by the whole people

Legal Representative: Dinan Huang

Business Scope: contractor business for electric engineering project and conglomeration or division of equipment, labor repatriation, investment of property, produce and sale of machinery equipment and relevant products, provide technique consulting or training services to import or export projects, manage state-owned assets in authorized scope, domestic trading (except special restrains) 【special projects shall be conducted after approved by relevant government department】

Company Introduction:

Shanghai Electric Group CORP. is one of the largest equipment manufacturing and conglomeration companies in China. It engages on the relevant project

Valuation Report
No.(2016)0944196

design and it was formally named as Shanghai Electric Union. On 22 Aug 1984, the company was approved by Shanghai government, based on the restructuring of the Shanghai Power Station Equipment Company, where Shanghai Motor Factory, Shanghai Steam Turbine Factory, Shanghai Boiler Factory and Shanghai Power Station Auxiliary Equipment Factory and some other factories has been restructured and had been transferred out from Shanghai Motor Manufacturing Management Bureau. Under the approval of Finance and Commerce Bureau, in 1994, the company changed its name to Shanghai Electric (Group) Corporation

The client 2: Shanghai Electric Group Co., Ltd (Share No. 601727)

Registered Address: Floor.30, No.8, Xinyi Road, Shanghai;

Registered Capital: RMB 12,823,626,660;

Company Type: LLC(Taiwan, Hongkong, Macao and domestic joint venture, listed)

Legal Representative: Dinan Huang

Business Scope: Power station and electronic transfer, conglomeration of motor/electrical equipment, transportation, design, manufacturing, sales and after sales services for environmental device and related equipment. Wholesales, import and export of goods and technology, agency commission service and other packaging services. Contractor for electronic project, conglomeration and division of device/equipment, and technical services.

【special projects shall be conducted after approved by relevant government department】

There are 4 major blocks for main business, which are new energy equipment, efficient and clean energy equipment, industrial equipment and modern service industry.

The client 1: Shanghai Electric Group CORP. is the assessed party.

The client 2: Shanghai Electric Group Co., Ltd is the acquiring party, which issues shares for assets purchase.

ii. Other Report Users

The legal users of the report include the users as agreed in the engagement

Valuation Report
No.(2016)0944196

letter and formulated by State laws and regulations, and the relevant regulatory departments and authorities of the state-owned assets appraisal for economic behavior. Beyond that, any third party has acquired valuation report, who should not be regarded as the report users.

II. Outline of the Assessed Party

The assessed party is Client 1 as of SHANGHAI ELECTRIC GROUP CORP.

III. Valuation Purpose

The purpose of report is to provide a market value reference of related assets as of valuation date, in purpose of Shanghai Electric Group Co., Ltd's Issue Shares for Purchasing Shanghai Electric Group CORP.'s partial operating assets.

The acquired economic behavior document are as flows:

1. Board approval of Shanghai Electric Group Co., Ltd;
2. Board approval of Shanghai Electric Group CORP;

IV. Valuation Scope and Objects

1. The valuation object is partial assets of assessed party.

The valuation scope is related partial property(structures), equipment and land use right with regard to issue shares for assets purchase.

Including: the book value for buildings and structures is RMB 557,138,860.60 yuan; The building area is 404,647.92 m².

The book value for equipment is RMB 27,967,769.27 Yuan; There are engaged 981 sets of equipment.

The book value for land use right is RMB 416,619,923.31 Yuan; There are engaged 26 pieces of lands. The land area is 772,789.38 m².

The total engaged assets book value is RMB 1,001,726,553.18 Yuan.

2. Per declaration list, there are 26 pieces of land in use right booked in intangible assets and 23 engaged Real Estates in fixed assets-buildings, including the details are as follows:

APPENDIX IV VALUATION REPORT FOR TARGET PROPERTIES

Valuation Report
No.(2016)0944196

NO	Original Land Certificate No.	Land Location	Original Land Usage	Land Usage after Compliance	Land area verified by land regulation department M ²	Building area released from enterprise M ²
1	HFDHZ NO.(2012) 001485	NO.110, Middle Sichuan Road	Allocated for Office (Authorized Operation)	Transfer	996.00	6,479.98
2	HFDHZ NO.(2005) 005037	No.10 to 20, Lane 126,Middle Sichuan Road	Transferred for Commercial (Authorized Operation)	Transfer	1,617.00	6,855.36
3	HFDZZ NO.(2003) 030659	No. 3301, Gonghexin Road	Transferred for Industry without Paying Transfer Fee	Transfer	55,776.06	9,920.00
4	HFDZZ NO.(2007) 003983	No.571,North Xizang Road	Transferred for Office	Transfer	851.70	3,223.71
5	HFDZZ NO (2013) 014700	No.191,West Guangzhong Road	Transferred for Industry without Paying Transfer Fee	Transfer	50,217.72	40,533.67
6	HFDZS (2011) NO.027018	No.8, Guangxin Road, Songjiang District	Allocated for Industry	Transfer	59,134.50	23,886.65
7	HFDZS(2006) NO.000014	No.35, Yongfeng Road, Songjiang Town	Allocated for Industry	Transfer	22,658.00	12,192.00
8	HFDZS(2005) NO.000211	No.255, Ledu Road, Songjiang Town	Allocated for Industry	Transfer	35,159.00	14,401.00
9	HFDZS No. (2007) 030739	No.236, North Fangta Road	Transferred for Industry	Transfer	42,946.00	26,608.04
10	HFDZS No. (2006) 010516	No.32, Beinei Road, Zhongshan Street,	Transferred for Industry	Transfer	107,605.00	40,314.00
11-1	HFDJZ (2013) No.017819	No.18, No.28 Changji Road, Anting Town - Original 26/2 hill	Transferred for Industry	Transfer	14,031.00	31,044.58
11-2	HFDJZ (2013) No.017819	No.18, No.28 Changji Road, Anting Town -Original 26/1 hill	Transferred for Industry without Paying Transfer Fee	Transfer	67,381.00	
12	HFDJZ(2003) No.017241	No.950, Huyi Highway ,Nanxiang Town,	Transferred for Industry	Transfer	16,020.60	12,139.24
13	HFDZ (2012) 041546	No.815,West Changjiang Road	Transferred for Industry	Transfer	10,739.90	8,201.82
14	HFDZ (2015) NO.017030	No.1,Lane 4299, Longwu Road,	Allocated for Industry	Transfer	51,599.00	33,273.55
15	HFDZPZ No. (2009) 000345	No.668, Ningqiao Road, Pudong	Transferred for Industry	Transfer	26,411.00	21,327.68

APPENDIX IV VALUATION REPORT FOR TARGET PROPERTIES

Valuation Report
No.(2016)0944196

16	HFDZ (2011) NO.044884	NO. 4399, Yindu Road	Transferred for Industry	Transfer	54,453.90	32,834.24
17	HFDZ (2010) 018654	No.250, Jingu Road	Transferred for Industry	Transfer	28,727.00	15,075.00
18	HFDSZ NO. (2006) 000035	No.1111, Humin Road	Transferred for Industry	Transfer	73,542.00	24,574.32
19	HFYZ NO. (2011) 020582	NO.141, Shijie Road.	Transferred for Industry	Transfer	7,613.00	6,517.00
20	HFDSZ NO.(2005) 000234	NO. 1076,Jungong Road	Allocated for Industry	Transfer	923.00	53.00
21	HFDSZ NO. (2006) 000010	NO.1050,1060 Jungong Road	Transferred for Industry without Paying Transfer Fee	Transfer	20,761.00	17,732.56
22	HFDSZ NO. (2005) 000179	No.1140, Jungong Road (240 Neighbor, 1/4 Hill), Changbai Stree	Transferred for Industry without Paying Transfer Fee	Transfer	3,701.00	17,436.52
23	HFDSZ NO. (2006) 000002	No.1140, Jungong Road (240 Neighbor, 1/5 Hill), Changbai Stree	Transferred for Industry without Paying Transfer Fee	Transfer	9,012.00	
24	HFDSZ NO. (2005) 000183	No.1140, Jungong Road (240 Neighbor, 1/6 Hill), Changbai Stree	Transferred for Industry without Paying Transfer Fee	Transfer	3,851.00	
25	HFDSZ NO. (2006) 000001	No.1140, Jungong Road (240 Neighbor, 1/7 Hill), Changbai Stree	Transferred for Industry without Paying Transfer Fee	Transfer	6,301.00	
26	HFDSZ NO (2004)000254.	No.555, Jiangchuan Road (40 Hill, 22 Neighbor, Jiangchuan Road	Transferred for Industry without Paying Transfer Fee	Transfer	761.00	
Total					772,789.38	404,647.92

(1) The condition for engaged assets:

As of valuation date, the covered area for 26 engaged land use right amounts to 772,789.38 m².

The covered area for above ground engaged property amounts to 404,647.92 m².

(2) Land condition as of valuation date

The original property ownership certificates for engaged assets are complete.

The original land usages in property ownership certificates are Transfer,

Valuation Report
No.(2016)0944196

Transfer without Paying Transfer fee and allotted.

As for transfer land, the normal age limit is adopted for valuation.

As for “Transfer without Paying Transfer fee” and allotted land, the age limit of 20 years are adopted for transfer. (excluding Item 11-2, No.18, No.28, Changji Road, Anting Town-original 26/1 hill; The age limit of 34.5 years are adopted for transfer. The period shall be expired before 18th March 2051)

The 40 years is adopted for transfer with regard to transfer without paying transfer fee and allocated land for commercial.

The 50 years is adopted for transfer with regard to transfer without paying transfer fee and allocated land for office.

3. Per declaration list, there are 981 sets of equipment engaged, which are cranes, elevators, ventilation fans and etc.

4. The book value for partial assets included in valuation scope is released from enterprise management. The data as of valuation date is not audited.

V. Value Type and Definition

Value type herein is market value which is of the estimated most probable price to be realized for the engaged objects in an exchange between a willing buyer or seller, with equity to both, neither being under any compulsion to buy or sell as of the valuation date.

It should be cautioned that the same assets probably have different value in different market. The valuation herein is based on domestic observable market condition and market environment.

The value type we chose herein is based on the elements including valuation purpose, market condition, valuation presumption and the valuation objects.

The assessed value herein refers to the opinion, got through process and approaches illustrated in the report, serving only for the purpose engaged within the valuation scope and under the valuation principles, premises and assumptions.

VI. The Valuation Date

1. The valuation date is set on Sep 30th, 2016.
2. The valuation date is selected with permission of the clients and is after the

Valuation Report
No.(2016)0944196

consideration of the realized valuation purpose and the fiscal year.

3.The selection of the valuation date is in a common way and affected by no factors. The pricing standards of the valuation are based on the effective prices as at the valuation date.

VII. Valuation Basis

i.Economic Activity Basis

1. Board approval of Shanghai Electric Group Co., Ltd;
2. Board approval of Shanghai Electric Group CORP.

ii.Major Legal Basis or Reference of Rule & Law

1. Company Law of the PRC;
2. The law for PRC state-owned enterprises;
3. Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council “the Interim Measures for the State-owned Assets Appraisal Management ”;
4. The state-owned assets evaluation management regulations(NO.14 issued by treasury department);
5. No.32 ,Supervision and Management Measures for State-owned assets;
6. Notice of the relevant questions on strengthening the management of enterprises’ state-owned assets evaluation. (No. 274 issued by SASAC property in 2006);
7. Temporary regulations for State-owned assets’ supervision and management (NO.378 issued by state council in 2003);
8. No.3 Ministry of Finance doc, interim measures on transfer management of state-owned property rights;
9. No.[2006]306, A notice of relevant matters on enterprise state-owned property rights transferring;
- 10.No. [2009]941, A notice of valuation report review as of state owned assets;
- 11.Other laws and regulations.
- 12.Real estate administration law of the People's Republic of China
- 13.Others.

iii.Evaluation Criterion

Valuation Report
No.(2016)0944196

1. Assets appraisal -Basic Standards;
2. Assets appraisal ethical principles- Basic Principles;
3. Assets appraisal ethical principles-Independence;
4. Assets appraisal standards-Valuation Report;
5. Assets appraisal standard-Valuation Process;
6. Assets appraisal standard-Working Paper;
7. Assets appraisal standard-Engagement Letter;
8. Assets appraisal standard-Equipment;
9. Assets appraisal standard-Property;
10. Guiding Opinions on types of value;
11. Guiding Opinions about CPV 's focus on Evaluation objects for legal ownership;
12. Guiding Opinions on valuation report for state-owned assets;
13. Quality control guide for Evaluation institutions;
14. Experts Operation Tips for asset appraisal-report disclosure for listed companies' major assets restructuring;
15. Assets evaluation professional code of ethics-Independence;
16. ASBE issued by NO.33 Decree of the Ministry of Finance;
17. Code for appraisal of real estate(national standard GB/T50291-2015);
18. Benchmark premium on the valuation of urban land(national standard GB/T18508-2014);
19. Other laws and regulations.

iv.Pricing Basis Adopted

1. Manual for the latest assets evaluation data and parameters (China Statistical Publishing House);
2. Quoted Price Pamphlet about machinery equipment (China Machine PRESS) ;
3. Construction project of cost estimation indicators and application analysis;
4. The budget ration for Shanghai construction engineering (2000);
5. The pricing information for raw material released from <http://www.ciac.sh.cn>;
6. <http://www.shgtj.gov.cn/>;

Valuation Report
No.(2016)0944196

7. The update project report for benchmark land price (Shanghai 2013);
8. The related website for real estate ;
9. Statistical information from Orient Appraisal Co., Ltd.;
10. Others.

v.Key Contracts, Agreements and Property Right Certificates

1. Property registration;
2. Other related certification documents.

vi.Other Files

1. Financial statements of the valuation date, books and vouchers furnished by the party in question;
2. Assets lists with book values provided by the party in question;
3. Technical statistics of Orient;
4. Others.

vii.Reference from other appraiser company

1. None.

VIII. Valuation Approaches

i.Outline

There are 3 Approaches of valuation, which are Cost Approach, Income Approach and Market Approach.

①The Cost Approach is also called Assets-based Approach. The valuation conclusion for net assets has been reached based on deducting assessed liabilities from sum of the assessed assets.

②The Income Approach refers to discount or capitalize future income per appropriate discounting rate in order to reach the valuation conclusion.

③The Market Approach refers to make comparisons between valuation object and enterprise reference, enterprise which has deal cases in market, shareholders' equity, securities and other equity assets in order to reach valuation conclusion by adjustment and revise.

ii.The chosen reason and other explanation

The valuation object refers to partial assets portfolio of assessed party, which can not generate income separately.

There are no similar deal cases for assets portfolio in market. Thus, it is not appropriate to adopt income approach and market approach. The cost

Valuation Report
No.(2016)0944196

approach is adopted.

Additive Method of single item asset is adopted. Including:

The industrial buildings (structures) and equipment are assessed per replacement cost method.

The office and commercial real estate are assessed per market approach and income approach, with regard to valuation for property and land together, the valuation conclusion for which is finally per market approach.

The intangible assets -land use right is assessed per Market Approach and land datum value method, the valuation conclusion for which is finally per market approach.

iii.Introduction of Per practical situation for engaged single item asset, the assessed value has
Additive Method of been reached per sum of the appraisal for single item asset respectively by
single item means of appropriate method.
asset

Fixed assets- The engaged properties refer to production building, structures, office
buildings buildings and etc.

1. As for production buildings and structures, the replacement cost method is adopted per replacement full cost and depreciation rate for valuation conclusion.

(1) The re-write budget method is adopted for replacement full cost of building and structures, which are confirmed by construction cost, up-front fees, management fees and capital cost comprehensively.

“The revised method for unit price” is adopted for other building and structures.

Per price of construction and installation for related property released from related department or valuation example, the replacement unit price per unit area (or length)is confirmed by revised related fee.

(2) The depreciation rate is confirmed for weighted average with years method and points approach.

Per checking construction quality, main building, maintenance structure, water facility, decoration and etc. for repair condition, the appraisers confirmed depreciation rate comprehensively, according to “evaluation

Valuation Report
No.(2016)0944196

criteria for the damaged degree of building” by National Ministry of Construction and No.(1992)349 “different years limit for different structure and usage for buildings” by Ministry of Construction & Ministry of Finance.

2. As for office buildings, the market approach and income approach are adopted, and the valuation conclusion has been reached finally per market approach.

(1) The market comparison approach refers to selecting the several transaction cases of land which has the same condition and right of use as the assessed land on fixed market conditions.

We make a comparison between the land of transaction case and the assessed land for transaction condition, transaction date, area conditions and individual conditions. Meanwhile, we shall make an amendment for the transaction cases in order to reach the valuation conclusion of the assessed land.

Basic formular:

Engaged object value= comparable deal case price× correction factor for deal condition ×correction factor for market condition ×correction factor for real estate condition

(2)The income approach is a general method for real estate valuation.

The valuation conclusion has been reached per sum of discounting the normal future income for valuaion object back to valuation date per appropriate discounting rate and income multiplier.

Formular:
$$P = \sum_{i=1}^n \frac{Fi}{(1 + r)^i}$$

Including:

P: assessed value(discounted value);

R: adopted discounting rate;

N:income period;

Fi: estimated annual income in future income period;(PS: calculate annual income per income period of calendar year;)

Fi= rental income- yearly operating cost

Fixed
Assets-equipment

As for equipments, Replacement Cost Approach is adopted per practical situation and valuation purpose.

Valuation Report
No.(2016)0944196

1. The method for normal use equipment:

The basic formular per cost method:

The value of equipments= replacement full price × comprehensive depreciation rate

(1) replacement full price:

The purchased price of equipment is acquired by website and market enquiry. Different reasonable fee such as freight fee and installation expenses are considered.

As for some equipment, the enquiry price of which cant be acquired, the valuation conclusion has been reached per substitution principle. The replacement full price is confirmed by similar equipment price and reasonable fee.

Namely:

Replacement total price= replacement current price×(1+ rate of freight and installation fee)+other reasonable fee-VAT

(2)Comprehensive depreciation rate

The formular:Comprehensive depreciation rate= theoretic depreciation rate × adjustment coefficient K

Including:

Theoretic depreciation rate = remaining useful years ÷ (used service years + remaining useful years) × 100%

(3) Assessed value:

The value of equipments= replacement full price × comprehensive depreciation rate

2. The method for unused and discarded equipment

Per machinery weight, the assessed value has been reached per recovery price of market waste and old materials deducting clearing expense.

The VAT is not included for replacement full price of equipment.

Intangible assets-Land

The engaged land refers to industry, office and commercial.

Per valuation purpose and actual condition, the market comparison approach and land datum value method are adopted for industrial land.

With regard to valuation for property and land together, the office and commercial land are not assessed separately.

Valuation Report
No.(2016)0944196

1. The market comparison approach refers to selecting the several transaction cases of land which has the same condition and right of use as the assessed land on fixed market conditions.

We make a comparison between the land of transaction case and the assessed land for transaction condition, transaction date, area conditions and individual conditions. Meanwhile, we shall make an amendment for the transaction cases in order to reach the valuation conclusion of the assessed land.

2. Revised method for benchmark land price:

The land datum value method is based on standard level of land price. The regional factor and individual factor, as influence the land price, are adjusted per different uses, in order to reach the valuation conclusion of the assessed land.

Formular per land datum value method:

Assessed value for land=benchmark land price× (1+ correction factor for deal condition) × (1+ correction factor for date) × (1+ factor revision coefficient) × correction factor for floor area ratio × correction factor for service life

IX. Valuation Process

According to relevant state regulations and principles on appraisal, we performed appraisal and ownership verification on the assets within the scope and conducted necessary due diligence on the operation and management status of the appraised party. The process is as follows:

1. Communicated with the client and appraisal object; Interviewed the staff of company, to better understand its profile, history and current status of assets entrusted for appraisal; to further understand the appraisal purpose, scope and object; set up valuation date, signed the letter of engagement and drafted the appraisal proposal.

2. Mentored the company to fill in the assets appraisal declaration form.

3. Conducted site survey, including the check of the non-physical assets, mainly by reviewing the original accounting documents and letters, and inspecting the formation of creditor's rights and debts and the authenticity of the book value; and the check of the physical assets, mainly by viewing, taking pictures for and recording the assets and their conditions on site, while collecting the ownership

Valuation Report
No.(2016)0944196

certificates of the assets entrusted for appraisal and reviewing such materials as the machinery operation, maintenance and accident records. And interviewed people in charge of the assets management to understand the operation and management of the assets.

4. Supplemented and completed the assets appraisal declaration form after checking the financial records and data and site survey.

5. Evaluated and estimated. The appraisers selected the appropriate appraisal approaches according to the appraisal object, type of value and collection of relevant materials; made preliminary appraisal conclusion with calculation and judgement after choosing the corresponding model and formula and analyzing reasons for changes of various indicators, analyzed the preliminary conclusions reached by different appraisal approaches, and then finally determined the appraisal conclusion by comprehensively evaluating the reasonability of different appraisal approaches and preliminary appraisal conclusions and the quality and quantity of data used.

6. The appraisers discussed with other intermediaries to confirm there was no overlapping and missing appraisal scope in order to release draft report and appraisal conclusion;

7. After three-grade reviewing, submitted the report to the client and the appraised party and discussed with them thereon; revised and completed the report after exchanging opinions with the client and submitted the formal appraisal report.

X. Premises and Assumptions of Tenability of the Report

A Basic Assumptions

1. Open-market hypothesis: Open-market refers to fully developed and perfect market condition, which has willing buyers and willing sellers in volunteer competitive market. In this market, willing buyer and willing seller, who have opportunity and time for enough market information from each other, remain equal position. The transaction between buyers and sellers is based on the condition that the parties had each acted voluntarily, sensibly without compulsion or limitation.

2. Continuous use hypothesis: First, the hypothesis is assumed that the assessed assets are for normal use, including the assets in-use and for backup; Besides,

Valuation Report
No.(2016)0944196

it is assumed that the assets in-use sustain its continuous use per the related data and information. Continuous use hypothesis not only refers to market condition or environment but also focuses on the continuous situation for assets.

3. Continuous operation hypothesis: The report is based on the assumption that the company shall be capable of continuous and legal operation, which shall not be close up for different reasons in the near future, with the existing assets and resource condition.

B Specific Assumptions

1. Unless specifically stated herein, the report is based on the assumption that there is no other existing or potential abnormal factor such as mortgage, guarantee and special transaction mode that shall affect the appraisal conclusion.

2. There is no significant change to the existing laws and regulations, industrial policy, national macroeconomic situation, as well as the political, economic and social environment at the place where the appraisal object is located. Meanwhile, the report is based on the assumption that there are no other force majeure events and unforeseeable factors which shall cause significant adverse effects.

3. There is no significant change to the tax policy and tax rate adopted by the appraisal object. The credit policy, interest rate and exchange rate remain basically stable.

4. The type of value has been confirmed as the market value as per the appraisal purpose. Any pricing standard adopted for this appraisal is based on the valid pricing standard and system as at the valuation date.

The valuation conclusion has been reached per condition of valuation object on valuation date, valuation assumptions and restricted condition. The valuation assumes that the premises are valid on valuation date, according to the valuation requirements. The valuation conclusion is usually untenable and the report is invalid in case of changes of forgoing economic environments.

We are exempt from relevant responsibilities of changes for assumptions which may deduce different valuation conclusion.

XI. Valuation Conclusion

APPENDIX IV VALUATION REPORT FOR TARGET PROPERTIES

Valuation Report
No.(2016)0944196

i.Outline According to relevant laws, regulations and standards for assets appraisal, abiding by the principles of independence, objectiveness and fairness, we appraised the market value of the assessed party as of valuation date per necessary appraisal procedures, per Additive Method of single item asset and made the conclusion per as follow:

1. Through computation by means of Additive Method of single item asset, the engaged assets as of valuation date is valued as RMB 2,805,561,340.17 Yuan.

Including:

The buildings engaged in net book value amounts to RMB 557,138,860.60, while assessed value amounts to RMB 1,181,684,210.57, with increase of RMB 624,545,349.97 and increase rate of 112.10%.

The equipment engaged in book value amounts to RMB 27,967,769.27, while assessed value amounts to RMB 26,721,226.00, with increase of RMB -1,246,543.27 and increase rate of -4.46%.

The intangible assets-land use right engaged in book value amounts to RMB 416,619,923.31, while assessed value amounts to RMB 1,597,155,903.60, with increase of RMB 1,180,535,980.29 and increase rate of 283.36%.

The valuation conclusion and details are shown as follows.

Valuation Sheet

Valuation date: Sep 30 2016

Unit: **RMB '0000**

Item	Book Value	Assessed value	Increase	Increase rate %
Fixed Assets-buildings	55,713.88	118,168.42	62,454.54	112.10
Fixed Assets- equipment	2,796.78	2,672.12	-124.66	-4.46
Intangible assets-land use right	41,661.99	159,715.59	118,053.60	283.36
Total	100,172.65	280,556.13	180,383.48	180.07

The reason for appreciation and depreciation of assets are as follows:

(1) The net book value for Fixed Assets-buildings is RMB 557.1388 million, while the assessed value is RMB 1,181.6842 million , with increase of RMB 624.5454 million and increase rate of 112.10%.

The major reason for appreciation is that the production property was established in earlier time. However, the current construction material price, labor and machinery expenses have been increased hugely compared with that

Valuation Report
No.(2016)0944196

of latest years.

Meanwhile, the office buildings reflect objective market value as of valuation date. Shanghai real estate market in latest years remains rising momentum.

There are some real estates having objects but no book value which contribute to the appreciation.

(2) The net book value for Fixed Assets-equipment is RMB 27.9678 million, while the assessed value is RMB 26.7212 million , with increase of RMB -1.2466 million and increase rate of -4.46%.

In latest years, the machinery has upgraded very quickly and the market price slumped , as contributes to the depreciation.

(3) The book value for Intangible assets-land use right is RMB 416.6199 million, while the assessed value is RMB 1,597.1559 million , with increase of RMB 1,180.5360 million and increase rate of 283.36%.

The major reason for appreciation is that the meaning of land use right in book is the lower payment for land's being transferred without paying transfer fee. Thus, the acquired land cost is so low. The assessed value for land use right is confirmed by market value as of valuation date. The current land market value is much higher than the acquired cost during period of land's being transferred without paying transfer fee.

Through computation, the engaged assets as of valuation date is valued as RMB 2,805,561,340.17 Yuan.

XII. Additional Disclosure Items

The report users shall pay attention to the additional disclosure items which would probably have impacts on the valuation conclusion.

1. In the event that the assets change in quantity and pricing benchmark, the valuation conclusion shall be adjusted with the original valuation approach;
2. We are exempt from relevant responsibilities of legality, integrity and authenticity of such materials reaching us as the resolutions of the management, the Business Licenses, property right certificates, vouchers and / or files submitted by other intermediaries.
3. The 26 sets of land refer to Transfer, Transfer without Paying Transfer fee and allotted.

Valuation Report
No.(2016)0944196

(1)As for transfer land, the valuation has been reached per regulated years released from property right certificate.

(2) As for industry “Transfer without Paying Transfer fee” and allotted land, the age limit of 20 years are adopted for transfer.(excluding No.18, No.28, Changji Road, Anting Town-original 26/1 hill; The age limit of 34.5 years are adopted for transfer. The period shall be expired before 18th March 2051)

(3)The 40 years is adopted for transfer with regard to transfer without paying transfer fee and allocated land for commercial.

(4)The 50 years is adopted for transfer with regard to transfer without paying transfer fee and allocated land for office.

4. As for engaged 26 sets of land:

①For the Land, located on No.950, Huyi Highway, Nanxiang Town, the covered area for demolition and relocation is 80.4 m². The original land area is 16101 m² per land deed. The actual land area is 16,020.6 m².

Thus, the assessed value for above land is confirmed by 16,020.6 m².

②For the Land, located on No.3301, Gonghexin Road, the original land area per deed is 68336 m², the partial of which are for purchase and storage by Land Development Center in Jinan District .

The actual land area is 55776.06 m². Thus, the assessed value for above land is confirmed by 55776.06 m².

③For the Land, located on No.191, West Guangzhong Road, the original land area per deed is 65237 m², the partial of which are for purchase and storage by Land Development Center in Jinan District .

The actual land area is 50217.72m². Thus, the assessed value for above land is confirmed by 50217.72m².

As for other 23 lands, the covered land area is confirmed by property right certificate released from enterprise. If rechecked property and land area is different from the declared area by authoritative department after valuation date, there should be related adjustment.

5. As for engaged transfer without paying transfer fee and allocated land, the original owner of Shanghai Electric Group CORP is handling the payment for related land transfer fee. Thus, the valuation conclusion is all based on transfer land. The related liability for transfer fee is not considered for engaged assets.

6.The property located on No.10-20, Lane 126, Middle Sichuan Road was assets

Valuation Report
No.(2016)0944196

exchange between Bailian Group Co., LTD and Shanghai Electric Group CORP. The ownership registered in property right certificate was Bailian Group Co., LTD. without changing name. The actual ownership should be Shanghai Electric Group CORP.

7. The assessed value refers to market value without VAT.

8. We found no other key items that may influence the valuation conclusion within our proficiencies and abilities of valuation and computation. However, users of the report shall not rely on the report but have independent judgment on property rights, values and influences etc. and take them into consideration when performing economic activity.

9. We are exempt from relating responsibilities and/or obligations in the event that relating parties did not state the special items possibly having impacts on the valuation conclusion during engagement or our fieldwork and those special items usually cannot be acknowledged or collected only with appraisers' professional experiences.

10. The report is invalid and the valuation conclusion is untenable in the event that above-mentioned items do have impacts on the valuation conclusion and no adjustment has been made in the report

XIII. Restriction of the Use of the Report

i. The Use Scope of the Report

1. The report is used by the report users exclusively for the purpose stated herein and the necessary investigation by the related government departments;
2. We entitle no any other party with any other use of the report, neither admit any other parties showed or having the report unless both the behavior and the party are approved by us formally. We shall take no responsibility of the abuse of the report without our formal approval;
3. The appendixes and the other formal materials specially provide for the government and administrations have the same legal rights and sanctions as the report.

ii. Validity Period of the Report

1. The valuation conclusion will survive a valid period for one year according

Valuation Report
No.(2016)0944196

to prevailing regulations, i.e. it is valid from Sep. 30th, 2016 to Sep. 29th, 2017.

2.The report is not permitted to use after the deadline.

iii.Special Terms Regarding to Stat-owned Assets

In the event that the report concerning state-owned assets, when it is not formally registered, approved or confirmed by the state-owned assets management branches, the report cannot be regarded as the basis of economic behavior.

iv.The Expositive Right of the Report

The valuation institution that submits the report owns the expositive rights of opinions in the report. No any other party is authorized to expose and/or explain the report unless the party (parties) is/are allowed exposing and/or explaining them by laws and regulations of the state.

This valuation report is written in both Chinese and English. In case there is any discrepancy between the Chinese and English versions of this valuation report, the Chinese version shall prevail.

XIV. The Submission Date of the Report

Nov. 14th, 2016 (No text hereinafter in this page)

APPENDIX IV VALUATION REPORT FOR TARGET PROPERTIES

Valuation Report
No.(2016)0944196

(No Text in this Page)

Valuation Institution

Orient Appraisal Co., Ltd.



The Submission Date of the Report

Nov. 14th, 2016

Address	Floor 19, Pacific Center, No. 889, West Yan An Road, Shanghai, 200050, PRC
Telephone	86-021-52402166 86-021-62252086(Fax)
Website	www.dongzhou.com.cn www.oca-china.com
E-mail	dongzhou@dongzhou.com.cn

Valuation Report
No.(2016)0944196

Assets Appraisal Report

(Appendix)

Project Name: Assets Appraisal Report on Partial Operating Assets owned by Shanghai Electric Group CORP.with regard to Shanghai Electric Group Co., Ltd's Issue Shares for Assets Purchase

Project Number: HDZZPBZ No.(2016) 0944196

- | No. | Name |
|-----|---|
| 1. | Board approval of Shanghai Electric Group CORP.; |
| 2. | Board approval of Shanghai Electric Group Co., Ltd; |
| 3. | License of Shanghai Electric Group Co., Ltd (Shanghai Electric); |
| 4. | License of Shanghai Electric Group CORP; |
| 5. | Property right certificate of Shanghai Electric Group CORP.; |
| 6. | Letter of Commitment from the Clients and Concerning Parties; |
| 7. | Engagement Letter; |
| 8. | Business License of Orient Appraisal Co. Ltd.; |
| 9. | License for Undertaking of Securities of Orient Appraisal Co., Ltd.; |
| 10. | Credential of Assets Valuation Qualification of Orient Appraisal Co., Ltd.; |
| 11. | Letter of Commitment from the Valuation Institution and Appraiser; |
| 12. | Assets list and summary sheets. |

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the share capital of the Company was as follows:

	Number of Shares <i>(ten thousand shares)</i>	% to the existing total issued share capital of the Company
SEC (A Share)	757,691.70	56.41%
SEC (H Share)	22,933.40	1.71%
Public (A Share + H Share)	562,490.54	41.88%
Total	1,343,115.64	100.00%

3. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advice contained in this circular:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO
PricewaterhouseCoopers Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Certified Public Accountant Qualified Independent Professional Valuer
Orient Appraisal Co., Ltd.	Qualified PRC Valuer
Llinks Law Offices	Legal Advisor as to PRC Law

As at the Latest Practicable Date, the above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their reports or letters and/or references in the form and context in which they are included.

As at the Latest Practicable Date, each of the experts above neither had any shareholding in any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited annual financial statements of the Company were made up.

4. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited annual financial statements of the Company were made up.

5. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

6. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited annual financial statements of the Company were made up.

Except Mr. Huang Dinan's, Mr. Zheng Jianhua's and Mr. Li Jianjin's positions in SEC Group and its associates, none of the Directors or Supervisors has material interests in any contract or arrangement which has been entered by any member of the Group since 31 December 2015, being the date to which the latest published audited annual financial statements of the Company were made up, was subsisting as at the Latest Practicable Date and significant in relation to the business of the Group.

As at the Latest Practicable Date, the Directors, Supervisors or chief executive(s) of the Company had the following interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions adopted by the Company:

Name	Type of interest	Class of shares	Number of shares held
Chief Information Officer Li Jing	Personal	A Shares of the Company	2,996

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions adopted by the Company.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and any of their associate(s) had interest in a business which competes or may compete with the business of the Group, or may have any conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 28th Floor, Jardine House, Central, Hong Kong during normal business hours from the date of this circular up to 10 April 2017 (both days inclusive):

- 1) Acquisition Agreement;
- 2) Share Subscription Agreements;
- 3) Profit Compensation Agreement;

- 4) Letter from the Independent Board Committee;
- 5) Letter from the Independent Financial Adviser;
- 6) Valuation report on total equity of Thales Saic dated 14 November 2016 prepared by Orient Appraisal Co., Ltd. with the document number of HDZZPBZ No. [2016] 0930348;
- 7) Valuation report on total equity of SEC Property dated 14 November 2016 prepared by Orient Appraisal Co., Ltd. with the document number of HDZZPBZ No. [2016] 0937166;
- 8) Valuation report for Target Properties dated 14 November 2016 prepared by Orient Appraisal Co., Ltd. with the document number of HDZZPBZ No. [2016] 0944196;
- 9) Audit report for the consolidated financial statements of Shanghai Prime and its subsidiaries for the two years ended 31 December 2016 dated 17 March 2017 prepared Deloitte Touche Tohmatsu LLP with the document number of De Shi Bao (Shen) Zi [17] S00055;
- 10) Audit report of the consolidated financial statements of Thales Saic and its subsidiaries for the two years ended 31 December 2016 dated 17 March 2017 prepared by PricewaterhouseCoopers Zhong Tian LLP with the document number of PWC Zhongtian 2017 No. 0620;
- 11) Audit report of the pro forma financial statements of SEC Property (stand-alone) for the two years ended 31 December 2016 dated 17 March 2017 prepared by Baker Tilly China Certified Public Accountants with the document number of Baker Tilly China [2017] No. 5326;
- 12) Review report of the pro forma consolidated financial statements of the Company for the year ended 31 December 2016 dated 17 March 2017 prepared by PricewaterhouseCoopers Zhong Tian LLP with the document number of PWC ZT Yue Zi [2017] No. [001];
- 13) Property valuation report of the Target Properties and SEC Property dated 23 March 2017 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited; and
- 14) The letter of consent from the experts referred to in the paragraph headed “EXPERTS AND CONSENTS” in this Appendix.