

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*



## **SHANGHAI ELECTRIC GROUP COMPANY LIMITED**

**上海電氣集團股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock code: 02727)**

### **ANNOUNCEMENT**

#### **REVISION OF THE 2009 ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTION UNDER THE MITSUBISHI FRAMEWORK PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 25 April 2008 in connection with, inter alia, the Mitsubishi Framework Purchase Agreement between SMEC and MESMEE.

Due to the estimated expansion in operation and business growth of the Group, the economic outlook of the PRC, and internal assumptions of demand and operating conditions, the aggregate purchases from MESMEE by SMEC in the financial year ending 31 December 2009 are projected to be higher than that envisaged at the time of entering into the Mitsubishi Framework Purchase Agreement. The Company has revised the annual cap on the aggregate purchases from MESMEE by SMEC under the Mitsubishi Framework Purchase Agreement for the financial year ending 31 December 2009 to RMB750 million.

As the applicable percentage ratios calculated with reference to the annual caps under the Mitsubishi Framework Purchase Agreement after the revision exceed 0.1% but are below 2.5% on annual basis for the three financial years ended 31 December 2010, the revision of the annual cap is subject to the announcement and reporting requirements, but are exempt from the independent shareholders' approval requirements under the Listing Rules.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 25 April 2008 in connection with, inter alia, the Mitsubishi Framework Purchase Agreement between SMEC and MESMEE.

MESMEE is a Sino-foreign equity joint venture established in the PRC and is held as to 40% by Shanghai Mechanical & Electrical Industry Co. Ltd (上海機電股份有限公司), a 47.28% owned subsidiary of the Company, 40% by Mitsubishi Electric and 20% by Mitsubishi Electric Building Techno-service Co., Ltd. (三菱電機大樓技術服務株式會社), a wholly owned subsidiary of Mitsubishi Electric.

As the Company planned to purchase elevators manufactured by MESMEE to be used in the projects of the Group as well as to resell these elevators, the Mitsubishi Framework Purchase Agreement was entered between SMEC and MESMEE on 25 April 2008. The original annual caps of the estimated purchases of elevators, related components and services from MESMEE for the three separate calendar years 2008, 2009 and 2010 are RMB250 million, RMB550 million and RMB 800 million respectively.

### **REVISION OF THE 2009 ANNUAL CAP**

The Company has revised the annual cap on the aggregate purchases from MESMEE by SMEC under the Mitsubishi Framework Purchase Agreement for the financial year ending 31 December 2009 from RMB550 million to RMB750 million.

Due to the estimated expansion in operation and business growth of the Group, the economic outlook of the PRC, and internal assumptions of demand and operating conditions, the level of the aggregate purchases from MESMEE by SMEC in the financial year ending 31 December 2009 is projected to be higher than that envisaged at the time of entering into the Mitsubishi Framework Purchase Agreement.

The revision of the annual cap for the financial year ending 31 December 2009 is based on the past transaction figures and the projected increase in purchase (both in quantity and range of products) of elevators to be used in SMEC's projects and taking into account the reasons set out above.

### **REASONS FOR, AND BENEFITS OF THE MITSUBISHI FRAMEWORK PURCHASE AGREEMENT**

Mitsubishi Electric is one of the leading international manufacturers of elevator equipment and components. The Group has established MESMEE with Mitsubishi Electric to design, manufacture, sell and service world-class variety of elevators and elevator component products. As a result, the Company would benefit from higher quality products at lower cost of manufacturing in the PRC.

The Directors (including the independent non-executive directors of the Company) believe that the revision of the annual cap for the Mitsubishi Framework Purchase Agreement is on normal commercial terms, in the ordinary and usual course of the business of the Company, fair and reasonable and in the interests of the shareholders of the Company as a whole.

### **LISTING RULES IMPLICATION**

As Mitsubishi Electric holds 32% of the equity interests of SMEC, a subsidiary of the Company, Mitsubishi Electric is a substantial shareholder of SMEC under the Listing Rules, and Mitsubishi Electric and its associates are each regarded under the Listing Rules as a connected person. Therefore the Mitsubishi Framework Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios calculated with reference to the revised annual caps under the Mitsubishi Framework Purchase Agreement exceed 0.1% but are below 2.5% on annual basis for the three financial years ending 31 December 2010, the revision of the annual caps is subject to the announcement and reporting requirements, but are exempt from the independent shareholders' approval requirements under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following means:

- “Company” Shanghai Electric Group Company Limited, a joint stock company incorporated in the People’s Republic of China with limited liability, whose H shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 02727) and A shares are listed on the Shanghai Stock Exchange (stock code: 601727);
- “connected person” has the meaning ascribed to it by the Listing Rules;
- “Group” the Company and its subsidiaries;
- “Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- “MESMEE” Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co. Ltd. (三菱電機上海機電電梯有限公司), a Sino-foreign equity joint venture established in the PRC, 40% of which is owned by Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司), a 47.28% owned subsidiary of the Company, 40% of which is owned by Mitsubishi Electric and 20% of which is owned by Mitsubishi Electric Building Techno-service Co., Ltd.(三菱電機大樓技術服務株式會社), a wholly owned subsidiary of Mitsubishi Electric;
- “Mitsubishi Electric” Mitsubishi Electric Corporation (三菱電機株式會社), a substantial shareholder of MESMEE, which holds 40% of the equity interests of MESMEE and 32% of the equity interests of SMEC;

“Mitsubishi Framework Purchase Agreement”	the framework purchase agreement between SMEC and MESMEE dated 25 April 2008 for the purchase of elevators and components from MESMEE;
“percentage ratios”	has the meaning ascribed to it by the Listing Rules;
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SMEC”	Shanghai Mitsubishi Elevator Co. Ltd. (上海三菱電梯有限公司), a 52% owned subsidiary of Shanghai Mechanical & Electrical Industry Co. Ltd (上海機電股份有限公司), which in turn is a 47.28% owned subsidiary of the Company;
“subsidiary”	has the meaning ascribed to it by the Listing Rules; and
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules.

By order of the Board  
**Shanghai Electric Group Company Limited**  
**Xu Jianguo**  
*Chairman of the Board*

Shanghai, the PRC, 29 December 2009

*As at the date of this announcement, the executive directors of the Company are Mr. XU Jianguo, Mr. HUANG Dinan, Mr. ZHANG Suxin and Mr. YU Yingui; the non-executive directors of the Company are Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Mr. ZHU Sendi, Dr. CHEUNG Wai Bun and Mr. LEI Huai Chin.*

*\* For identification purpose only*