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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

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

(Stock code: 02727)

CONNECTED TRANSACTION

REAL ESTATE ACQUISITION AGREEMENT

The Board hereby announces that, on 29 March 2018, the Board of the Company approved the resolution for SEC Property, a wholly-owned subsidiary of the Company, to enter into the Real Estate Acquisition Agreement with Electric Machine Tools. Pursuant to the Real Estate Acquisition Agreement, SEC Property agrees to purchase Huai'an Road Property at a total consideration of RMB105 million.

LISTING RULES IMPLICATIONS

SEC is the controlling shareholder of the Company holding approximately 61% equity interest in the total issued share capital of the Company as of the date of this announcement. Electric Machine Tools is a wholly-owned subsidiary of SEC and is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Therefore, the Real Estate Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Real Estate Acquisition Agreement is more than 0.1% but all percentage ratios are less than 5%, the Real Estate Acquisition Agreement and the transactions contemplated thereunder are therefore subject to reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board hereby announces that, on 29 March 2018, the Board of the Company approved the resolution for SEC Property, a wholly-owned subsidiary of the Company, to enter into the Real Estate Acquisition Agreement with Shanghai Electric Machine Tools Complete Engineering Co., Ltd. (上海電氣機床成套工程有限公司) (“Electric Machine Tools”). Pursuant to the Real Estate Acquisition Agreement, SEC Property agrees to purchase Huai'an Road Property at a total consideration of RMB105 million.

PRINCIPAL TERMS OF REAL ESTATE ACQUISITION AGREEMENT

The principal terms of the Real Estate Acquisition Agreement are summarised as follows:

Parties

- (1) SEC Property, as the purchaser; and
- (2) Electric Machine Tools, as the vendor

Transaction subject

Details about Huai'an Road Property, the subject of the Real Estate Acquisition Agreement, are summarized as follows:

Name:	Huai'an Road Property
Real estate title certificate No.:	Hu (2017) Jing Zi Bu Dong Chan Quan No. 007892
Location:	Block 2-11, No. 681 Huai'an Road, Jing'an District etc.
Land area (m ²):	5,666
Floor area (m ²):	10,233
Land nature:	Acquired
Land use:	Industrial
Source of land use rights:	Acquired
Appraisal value on 31 December 2017 (RMB):	102,947,500

Subject matter:

SEC Property agrees to purchase and Electric Machine Tools agrees to sell Huai'an Road Property.

Consideration and basis of consideration:

The total consideration on the acquisition of Huai'an Road Property is determined with reference to the appraised value of RMB102,947,500 on 31 December 2017 and the total acquisition consideration is RMB105 million.

The acquisition of Huai'an Road Property will be financed by SEC Property's own funds.

Electric Machine Tools obtained Huai'an Road Property at the cost of RMB29.12 million.

Payment terms

SEC Property shall pay RMB105 million to Electric Machine Tools in cash within 30 days after the Real Estate Acquisition Agreement is entered into.

Security

The Company does not have to provide any guarantees for the transactions contemplated under the Real Estate Acquisition Agreement.

Conditions precedent:

The Real Estate Acquisition Agreement will become effective only when all of the following conditions have been fulfilled:

1. the Real Estate Acquisition Agreement has been signed by respective legal representatives or authorised representatives of both parties; and
2. both parties to the Real Estate Acquisition Agreement have obtained their respective internal approvals where necessary for the Real Estate Acquisition Agreement in accordance with their respective applicable laws, articles of associations and internal policies.

VALUATION OF HUAI'AN ROAD PROPERTY

The details of the valuation of Huai'an Road Property on 31 December 2017 are set out as follows:

Book value (RMB)	25,888,600
Appraised value (RMB)	102,947,500
Appreciation rate (%)	297.66*

** Note: The appreciation in value is mainly attributable to that Huai'an Road Property was obtained and constructed in early years, and the real estate market experienced significant growth since then, which in turn contributed to the appreciation in value.*

REASONS FOR AND BENEFITS OF ENTERING INTO THE REAL ESTATE ACQUISITION AGREEMENT

The Huai'an Road Property is located in the downtown within Shanghai Inner Ring Road and currently is standing idle, while SEC Property is a specialized platform for business operation and management of real estate assets under the Company. SEC Property proposes to carry out reasonable planning for and effective business operation of Huai'an Road Property after acquiring it from Electric Machine Tools with a view to enhancing investment returns of Huai'an Road Property as well as the Company.

OPINION FROM THE BOARD

Mr. Zheng Jianhua and Mr. Li Jianjin, both being Directors, hold directorship(s) or act as senior management in SEC Group and therefore have abstained from voting on the relevant board resolution approving the Real Estate Acquisition Agreement. Save as disclosed above, none of other Directors has any material interests in the Real Estate Acquisition Agreement.

The Directors (including the independent non-executive Directors) are of the view that terms of the Real Estate Acquisition Agreement were determined after arm's length negotiation and are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE PARTIES

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 station 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 integrated 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 Property is a specialized platform for business operation and management of real estate assets under the Company, which focuses on business operation of real estates, disposal and development of industrial real estates on hand.

Electric Machine Tools is principally engaged in the design, manufacturing, repairing, testing and sale of various machine tools, machinery, electrical products, complete equipment, computer software and hardware and the sale of raw materials, technology research, transfer, consulting and services in machinery equipment industry as well as the import and export of goods and technology.

LISTING RULES IMPLICATIONS

SEC is the controlling shareholder of the Company holding approximately 61% equity interest in the total issued share capital of the Company as of the date of this announcement. Electric Machine Tools is a wholly-owned subsidiary of SEC and is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Therefore, the Real Estate Acquisition Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Real Estate Acquisition Agreement is more than 0.1% but all percentage ratios are less than 5%, the Real Estate Acquisition Agreement and the transactions contemplated thereunder are therefore subject to reporting and announcement requirements but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;

“Company”	Shanghai Electric Group Company Limited, 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;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“SEC Property”	Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Electric Machine Tools”	Shanghai Electric Machine Tools Complete Engineering Co., Ltd. (上海電氣機床成套工程有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of SEC;
“Group”	the Company and its subsidiaries;
“Huai'an Road Property”	the subject of the Real Estate Acquisition Agreement to be entered into by SEC Property and Electric Machine Tools, including the buildings of Block 2-11 in the plant at No. 681 Huai'an Road, Jing'an District, Shanghai City as well as the corresponding land use rights and ancillary equipment for certain buildings (a total of 9 equipment, including 1 elevator and 8 power distribution equipment);
“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
“Independent Shareholders”	the Shareholders other than SEC and its associates (as defined in the Listing Rules);
“Real Estate Acquisition Agreement”	the real estate transfer agreement to be entered into by SEC Property and Electric Machine Tools, pursuant to which SEC Property will acquire Huai'an

	Road Property from Electric Machine Tools held by it;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“the PRC”	the People’ s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SEC”	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司), the controlling shareholder of the Company (as defined in the Listing Rules) holding approximately 61% beneficial interest in the total issued share capital of the Company as of the date of this announcement;
“SEC Group”	SEC, its subsidiaries and associates, but excluding the Group for the purpose of this announcement;
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of both A Share(s) and H Share(s) of the Company;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“%”	Percentage.

By order of the Board
Shanghai Electric Group Company Limited
Zheng Jianhua
Chairman of the Board

Shanghai, the PRC, 29 March 2018

As at the date of this announcement, the executive director of the Company is 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.

** For identification purpose only*