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PUJIANG INTERNATIONAL GROUP LIMITED

浦江國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2060)

DISCLOSEABLE TRANSACTION CAPITAL INJECTION IN SHANGHAI SUPERCONDUCTOR

THE CAPITAL INJECTION

On 30 July 2020, ChaoAo Investment (an indirect wholly-owned subsidiary of the Company) as investor entered into a capital injection agreement with Shanghai International Superconductor Technology Co. Ltd, pursuant to which ChaoAo Investment agreed to inject RMB166.0 million into Shanghai Superconductor by capital injection, along with the Other Investors. Upon Completion, ChaoAo Investment will hold 40% equity interest in Shanghai Superconductor. As at the date of this announcement, Shanghai Superconductor is wholly-owned by Shanghai Electric Cable and is principally engaged in the provision of superconducting cables solutions as well as the research and development of superconducting cables technologies for power grid.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Capital Injection is more than 5% but are all less than 25%, the Capital Injection is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 30 July 2020, ChaoAo Investment (an indirect wholly-owned subsidiary of the Company) as investor entered into a capital injection agreement with Shanghai Superconductor, pursuant to which ChaoAo Investment agreed to inject RMB166.0 million into Shanghai Superconductor by capital injection, along with the Other Investors. Upon Completion, ChaoAo Investment will hold 40% equity interest in Shanghai Superconductor.

THE AGREEMENT

The principal terms of the Agreement is set out as follows:

Date

30 July 2020

Parties to the Agreement

- (1) ChaoAo Investment;
- (2) Shanghai Electric Cable, the sole shareholder of Shanghai Superconductor as at the date of this announcement;
- (3) Shanghai Superconductor; and
- (4) the Other Investors.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Other Investors, Shanghai Electric Cable and Shanghai Superconductor and, if applicable, their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Consideration for the Capital Injection

Pursuant to the Agreement, ChaoAo Investment will pay RMB166.0 million to subscribe 40% equity interest of Shanghai Superconductor by way of cash contribution. The consideration paid by ChaoAo Investment will be satisfied using the Group's internal resources and bank financing. The total consideration to be paid by ChaoAo Investment and the Other Investors to acquire a total of 67% equity interest of Shanghai Superconductor will be RMB278.1 million. Please refer to the shareholding structure of Shanghai Superconductor upon Completion under the section headed "Completion".

Basis for determining the consideration

The consideration for the capital injection was based on the listing price (being the minimum bidding price) as prescribed on the Shanghai United Assets and Equity Exchange (上海聯合產權交易所) through an open tendering process. The consideration was considered as fair and reasonable after taking into account the following:

- (a) the appraised value of Shanghai Superconductor of RMB133.0 million prepared by an independent professional valuer as at 31 March 2020 using an income approach based on the discounted cash flow method, which represented the value of Shanghai Superconductor prior to the capital injection by ChaoAo Investment and the Other Investors;
- (b) the estimated value of the 40% equity interest of Shanghai Superconductor upon Completion, taking into account the capital injection by ChaoAo Investment and the Other Investors;
- (c) the business nature and market position of Shanghai Superconductor and the potential future business prospect of the industry that Shanghai Superconductor operates in, in particular the prospect of the superconducting cable industry in China; and
- (d) the reasons for the Capital Injection as described under the section headed "Reasons for and Benefits of the Capital Injection".

Completion

It is expected that Completion will take place on the same date after satisfaction of, among others, conditions precedents pursuant to the Agreement and the settlement of the consideration by ChaoAo Investment and the Other Investors. As at the date of the announcement, Shanghai Superconductor is wholly-owned by Shanghai Electric Cable, and upon Completion, the percentage of the equity interest in Shanghai Superconductor to be held by each of the shareholders of Shanghai Superconductor is set out as follows:

Shareholders	Equity interest (%)
ChaoAo Investment	40.0
Shanghai Electric Cable	33.0
Shanghai Electric Transmission	14.4
Zongjin Energy	9.0
State Grid Shanghai	3.6
Total	100.0

The financial results of Shanghai Superconductor will be included into the financial statements of the Group as share of results of an associate in the financial statements.

Pursuant to the Agreement, the board of directors of Shanghai Superconductor will comprise five directors, of which two will be appointed by ChaoAo Investment, one will be appointed by Shanghai Electric Cable, one will be appointed jointly by State Grid Shanghai and Shanghai Electric Transmission and one will be appointed by Zongjin Energy. The chairman of the board shall be nominated by ChaoAo Investment.

INFORMATION OF THE GROUP AND CHAO AO INVESTMENT

The Group is principally engaged in the sales and manufacture of materials for construction projects, including cables and wires, with a focus in the development of high-end metallic materials. It is the largest provider of bridge cables for the construction of super-long-span bridges in China and one of the leading prestressed materials manufacturers in China. ChaoAo Investment is an investment holding company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

INFORMATION ABOUT THE SHANGHAI SUPERCONDUCTOR

Shanghai Superconductor is a company established in the PRC with limited liability and is wholly-owned by Shanghai Electric Cable as at the date of this announcement. It is principally engaged in the provision of superconducting cables solutions as well as the research and development of superconducting cables technologies for power grid. As at the date of this announcement, Shanghai Superconductor holds 12 registered patents and six software copyrights and holds leading technology know-how in designing and building superconducting cables in China. Since 2019, the staff members of Shanghai Superconductor have been participating in the design of China's first km-grade high-temperature superconducting cable demo project (公里級高溫超導電纜示範工程), which is the largest electric superconducting cable transmission project in China and is expected to complete by end of 2020.

Set out below is the summary of financial information of Shanghai Superconductor for the year ended 31 December 2019 prepared in accordance with the accounting principles generally accepted in the PRC.

**For the financial year
ended 31 December 2019**
RMB'000
(audited)

Net loss before taxation	23.2
Net loss after taxation	23.2

Note: The financial results for the year ended 31 December 2018 is not available as Shanghai Superconductor only commenced operations in 2019.

As at 31 March 2020, the net asset value of Shanghai Superconductor was approximately RMB35.1 million. Pursuant to the valuation conducted by an independent professional valuer, the appraised value of Shanghai Superconductor based on an income approach as at 31 March 2020 was RMB133.0 million. It is expected that upon Completion, taking into account the capital injection by ChaoAo Investment and the Other Investors, the valuation of Shanghai Superconductor will be RMB415.0 million. As of the date of this announcement, save for the Capital Injection, the Company does not have any plan to inject further capital into Shanghai Superconductor.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The use of superconducting cables is considered as a new technology for energy transmission. Superconducting cables are regarded as more environmental friendly and efficient compared to traditional electric cables during energy transmission process due to its lower energy wastage, larger capacity and smaller in size. With the continuous development in the superconducting cable technology in China and the commencement of China's largest electric superconducting cable transmission project in 2019, it is expected that superconducting technology will have wider application prospects in urban power grid usage and there will be a growing demand for superconductor cables. With Shanghai Superconductor's patented technology capabilities and the investment from ChaoAo Investment and the Other Investors, Shanghai Superconductor will be able to take advantage of the growing industry, expand its operations and thus generate more financial return for its shareholders.

The Group is principally engaged in the sales and manufacture of materials for construction projects, including cables and wires, with a focus in the development of high-end metallic materials. The Group's know-how and technologies could also potentially be applied on superconducting cables, such as smart cables monitoring system and cable insulation technologies. As such, the Board believes that the Group's investment in Shanghai Superconductor can complement the development of the Group's business and research and development capabilities. Furthermore, with the cooperation with the other shareholders of Shanghai Superconductor, namely (i) Shanghai Electric Cable, being one of the leaders in the area of superconducting cables in China, (ii) State Grid Shanghai and Shanghai Electric Transmission, who are enterprises with vast experience in the construction of power grid in China; and (iii) Zongjin Energy, who is principally engaged in energy technology, the Company believes that upon Completion, the collaboration of the skills and technologies from each of the shareholders would create synergies and lead to the development of the business of Shanghai Superconductor and generate more revenue to Shanghai Superconductor. Therefore, the Directors believe that the Capital Injection represent a good opportunity for the Group which is in line with the Group's business growth and strategies.

Having considered the above and in view of the business prospect of the superconducting cable business, the Board is of the view that the terms of the Agreement and the Capital Injection, which have been reached after arm's length negotiation between the parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Capital Injection is more than 5% but are all less than 25%, the Capital Injection constitutes a discloseable transaction and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Agreement”	the capital injection agreement dated 30 July 2020 entered into between ChaoAo Investment, the Other Investors, Shanghai Electric Cable and Shanghai Superconductor in relation to the Capital Injection
“Board”	the board of Directors of the Company
“Capital Injection”	the capital injection of RMB166.0 million by ChaoAo Investment into Shanghai Superconductor for the subscription of its 40% equity interest under the terms and conditions of the Agreement
“ChaoAo Investment”	Chao Ao Investment Shanghai Co., Ltd. (超傲投資(上海)有限公司), a limited liability company incorporated in the PRC, which is indirectly wholly-owned by the Company
“Company”	Pujiang International Group Limited (stock code: 2060), a company incorporated in Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the capital injection by each of ChaoAo Investment and the Other Investors pursuant to the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Investor(s)”	Shanghai Electric Transmission, State Grid Shanghai and Zongjin Energy
“PRC”	The People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Electric Cable”	Shanghai Electric Cable Research Co., Ltd. (上海電纜研究所有限公司) is a company established in the PRC with limited liability, indirectly wholly-owned by Shenneng Energy (Group) Limited (申能(集團)有限公司), a state-owned enterprise established under the laws of the PRC owned by the Shanghai Municipal State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會). It is principally engaged in the sales and manufacture and development of electric cables and wires
“Shanghai Electric Transmission”	Shanghai Electric Power Transmission and Distribution Group Co., Limited (上海電氣輸配電集團有限公司) is a company established in the PRC with limited liability and is principally engaged in the transmission and distribution of electric power in China. It is owned by State Grid Shanghai and Shanghai Electric Group Co. Ltd. (上海電氣集團股份有限公司) as to 50% and 50%, respectively. Shanghai Electric Group Co. Ltd. is an A-share listed company listed on the Shanghai Stock Exchange
“Shanghai Superconductor”	Shanghai International Superconductor Technology Co. Ltd. (上海國際超導科技有限公司) is a company established in the PRC with limited liability and is wholly-owned by Shanghai Electric Cable as at the date of this announcement

“State Grid Shanghai”	State Grid Shanghai Electricity Co., Limited (國網上海市電力公司) is a company established in the PRC with limited liability, indirectly wholly-owned by State Grid Company Ltd. (國家電網有限公司), a state-owned enterprise established under the laws of the PRC. It is principally engaged in the provision of electricity and heating in China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Zongjin Energy”	Shanghai Zongjin Energy Technology Co., Ltd. (上海宗錦能源科技有限公司) is a company established in the PRC with limited liability and is owned by Zhang Zujia and Zhang Jian, who are both independent parties. It is principally engaged in the research and development of energy technology
“%”	per cent

By Order of the Board
Pujiang International Group Limited
Dr. Tang Liang
Chairman

Hong Kong, 30 July 2020

As at the date of this announcement, the executive Directors are Dr. Tang Liang, Mr. Zhou Xufeng, Ms. Zhang Weiwen and Mr. Ni Xiaofeng; and the independent non-executive Directors are Ms. Pan Yingli, Mr. Chen Dewei and Mr. Zhang Bihong.