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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)

DISCLOSEABLE TRANSACTION

STRATEGIC COOPERATION

AND

RESUMPTION OF TRADING

THE PROPOSED ACQUISITION

The Board is pleased to announce that on 8 May 2014 (Italy time), the Company entered into the AEN Sale and Purchase Agreement with FSI, pursuant to which, FSI has agreed to sell, and the Company has agreed to purchase, 40% equity interest in AEN for a cash consideration of EUR400 million (equivalent to approximately HK\$4.3 billion).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Proposed Acquisition is more than 5% but less than 25%, the Proposed Acquisition would constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

STRATEGIC COOPERATION

At the same time of the Proposed Acquisition, the Company and AEN also agreed on multiple strategic cooperation in respect of the technology, manufacturing, sales and service of the heavy duty gas turbine.

According to the JV Agreements signed under the strategic cooperation, the Company will also establish two joint ventures (including a research and development centre) with AEN.

WARNING

Shareholders and potential investors in the Company should be aware that the Completion of the Proposed Acquisition is subject to the satisfaction (or waiver, where applicable) of various conditions and therefore Completion may or may not take place. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 9 May 2014 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 12 May 2014.

I. DISCLOSEABLE TRANSACTION

Introduction of Proposed Acquisition

On 8 May 2014 (Italy time), the Company entered into the AEN Sale and Purchase Agreement with FSI, pursuant to which, FSI has agreed to sell, and the Company has agreed to purchase, 40% equity interest in AEN for a cash consideration of EUR400 million (equivalent to approximately HK\$4.3 billion). The 40% equity interest in AEN to be acquired by the Company has been pledged to back up the loans previously obtained by AEN for its business development purpose. In order to facilitate the business development of AEN, the Company will make best efforts to negotiate with the pledgees to renew the share pledge agreement. After the Completion of the Proposed Acquisition, the Company will become the only shareholder with industry background of AEN.

Details of AEN Sale and Purchase Agreement

The principal terms of the AEN Sale and Purchase Agreement are summarized as follows:

Date	:	8 May 2014 (Italy time)
Parties	:	<ul style="list-style-type: none">• FSI or its qualified subsidiary, as vendor• the Company or its qualified subsidiary, as purchaser
Subject matter of the agreement	:	the acquisition of 40% equity interest in AEN which is under pledge
Consideration	:	EUR400 million (equivalent to approximately HK\$4.3 billion)
Payment terms	:	the consideration for the Proposed Acquisition will be fully paid in cash upon Completion
Conditions precedent	:	The AEN Sale and Purchase Agreement is considered completed upon fulfillment (or waiver, where applicable) of all the outstanding conditions, key terms of which are set out as below:

- antitrust consent from the relevant jurisdictions, if applicable;
- the relevant approvals or consents from the relevant PRC governmental authorities;
- waivers from certain lenders and pledgees;
- shareholders' meeting of AEN is duly held to approve the relevant matters.

Long-stop date : In the event that any of the conditions precedent shall not have been fulfilled or waived by the Company and/or FSI as at the long-stop date, then the AEN Sale and Purchase Agreement shall be deemed automatically terminated with retroactive effect as of the signing date of this agreement.

Basis of Consideration

The consideration of EUR400 million (equivalent to approximately HK\$4.3 billion) for the Proposed Acquisition was determined on arm's length basis with reference to (1) the financial and operational results of AEN as at 31 December 2013; (2) the business development plan of AEN and (3) the synergy generated from the expected cooperation between AEN and the Company.

Information of Relevant Parties

- *AEN*

AEN is a joint stock company incorporated under the laws of Italy, whose registered address is Via Niclo Lorenzi no.8, 16152, Genoa, Italy. It is directly owned as to 84.55% by FSI, 15% by Finmeccanica S.p.A. and 0.45% by the senior management of AEN as of the date of this announcement.

AEN is the largest manufacturer and related service provider in respect of power plants equipment and related parts in Italy and is also one of the leading companies worldwide in its industry. AEN has a worldwide leading position in terms of the manufacturing business of gas turbines, with its major business covering Europe, North Africa and Middle East etc. AEN has a series of patents and know-how for products of gas turbines and is able to manufacture heavy duty gas turbines of Class E and Class F.

Set out below are the audited consolidated financial figures of AEN for the years ended 31 December 2012 and 2013 prepared in accordance with the prevailing IFRS and the unaudited consolidated financial figures of AEN for the three months ended 31 March 2014:

	For the year ended 31 December 2012		For the year ended 31 December 2013		For the three months ended 31 March 2014	
	EUR	HK\$	EUR	HK\$	EUR	HK\$
	(million)	(million)	(million)	(million)	(million)	(million)
Profit before taxation	51.17	549.49	58.62	629.50	5.23	56.16
Net profit after taxation	16.62	178.48	24.28	260.73	0.86	9.24

Set out below are the audited consolidated financial figures of AEN for the years ended 31 December 2013 prepared in accordance with the prevailing IFRS and the unaudited consolidated financial figures of AEN for the three months ended 31 March 2014:

	For the year ended 31 December 2013		For the three months ended 31 March 2014	
	EUR	HK\$	EUR	HK\$
	(million)	(million)	(million)	(million)
Total assets	2,756	29,596	2,719	29,198
Total liabilities	2,225	23,893	2,188	23,496
Net assets	531	5,702	531	5,702
Revenue	1,219	13,090	281	3,018

- ***FSI***

FSI is a joint stock company incorporated under the laws of Italy, whose registered address is Corso Magenta no.71, 20123, Milan, Italy. It holds 84.55% equity interest in the total issued share capital of AEN as of the date of this announcement.

FSI is a long-term investment company with the registered capital of EUR4.4 billion, which is owned as to 80% by Cassa Depositi e Prestiti and as to 20% by Banca d'Italia as of the date of this announcement. FSI is devoted in investing in enterprises with vital national interests in Italy, assisting the investment target in enhancing the domestic and overseas competitiveness as well as improving the profitability and the development prospects. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, FSI and its ultimate beneficial owner are third parties independent of and not connected with the Company and the connected persons of the Company.

Previously, FSI entered into the equity acquisition agreement with Finmeccanica S.p.A. and First Reserve Power Limited on 4 October 2013 and acquired 84.55% equity interest of AEN from them.

- ***The Company***

The Company is one of the largest comprehensive 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; (ii) design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products; (iii) design, manufacture and sale of elevators, electrical motors, machine tools, printing and packaging equipment, marine crankshaft and other electromechanical equipment products; and (vi) provision of integrated engineering services for power station projects and other industries, financial services and functional services including international trading services.

Reasons for and Benefits of the Proposed Acquisition

Through the Proposed Acquisition, the Company and AEN will be able to be committed to cooperate and devote their own resources into the market of heavy duty gas turbines, and will further develop the gas turbines business in both the PRC and overseas markets in joint efforts.

The Company and AEN will establish two joint ventures in China to engage in the manufacture and sales of heavy duty gas turbines, as well as the research and development of new products and technologies of gas turbines.

AEN is one of the limited numbers of enterprises that possess the comprehensive technologies of gas turbines in the world. The Proposed Acquisition and the proposed establishment of the two joint ventures with AEN will significantly increase the Company's competitiveness in the gas turbines industry and accelerate the internationalization of the Company's gas turbine business.

The Directors believe that the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As the highest applicable percentage ratio for the Proposed Acquisition is more than 5% but less than 25%, the Proposed Acquisition would also constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

II. STRATEGIC COOPERATION

At the same time of the Proposed Acquisition, the Company and AEN also agreed on multiple strategic cooperation in respect of the technology, manufacturing, sales and service of the heavy duty gas turbine.

According to the JV Agreements signed under this strategic cooperation, the Company will establish two joint ventures (including a research and development centre) with AEN in the PRC with details as below. The senior management of the Company is authorized to increase or reduce the registered capital of the two joint ventures within 10% based on their respective estimated registered capital.

Shanghai Electric Gas Turbine Co., Ltd.

Name : Shanghai Electric Gas Turbine Co., Ltd. (上海电气燃气轮机有限公

(temporary)	司)
Estimated Registered capital	: RMB600 million (equivalent to approximately HK\$747 million)
Registered office	: Shanghai, the PRC
Capital contribution	: <ul style="list-style-type: none"> • RMB360 million (equivalent to approximately HK\$448 million) from the Company • RMB240 million (equivalent to approximately HK\$299 million) from AEN
Shareholding structure	: <ul style="list-style-type: none"> • 60% to be held by the Company • 40% to be held by AEN
Business scope	: manufacture, procurement, sales of heavy duty gas turbines; provision of maintenance and other services related to heavy duty gas turbines; research and development of new products; and other businesses approved by the Board from time to time as permitted by the relevant laws and regulations.

Ansaldo Gas Turbine High Technology Co., Ltd.

Name (temporary)	: Ansaldo Gas Turbine High Technology Co., Ltd. (安萨尔多燃气轮机高科技有限公司)
Estimated Registered capital	: RMB180 million (equivalent to approximately HK\$224million)
Registered office	: Shanghai, the PRC
Capital contribution	: <ul style="list-style-type: none"> • RMB72 million (equivalent to approximately HK\$90 million) from the Company • RMB108 (equivalent to approximately HK\$134 million) million from AEN
Shareholding structure	: <ul style="list-style-type: none"> • 40% to be held by the Company • 60% to be held by AEN
Business scope	: manufacture and sales of the heating devices of heavy duty gas turbines; provision of maintenance and other services related to heating devices; and other businesses approved by the Board from time to time as permitted by the relevant laws and regulations.

III. OTHERS

Warning

Shareholders and potential investors in the Company should be aware that the Completion of the Proposed Acquisition is subject to the satisfaction (or waiver, where applicable) of various conditions and therefore Completion may or may not take place. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.

Exchange Rate Conversion

For exchange rate translations throughout this announcement, amounts denominated in RMB or EUR have been converted based on the rates set out below (for the purpose of illustration only):

RMB \$1.00: HK 1.2447.

EUR \$1.00: HK 10.7386.

IV. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 9 May 2014 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 12 May 2014.

V. DEFINITIONS

"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
"AEN"	Ansaldo Energia S.p.A., a joint stock company incorporated under the laws of Italy, whose registered address is Via Niclo Lorenzi no.8, 16152, Genoa, Italy
"AEN Sale and Purchase Agreement"	the sale and purchase agreement entered into between the Company and FSI on 8 May 2014, pursuant to which FSI has agreed to sell, and the Company has agreed to purchase, 40% equity interest in AEN for a cash consideration of EUR400 million (equivalent to approximately HK\$4.3 billion)
"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 (上海電氣集團股份有限公司), a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange under stock code 02727 and the A shares of which are listed on the Shanghai Stock Exchange under stock

code 601727

"Completion"	the completion of the sale and purchase of the 40% equity interest of AEN contemplated under the AEN Sale and Purchase Agreement
"EUR"	the lawful currency of the member states of the European Union
"FSI"	Fondo Strategico Italiano S.p.A., a joint stock company incorporated under the laws of Italy, whose registered address is Corso Magenta no.71, 20123, Milan, Italy
"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 Stock Exchange and traded in Hong Kong dollars;
"HK\$"	the lawful currency of Hong Kong
"JV Agreements"	the two joint venture agreements entered into between the Company and AEN on 8 May 2014, pursuant to which AEN and the Company have agreed to establish two joint ventures
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	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
"Proposed Acquisition"	the proposed acquisition of 40% equity interest in AEN by the Company (or its qualified subsidiary) from FSI (or its qualified subsidiary)
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	A Share(s) and/or H Share(s)
"Shareholders"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"% "	per cent

By Order of the Board
Shanghai Electric Group Company Limited
XU Jianguo
Chairman of the Board

Shanghai, the PRC

9 May 2014

As at the date of this announcement, the executive directors of the Company are Mr. XU Jianguo, Mr. HUANG Dinan, Mr. Zheng Jianhua and Mr. YU Yingui; the non-executive directors of the Company are Mr. ZHU Kelin and Ms. YAO Minfang; and the independent nonexecutive directors of the Company are Mr. ZHU Sendi, Dr. LUI Sun Wing and Mr. Kan Shun Ming.

** For identification purpose only*