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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)

VOLUNTARY ANNOUNCEMENT

This is a voluntary announcement made by Shanghai Electric Group Company Limited (the "**Company**").

Reference is made to the announcement of the Company dated 24 December 2013. On 23 December 2013, the Company received the civil verdict ((2012) Hu Yi Zhong Min Er (Min) Chu Zi No. 4) (the "**First instant verdict**") issued by Shanghai No. 1 Intermediate People's Court whereby the court made the First instant verdict related to the construction contract dispute over the Company and its subsidiary, Shanghai Electric Lingang Heavy Machinery Equipment Co., Ltd. (collectively, the "**Defendants of the first instant trail**") with Longyuan Construction Group Co., Ltd. (the "**Plaintiff of the first instant trail**"). The Company disagreed with the verdict and pursued an appeal to the court within the period prescribed by law.

On 1 September 2014, the Company received the civil verdict ((2014) Hu Gao Min Yi (Min) Zhong Zi No. 5) (the "**Second instant verdict**") issued by the Shanghai High People's Court whereby the court made the verdict related to the construction contract dispute over the Plaintiff of the first instant trail and the Defendants of the first instant trail as follows:

1. The Defendants of the first instant trail shall pay the project fee of RMB195,302,277.4 to the Plaintiff of the first instant trail within 10 days from the effective date of the Second instant verdict.
2. The Defendants of the first instant trail shall pay the bank interest on overdue payment of the project fees to the Plaintiff of the first instant trail within 10 days from the effective date of the Second instant verdict (calculated according to the bank's lending rate over the same period, including: (1) the interest accrued from 1 June 2009 up to 28 March 2011 in respect of the principal amount of RMB71,359,217.76 and (2) the interest accrued from 1 June 2009 to the actual payment date in respective of the principal amount of RMB195,302,277.4.)

Based on the First instant verdict of the litigation, the Company has increased approximately RMB195,170,163.4 in the fixed assets and approximately RMB63,282,938.6 in non-business expenditure according to the Hong Kong Financial Reporting Standard, respectively, for the financial year of 2013. Therefore, the Second instant verdict will not have a material effect on the financial position of the Company for the financial year of 2014.

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

Shanghai, the PRC, 2 September 2014

As at the date of this announcement, the executive directors of the Company are Mr. HUANG Dinan, Mr. ZHENG Jianhua and Mr. YU Yingui; the non-executive directors of the Company are Mr. Wang Qiang, 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*