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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: 2727)

CONVERSION OF SHARES IN LISTED SUBSIDIARY TO TRADABLE A SHARES

Reference is made to the announcement of the Company dated 29 June 2006 and 6 July 2006 in relation to the Conversion (the "Announcements"). Capitalized terms in this announcement has the same meanings as those defined in the Announcement unless the context otherwise requires.

The Directors are pleased to announce that the conversion has been completed on 17 August 2006 and the 47.28% share capital held by the Company in Shanghai Mechanical & Electrical now comprises Tradable A Shares. The consideration for this conversion paid to A shareholders of Shanghai Mechanical & Electrical for conversion of the 47.28% non-tradable shares held by the Company in Shanghai Mechanical & Electrical into Tradable A Shares, was paid in cash by SEC. The Tradable A Shares held by the Company are fully tradable except that the Company will undertake not to, for a period of 36 months from the date of conversion, sell the converted shares on the Shanghai Stock Exchange.

As at the date of this Announcement, the executive Directors of the Company are Mr. CHEN Longxing, Mr. HUANG Dinan, Mr. WANG Qiang, Ms. LI Manping, Mr. YU Yingui, the non-executive Directors of the Company are Mr. ZHU Kelin, Mr. YAO Qun, Mr. LIN Haitao, Mr. WANG Minwen, Mr. LI Songjian and the independent non-executive Directors of the Company are Dr. YAO Fusheng, Dr. CHEUNG Wai Bun and Mr. LEI Huai Chin.

By Order of the Board
Shanghai Electric Group Company Limited
Huang Dinan
Executive Director and President

Shanghai, the PRC, 18 August 2006

"Please also refer to the published version of this announcement in South China Morning Post."