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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)

ANNOUNCEMENT

PROPOSED ENGAGEMENT OF NEW PRC AUDITORS OF THE COMPANY FOR THE YEAR 2008

PROPOSED PROFIT DISTRIBUTION PLAN FOR THE YEAR 2007

APPOINTMENT OF MEMBER OF REMUNERATION COMMITTEE AND AUDIT COMMITTEE

AND

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The board of directors (the **Board**) of Shanghai Electric Group Company Limited (the **Company**) hereby announces that at the Board meeting held on 6 January 2009, the Board considered and approved, among other things, the following resolutions: 1) proposed engagement of Ernst & Young Hua Ming as the PRC auditors of the Company for the year ended 31 December 2008; 2) amendment to the accounting policies and accounting estimate of the Company; 3) proposed profit distribution plan for the year ended 31 December 2007; 4) appointment of Mr. Zhu Sendi as the member of the second Remuneration Committee and the second Audit Committee; and 5) proposed amendment to Article 17 of the Articles of Association of the Company.

Resolutions numbered 1, 3 and 5 are subject to the approval of the shareholders of the Company at the general meeting. A circular containing, among others, details of these proposed resolutions will be dispatched to shareholders of the Company as soon as possible.

The Board of the Company hereby announces that the following resolutions have been passed at the Board meeting held on 6 January 2009:

1. Proposed Engagement of Ernst & Young Hua Ming as the PRC auditors of the Company for the year ended 31 December 2008

The Board considered and approved the proposal to engage Ernst & Young Hua Ming as the PRC auditors of the Company for the year ended 31 December 2008 due to the consolidation of the businesses of Ernst & Young Da Hua and Ernst & Young Hua Ming. The other terms and conditions in the engagement agreement entered into between the Company and Ernst & Young Da Hua will remain unchanged and continue to apply to Ernst & Young Hua Ming.

The above engagement is subject to the review and approval of the general meeting of shareholders of the Company.

2. Amendment to the accounting policies and accounting estimate of the Company

The Board considered and approved the proposal of amendment to the accounting policies and accounting estimate of the Company which has been adopted from 1 January 2007 for the purpose of minimising the difference between the financial accounts prepared respectively under the current generally accepted accounting principles in the People's Republic of China (the *PRC GAAP*) and the generally accepted accounting principles in Hong Kong (the *Hong Kong GAAP*) after the A shares of Company were listed on the Shanghai Stock Exchange on 5 December 2008.

3. Proposed Profit distribution plan for the year 2007

Reference is made to the announcement dated 22 December 2008. According to the consolidated financial statements prepared under the PRC GAAP and audited by Ernst & Young Da Hua, the net profit of the Company for the year ended 31 December 2007 is RMB2,898,413,000, and according to the consolidated financial statements prepared under the Hong Kong GAAP and audited by Ernst & Young, the net profit of the Company for the year ended 31 December 2007 is RMB2,814,552,000.

According to the Articles of Association of the Company and applicable laws and rules, the Board proposed to distribute a dividend for the year ended 31 December 2007 of a total amount of RMB700,430,438.68 or RMB 0.056 per share payable to shareholders of the Company.

The proposed payment of annual dividend for the year 2007 is subject to the approval of the general meeting of shareholders of the Company.

4. Appointment of Mr. Zhu Sendi as the member of the second Remuneration Committee and the second Audit Committee;

The Board approved the appointment of Mr. Zhu Sendi as the member of both the second Remuneration Committee and the second Audit Committee with both terms of office commencing from the appointment on 6 January 2009 and ending on 15 November 2010.

5. Proposed amendment to Article 17 of the Articles of Association of the Company

The existing Article 17 of the Articles of Association of the Company is :

“After its establishment, the Company made an initial issue of 2,972,912,000 overseas listed foreign shares, of which 2,702,648,000 were new shares and 270,264,000 were existing State-

owned shares. After the abovementioned capital increase and issue, the shareholding structure of the Company is as follows:

Name of shareholder	After initial capital increase and issue	
	Number of shares held (shares)	Proportion in total share capital
Promoter shareholder:		
Shanghai Electric (Group) Corporation	6,134,387,334	51.585%
Fuxi Investment Holding Co., Ltd (福禧投資控股有限公司)	968,768,703	8.147%
Guangdong Zhujiang Investment Co., Ltd.	917,778,942	7.718%
Shenergy Group Company Limited (申能(集團)有限公司)	489,892,122	4.120%
Shantou Mingguang Investment Company Limited (汕頭市明光投資有限公司)	407,908,899	3.430%
Sub-total	8,918,736,000	75%
H shares	2,972,912,000	25%
Total	11,891,648,000	100%

Upon expiry of the one-year lock-up period of the promoter's shares, which commenced from the date of establishment of the Company, some of the promoter shareholders transferred some of the domestic shares which were held by them and were not circulated on the market. After abovementioned transfer, the shareholding structure of the Company was as follows:

Name of shareholder	Number of shares held (shares)	Proportion in total share capital
Holders of domestic shares:		
Shanghai Electric (Group) Corporation	7,409,088,498	62.305%
Fuxi Investment Holding Co., Ltd (福禧投資控股有限公司)	50,987,826	0.429%
Shenergy Group Company Limited (申能(集團)有限公司)	489,892,122	4.120%
Shenzhen Fengchi Investment Co., Ltd (深圳豐馳投資有限公司)	917,778,942	7.718%
Shantou Mingguang Investment Company Limited (汕頭市明光投資有限公司)	50,988,612	0.428%
Sub-total	8,918,736,000	75%
H shares	2,972,912,000	25%
Total	11,891,648,000	100%

After the Company increased its capital by making its initial issue of the 616,038,405 A shares after its establishment, and all of the 8,918,736,000 issued domestic shares which were subject to lock-up restrictions had been allowed to be listed on the Shanghai Stock Exchange, the shareholding structure of the Company was as follows:

Name of shareholder	Number of shares held (shares)	Proportion in total share capital
A Shares subject to lock-up restrictions:		
Shanghai Electric (Group) Corporation	7,409,088,498	59.236%
Fuxi Investment Holding Co., Ltd (福禧投資控股有限公司)	50,987,826	0.408%
Shenzhen Fengchi Investment Co., Ltd (深圳豐馳投資有限公司)	917,778,942	7.338%
Shenergy Group Company Limited (申能(集團)有限公司)	489,892,122	3.916%
Shantou Mingguang Investment Company Limited (汕頭市明光投資有限公司)	50,988,612	0.408%
Subtotal	8,918,736,000	71.306%
A Shares not subject to lock-up restrictions:	616,038,405	4.925%
H Shares	2,972,912,000	23.769%
Total	12,507,686,405	100%

Article 17 is amended to:

“After its establishment, the Company made an initial issue of 2,972,912,000 overseas listed foreign shares, of which 2,702,648,000 were new shares and 270,264,000 were existing State-owned shares. After the abovementioned capital increase and issue, the shareholding structure of the Company is as follows:

Name of shareholder	After initial capital increase and issue	
	Number of shares held (shares)	Proportion in total share capital
Promoter shareholder:		
Shanghai Electric (Group) Corporation	6,134,387,334	51.585%
Fuxi Investment Holding Co., Ltd (福禧投資控股有限公司)	968,768,703	8.147%
Guangdong Zhujiang Investment Co., Ltd.	917,778,942	7.718%
Shenergy Group Company Limited (申能(集團)有限公司)	489,892,122	4.120%
Shantou Mingguang Investment Company Limited (汕頭市明光投資有 限公司)	407,908,899	3.430%
Sub-total	8,918,736,000	75%
H shares	2,972,912,000	25%
Total	11,891,648,000	100%

Upon expiry of the one-year lock-up period of the promoter’s shares, which commenced from the date of establishment of the Company, some of the promoter shareholders transferred

some of the domestic shares which were held by them and were not circulated on the market. After the abovementioned transfer, the shareholding structure of the Company was as follows:

Name of shareholder	Number of shares held (shares)	Proportion in total share capital
Holder of domestic shares:		
Shanghai Electric (Group) Corporation	7,409,088,498	62.305%
Shanghai City Construction and Investment Corporation (上海市城市建設投資開發總公司)	50,987,826	0.429%
Shenzhen Fengchi Investment Co., Ltd (深圳豐馳投資有限公司)	917,778,942	7.718%
Shenergy Group Company Limited (申能(集團)有限公司)	489,892,122	4.120%
Shantou Mingguang Investment Company Limited (汕頭市明光投資有限公司)	50,988,612	0.428%
Sub-total	8,918,736,000	75%
H shares	2,972,912,000	25%
Total	11,891,648,000	100%

In 2008, the Company was approved to make an initial issue of 616,038,405 A shares. Upon completion of the issue of the aforementioned shares, the Company has issued 12,507,686,405 shares, of which, 9,534,774,405 are held by domestic shareholders, accounting for 76.231% of the total issued shares of the Company, and 2,972,912,000 shares are held by overseas shareholders, accounting for 23.769% of the total issued shares of the Company.”

The proposed amendment to Article 17 is subject to the review and approval of the applicable governmental authority and the approval of general meeting of the shareholders of the Company.

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

Shanghai, the PRC, 6 January 2009

As at the date of this announcement, the Executive Directors of the Company are, Mr. XU Jianguo, Mr. HUANG Dinan, Mr. ZHANG Suxin, Mr. YU Yingui, the Non-executive Directors of the Company are Mr. ZHU Kelin, Ms. YAO Minfang, and the Independent Non-executive Directors of the Company are Mr. ZHU Sendi, Dr. CHEUNG Wai Bun and Mr. LEI Huai Chin.