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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02727)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Shanghai Electric Group Company Limited (the "Company") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008. The Group's results have been audited by Ernst & Young.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
REVENUE	4	58,906,914	55,929,342
Cost of sales		(48,924,116)	(46,880,457)
Gross profit		9,982,798	9,048,885
Other income and gains	4	947,436	1,802,480
Selling and distribution costs		(1,661,180)	(1,372,130)
Administrative expenses		(3,693,506)	(3,492,619)
Other expenses		(1,915,149)	(949,036)
Finance costs		(72,757)	(58,982)
Share of profits and losses of:			
Jointly-controlled entities		(79,757)	19,084
Associates		526,955	607,136
PROFIT BEFORE TAX	5	4,034,840	5,604,818

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CONSOLIDATED INCOME STATEMENT (Continued)

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
Tax	6	(394,567)	(1,312,910)
PROFIT FOR THE YEAR		3,640,273	4,291,908
Attributable to:			
Equity holders of the parent		2,533,605	2,811,483
Non-controlling interests		1,106,668	1,480,425
		3,640,273	4,291,908
DIVIDENDS	7		
Declared final 2007		700,430	-
Proposed final 2008		762,969	-
		1,463,399	-
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
- For profit for the year (RMB)		21.21 cents	23.64 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		11,252,172	10,229,726
Prepaid land lease payments		1,362,001	1,298,551
Goodwill		191,061	203,755
Other intangible assets		761,594	679,673
Investments in jointly-controlled entities		348,471	387,911
Investments in associates		2,381,090	2,571,080
Loans receivable		313,071	6,673
Other investments		814,048	921,847
Other non-current assets		107,907	142,297
Deferred tax assets		742,529	610,740
Total non-current assets		18,273,944	17,052,253
CURRENT ASSETS			
Inventories		21,367,883	16,291,081
Construction contracts		382,946	285,873
Trade receivables	9	11,417,512	9,786,830
Loans receivable		1,017,705	660,139
Discounted bills receivable		131,152	307,630
Bills receivable		866,368	2,037,612
Prepayments, deposits and other receivables		8,759,678	8,371,804
Investments		4,401,553	5,639,599
Derivative financial instruments		61,680	18,255
Due from the Central Bank		1,260,876	1,580,991
Restricted deposits		1,403,209	1,179,933
Cash and cash equivalents		12,666,525	12,773,103
		63,737,087	58,932,850
Non-current assets classified as held for sale		-	35,794
Total current assets		63,737,087	58,968,644
CURRENT LIABILITIES			
Trade payables	10	9,979,819	9,269,045
Bills payable		2,046,475	1,850,728
Other payables and accruals		35,274,488	30,000,168
Derivative financial instruments		21,731	-
Customer deposits		747,036	505,294
Interest-bearing bank and other borrowings		666,768	1,277,855
Tax payable		1,327,941	1,854,984
Provisions		559,566	672,690
		50,623,824	45,430,764

continued/...

CONSOLIDATED BALANCE SHEET (continued)

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
CURRENT LIABILITIES (continued)		50,623,824	45,430,764
Liabilities directly associated with the non-current assets classified as held for sale		-	75,835
Total current liabilities		50,623,824	45,506,599
NET CURRENT ASSETS		13,113,263	13,462,045
TOTAL ASSETS LESS CURRENT LIABILITIES		31,387,207	30,514,298
NON-CURRENT LIABILITIES			
Bonds		1,000,000	1,000,000
Interest-bearing bank and other borrowings		1,536,856	824,304
Provisions		52,018	63,951
Government grants		116,748	112,983
Other non-current liabilities		15,971	64,150
Deferred tax liabilities		508,533	937,918
Total non-current liabilities		3,230,126	3,003,306
Net assets		28,157,081	27,510,992
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		12,507,686	11,891,648
Reserves		7,627,654	7,777,590
Declared final 2007 dividend	7	700,430	-
Proposed final 2008 dividend	7	762,969	-
		21,598,739	19,669,238
Non-controlling interests		6,558,342	7,841,754
Total equity		28,157,081	27,510,992

1. CORPORATE INFORMATION

Shanghai Electric Group Company Limited is a joint stock limited liability company established in the People's Republic of China (the "PRC") on 1 March 2004. The registered office of the Company is located on 30th floor, No. 8 Xing Yi Road, Shanghai, the PRC.

During the year, the Group was engaged in the following principal activities:

- design, manufacture and sale of power equipment products and provision of related services;
- design, manufacture and sale of electromechanical equipment products and provision of related services;
- design, manufacture and sale of heavy machinery and nuclear electricity equipment and nuclear island equipment products and provision of related services;
- design, manufacture and sale of transportation equipment products and provision of related services; and
- design, manufacture and sale of environmental protection industrial products and provision of related services.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Shanghai Electric (Group) Corporation ("SE Corporation"), a state-owned enterprise established in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants(the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investments and derivative financial instruments, which have been measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Due to the early application of HKAS 27 (Revised) (note 2.3), acquisitions of non-controlling interests are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following amendments to HKFRSs and new interpretations for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these amendments and new interpretations are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement and* HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal effects of adopting these amendments and new interpretations are as follows (continued):

(a) (continued)

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal effects of adopting these amendments and new interpretations are as follows (continued):

(c) HK(IFRIC)-Int 12 Service Concession Arrangements

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK (IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

The Group has been granted concessions to invest, design, build and operate a cineration and power generation plant, a sewage duct network and a sewage treatment plant (the “Plants”). Prior to the adoption of HK (IFRIC)-Int 12, the Group’s Plants were recognised as property, plant and equipment and depreciated on a straight-line basis. Upon the adoption of HK (IFRIC)-Int12, the Plants under the service concession arrangements are reclassified as financial assets and/or intangible assets. HK (IFRIC)-Int 12 has been applied by the Group retrospectively and comparative amounts have been restated. The effect of the above changes is summarised below:

	2008 RMB’000	2007 RMB’000
Consolidated income statement for the year ended 31 December		
Increase in revenue	112,658	217,242
Increase in cost of sales	(114,815)	(218,231)
Increase in other income and gains	3,500	931
Increase in administrative expenses	-	(3,011)
Total increase/(decrease) in net profit	1,343	(3,069)
Increase/(decrease) in basic earnings per share (RMB cents)	0.01	(0.03)

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal effects of adopting these amendments and new interpretations are as follows (continued):

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements* (continued)

	2008 RMB'000	2007 RMB'000
Consolidated balance sheet and equity at 1 January		
Decrease in property, plant and equipment	(327,454)	(108,725)
Increase in other intangible assets	291,571	94,785
Increase in other non-current assets	31,963	13,451
Increase in prepayments, deposits and other receivables	3,862	3,500
	(58)	3,011
(Decrease)/increase in reserves - retained profits	(58)	3,011
Consolidated balance sheet and equity at 31 December		
Decrease in property, plant and equipment	(439,367)	(327,454)
Increase in other intangible assets	403,627	291,571
Increase in other non-current assets	23,972	31,963
Increase in prepayments, deposits and other receivables	13,053	3,862
	1,285	(58)
Increase/(decrease) in reserves - retained profits	1,285	(58)

(d) HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, HK(IFRIC)-Int 14 has had no effect on these financial statements.

2.3 EARLY APPLICATION OF HKFRS 3(REVISED) AND HKAS 27(REVISED)

The Group has early adopted the following revised HKFRS and HKAS, that have been issued but are not yet effective for the current year's financial statements:

HKFRS 3(Revised)	*Business Combinations*
HKAS 27(Revised)	*Consolidated and Separate Financial Statements*

(The above revised HKFRS and HKAS are effective for annual periods beginning on or after 1 July 2009 with earlier application permitted)

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKFRS 3 (Revised) has had no material impact on the financial position or results of operations of the Group.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

In preparation for the Group's consolidated financial statements in prior years, acquisitions of non-controlling interests were accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired was recognised as goodwill. Upon the early application of HKAS 27 (Revised), the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

The changes introduced by HKFRS 3 (Revised) and HKAS 27 (Revised) are applied prospectively and affect the treatment regarding the acquisition of non-controlling interests during the year. The effect of the above early application of these two revised standards on the Group's consolidated financial statements is set out below:

	2008 RMB'000
Consolidated balance sheet and equity at 31 December	
Decrease in goodwill	(3,827,848)
Decrease in capital reserve	(3,827,848)

Except for the effect on acquisitions of non-controlling interests, the early application of these two revised standards has had no material impact on the consolidated financial statements.

2.4 CHANGES IN ACCOUNTING POLICIES

In prior years, investments in jointly-controlled entities were accounted for using the proportionate consolidation method in the consolidated financial statements prepared under HKFRSs. During the year, the Group prepares its PRC consolidated financial statements in accordance with the new Chinese Accounting Standards for Business Enterprises ("CAS") (2006). The Group adopts the equity method for the investments in jointly-controlled entities in accordance with CAS 2 *Long-term equity investments* in those financial statements.

In order to avoid confusion and to harmonise with existing CAS (2006), the directors believe that the adoption of the equity method to account for the investments in jointly-controlled entities in the financial statements can provide more relevant information about the Group's financial position. As a result, the Group has adopted the equity method, which is permitted under HKAS 31 *Interests in Joint Ventures*, to account for its investments in jointly-controlled entities in the consolidated financial statements prepared under HKFRSs with effects from 1 January 2008.

The change in accounting policy has been adopted retrospectively but there is no effect on the opening net assets, retained profits nor the profit or loss for the periods presented. The adoption of the equity method only resulted in a reclassification of the accounting captions and the effects on the Group's consolidated financial statements are set out below:

	2008 RMB'000	2007 RMB'000
Consolidated balance sheet and equity at 31 December		
Property, plant and equipment	196,420	221,563
Prepaid land lease payments	66,842	78,383
Goodwill	7,426	7,426
Other intangible assets	14,696	6,319
Investments in associates	30,407	4,669
Other investments	2,484	1,577
Other non-current assets	3,408	2,670
Deferred tax assets	585	5,359
Inventories	354,391	203,478
Trade receivables	90,077	150,126
Loans receivable	(63,605)	(55,688)
Discounted bills receivable	(27,161)	(26,785)
Bills receivable	36,436	83,087
Prepayments, deposits and other receivables	50,133	41,224
Restricted deposits	-	4,188
Cash and cash equivalents	111,573	36,827

2.4 CHANGES IN ACCOUNTING POLICIES

	2008 RMB'000	2007 RMB'000
Consolidated balance sheet and equity at 31 December (continued)		
Trade payables	(113,248)	(173,452)
Bills payable	(1,642)	-
Other payables and accruals	(110,031)	(60,367)
Customer deposits	29,851	33,808
Interest-bearing bank and other borrowings	(315,509)	(159,440)
Tax payable	(793)	(2,488)
Other current liabilities	(13,101)	(7,243)
Other non-current liabilities	(213)	(5,561)
Deferred tax liabilities	(955)	(1,769)
	348,471	387,911
Investments in jointly-controlled entities	348,471	387,911
Consolidated income statement for the year ended 31 December		
Revenue	787,138	725,385
Cost of sales	(600,083)	(544,164)
Other income and gains	4,317	4,855
Selling and distribution costs	(159,618)	(68,202)
Administrative expenses	(70,225)	(60,866)
Other expenses	(32,058)	(17,603)
Finance costs	(4,611)	(13,201)
Share of profits and losses of associates	4,656	240
Tax	(9,273)	(7,360)
	(79,757)	19,084
Share of profits and losses of jointly-controlled entities	(79,757)	19,084

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers. No further geographical segment information based on the location of the assets is presented as over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the power equipment segment is engaged in the design, manufacture and sale of power generation, transmission and distribution equipment;

(b) the electromechanical equipment segment is engaged mainly in the production and sale of elevators, escalators and moving walkways, printing and packaging equipment and machinery tools;

(c) the heavy machinery segment is engaged in the production and sale of heavy machinery and nuclear electricity equipment and nuclear island equipment products;

(d) the transportation equipment segment is engaged in the production and sale of rail transportation products and systems and diesel engines;

(e) the environmental protection systems segment is principally engaged in the provision of consultancy services and design of environmental protection systems;

(f) the financial business segment is engaged in the provision of financial services and products principally by Shanghai Electric Group Finance Co., Ltd. ("Finance Company"); and

(g) the "others" segment is engaged, principally, in research and development and automation controls.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007:

Year ended 31 December 2008	Power equipment RMB'000	Electro-mechanical equipment RMB'000	Heavy machinery equipment RMB'000	Transportation equipment RMB'000	Environmental protection systems RMB'000	Financial business RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	33,088,384	12,931,228	4,693,194	4,468,398	3,077,000	304,323	344,387	-	58,906,914
Intersegment sales	879,745	104,985	439,726	2,681	144,878	126,423	67,633	(1,766,071)	-
Total	33,968,129	13,036,213	5,132,920	4,471,079	3,221,878	430,746	412,020	(1,766,071)	58,906,914
Investment income*	-	-	-	-	-	209,118	-	-	209,118
Segment results	1,998,088	645,720	254,643	35,258	(10,727)	476,883	(41,035)	(18,758)	3,340,072
Interest and dividend income and other unallocated gains									445,022
Corporate and other unallocated expenses									(124,695)
Finance costs									(72,757)
Share of profits and losses of jointly-controlled entities	-	(79,757)	-	-	-	-	-	-	(79,757)
Share of profits and losses of associates	275,398	237,098	(356)	14,815	-	-	-	-	526,955
Profit before tax									4,034,840
Tax									(394,567)
Profit for the year									3,640,273

3. SEGMENT INFORMATION (continued)

Business segments (continued)

Year ended 31 December 2008	Power equipment RMB'000	Electro-mechanical equipment RMB'000	Heavy machinery equipment RMB'000	Transportation equipment RMB'000	Environmental protection systems RMB'000	Financial business RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Assets and liabilities									
Segment assets	48,019,876	13,541,443	12,002,612	1,496,869	2,953,532	17,717,863	420,075	(18,564,457)	77,587,813
Investments in jointly-controlled entities	-	348,471	-	-	-	-	-	-	348,471
Investments in associates	1,324,583	992,450	19,210	38,893	1,927	-	4,027	-	2,381,090
Corporate and other unallocated assets									1,693,657
Total assets									82,011,031
Segment liabilities	39,355,901	5,434,758	5,105,283	638,863	1,551,865	15,091,930	340,774	(16,928,447)	50,590,927
Corporate and other unallocated liabilities									3,263,023
Total liabilities									53,853,950
Other segment information:									
Depreciation and amortisation	387,384	241,486	131,699	150,397	44,752	1,048	22,646	-	979,412
Capital expenditure	783,902	478,253	1,824,508	60,330	145,922	295	116,906	(23,830)	3,386,286
Impairment losses recognised in the income statement	-	23,264	-	36,016	-	-	-	-	59,280
Other non-cash expenses	856,963	135,519	14,220	2,543	42,288	(67,865)	10,979	(39,151)	955,496
Product warranty provision	139,888	17,515	(8,307)	46,330	622	-	-	-	196,048
Provision for onerous contracts	191,210	-	-	-	-	-	-	-	191,210
Reversal of late delivery provision	(100,000)	-	-	-	-	-	-	-	(100,000)

3. SEGMENT INFORMATION (continued)

Business segments (continued)

Year ended 31 December 2007 (Restated)	Power equipment RMB'000	Electro-mechanical equipment RMB'000	Heavy machinery equipment RMB'000	Transportation equipment RMB'000	Environmental protection systems RMB'000	Financial business RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	32,837,908	12,066,358	2,823,108	4,767,302	2,886,331	156,991	391,344	-	55,929,342
Intersegment sales	601,957	68,822	184,572	4,869	79,888	102,502	48,419	(1,091,029)	-
Total	33,439,865	12,135,180	3,007,680	4,772,171	2,966,219	259,493	439,763	(1,091,029)	55,929,342
Investment income*	-	-	-	-	-	1,363,049	-	-	1,363,049
Segment results	2,523,376	855,116	60,135	177,568	33,499	1,298,349	(553)	(7,468)	4,940,022
Interest and dividend income and other unallocated gains									235,111
Corporate and other unallocated expenses									(137,553)
Finance costs									(58,982)
Share of profits and losses of jointly-controlled entities	-	31,896	-	(12,812)	-	-	-	-	19,084
Share of profits and losses of associates	313,426	277,412	460	15,511	327	-	-	-	607,136
Profit before tax									5,604,818
Tax									(1,312,910)
Profit for the year									4,291,908

3. SEGMENT INFORMATION (continued)

Business segments (continued)

Year ended 31 December 2007 (Restated)	Power equipment RMB'000	Electro-mechanical equipment RMB'000	Heavy machinery equipment RMB'000	Transportation equipment RMB'000	Environmental protection systems RMB'000	Financial business RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Assets and liabilities									
Segment assets	38,940,622	11,566,933	9,778,717	4,736,946	2,975,554	18,456,394	430,932	(15,588,621)	71,297,477
Investments in jointly-controlled entities	-	345,478	-	42,433	-	-	-	-	387,911
Investments in associates	1,302,669	1,173,410	19,734	69,375	1,938	-	3,954	-	2,571,080
Corporate and other unallocated assets									1,764,429
Total assets									76,020,897
Segment liabilities	33,230,582	5,377,845	3,828,108	2,008,960	1,662,017	14,522,994	362,482	(15,852,156)	45,140,832
Corporate and other unallocated liabilities									3,369,073
Total liabilities									48,509,905
Other segment information:									
Depreciation and amortisation	346,962	257,533	97,354	178,170	29,273	1,842	22,355	-	933,489
Capital expenditure	767,514	328,335	1,842,822	134,578	444,095	489	46,092	(43,920)	3,520,005
Impairment losses:									
Recognised in the income statement	3,570	515	-	10,824	-	-	-	-	14,909
Reversed in the income statement	(119)	-	-	-	-	-	-	-	(119)
Other non-cash expenses	292,789	45,895	14,793	51,408	13,354	87,387	759	245,344	751,729
Product warranty provision	79,800	31,633	5,208	72,291	115	-	38	-	189,085
Provision for onerous contracts	457,603	-	251,398	-	-	-	-	(251,398)	457,603

* The investment income, as defined in note 4, arising from the financial business segment is included in the segment results of the financial business. The investment income of the Group's other segments is included in "Interest and dividend income and other unallocated gains" in the above segment information.

3. SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue information on the Group's geographical segments for the years ended 31 December 2008 and 2007:

	2008			2007 (Restated)		
	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	50,021,293	8,885,621	58,906,914	51,314,010	4,615,332	55,929,342

4. REVENUE, OTHER INCOME AND GAINS

Revenue includes turnover and other revenue that arise from the ordinary course of business of the Group. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; net of sale taxes and surcharges.

An analysis of revenue, other income and gains is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Revenue		
Turnover		
Sale of goods	44,053,967	46,475,690
Construction contracts	11,926,847	6,472,303
Rendering of services	1,445,029	1,569,818
	57,425,843	54,517,811
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	886,225	980,778
Gross rental income	85,026	101,354
Finance Company:		
Interest income from banks and other financial institutions	217,013	109,549
Interest income on loans receivable and discounted bills receivable	85,167	47,442
Others	207,640	172,408
	1,481,071	1,411,531
	58,906,914	55,929,342

continued/...

4. REVENUE, OTHER INCOME AND GAINS (continued)

	2008 RMB'000	2007 RMB'000 (Restated)
Other income		
Interest income on bank balances and time deposits	184,836	137,796
Interest income on debt investments*	28,897	60,515
	213,733	198,311
Dividend income from equity investments and investment funds*	38,615	301,621
Subsidy income	185,117	118,872
Others	69,417	52,735
	506,882	671,539
Gains		
Gain on disposal of items of property, plant and equipment	38,612	9,681
Gain on disposal of subsidiaries*	18,258	7,667
Gain on disposal of an equity interest in a jointly-controlled entity*	10,397	-
Gain on disposal of associates*	218,072	1,653
Investments at fair value through profit or loss:		
(Reversal of unrealised fair value gains)/ Unrealised fair value gains, net*	(259,914)	164,499
Realised fair value gains, net*	148,736	187,459
Derivative financial instruments - transactions not qualifying as hedges:		
Unrealised fair value gains, net*	21,694	11,077
Realised fair value gains, net*	4,248	11,173
Realised gain on available-for-sale investments (transfer from equity)*	327,821	742,369
Gain on disposal of unquoted equity investments stated at cost*	3,178	15,222
Excess over the cost of business combinations*	-	11,412
Gain on debt restructuring	150	23,032
Exchange losses, net	(90,698)	(54,303)
	440,554	1,130,941
	947,436	1,802,480

* These items are collectively referred to as "Investment income".

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008 RMB'000	2007 RMB'000 (Restated)
Cost of inventories sold	36,321,908	38,518,467
Cost of construction contracts	10,542,361	5,652,723
Cost of services provided	1,146,529	1,311,995
Finance Company:		
Interest expense due to banks and other financial institutions	9,432	35,611
Interest expense on customer deposits	11,293	4,182
Interest expense on bonds	51,075	4,350
	71,800	44,143
Depreciation	874,609	823,628
Recognition of prepaid land lease payments**	25,114	37,358
Amortisation of patents and licences**	45,295	27,273
Amortisation of concession intangible assets	1,612	-
Amortisation of other intangible assets**	6,164	10,889
Research and development costs:**		
Amortisation of technology know-how	26,618	34,341
Current year expenditure*	960,219	563,803
	986,837	598,144
Minimum lease payments under operating leases:		
Land and buildings	105,105	76,324
Plant, machinery and motor vehicles	40,420	33,801
Auditors' remuneration	30,242	36,750
Staff costs (including directors' and supervisors' remuneration):		
Wages and salaries	3,381,085	3,192,543
Defined contribution pension scheme	451,397	428,681
Early retirement benefits costs	67,987	64,265
Staff severance costs	16,453	24,665
Medical benefits costs	204,190	193,817
Housing fund	174,845	173,886
Cash housing subsidies costs	1,979	5,173
	4,297,936	4,083,030

continued/...

5. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	2008 RMB'000	2007 RMB'000 (Restated)
Write-down of inventories to net realisable value	425,280	518,687
Impairment of trade receivables and other receivables**	598,081	151,788
Impairment of loans receivable**	8,331	4,957
(Reversal of impairment)/impairment of discounted bills receivable**	(1,196)	1,297
(Reversal of impairment)/impairment of held-to-maturity debt investments**	(75,000)	75,000
Impairment of items of property, plant and equipment**	40,276	5,911
Impairment of goodwill**	12,694	6,401
Impairment of other intangible assets**	1,651	-
Impairment of other non-current assets**	4,659	-
Impairment of investments in associates**	-	2,478
Product warranty provision:		
Additional provision	224,636	192,984
Reversal of unutilised provision	(28,588)	(3,899)
Onerous contracts provision:		
Additional provision	191,210	457,603
Late delivery provision:		
Reversal of unutilised provision	(100,000)	-

* Various government grants have been received for setting up research activities in Mainland China. Government grants released have been deducted from the research and development costs to which they relate. Government grants received for which the related expenditure has not yet been undertaken are accounted for as government grants in the consolidated balance sheet. There are no unfulfilled conditions or contingencies relating to these grants.

** These items are included in "Other expenses" on the face of the consolidated income statement.

6. TAX

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% for the year ended 31 December 2008 (2007: 33%) under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 18% as they were subject to the transitional income tax rate in the current year under the Corporate Income Tax Law;
- certain subsidiaries are subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law for the successive three years from 2008; and
- certain subsidiaries are subject to a corporate income tax rate of 12.5% as it was granted a transitional 50% reduction tax holiday in the current year under the Corporate Income Tax Law.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year.

	2008 RMB'000	2007 RMB'000 (Restated)
Group:		
Current - Mainland China		
Charge for the year	955,083	1,603,276
Overprovision in prior years	(389,735)	(115,511)
Current - Elsewhere		
Charge for the year	2,642	4,048
Deferred	(173,423)	(178,903)
Total tax charge for the year	394,567	1,312,910

The share of tax attributable to jointly-controlled entities amounting to RMB9,273,000 (2007: RMB7,360,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

The share of tax attributable to associates amounting to RMB117,021,000 (2007: RMB102,257,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

7. DIVIDENDS

	2008 RMB'000	2007 RMB'000
Declared final 2007 dividend - RMB5.6 cents per ordinary share	700,430	-
Proposed final 2008 dividend – RMB6.1 cents per ordinary share	762,969	-
	1,463,399	-

The final dividend declared for the year ended 31 December 2007 was approved by the Company's shareholders at the extraordinary general meeting held on 24 March 2009.

The final dividend proposed for the year ended 31 December 2008 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2008 have not been disclosed as no diluting events existed during these years.

The calculation of basic earnings per share is based on:

	2008 RMB'000	2007 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	2,533,605	2,811,483

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
	2008	2007
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	11,942,985	11,891,648

9. TRADE RECEIVABLES

	2008	2007
	RMB'000	RMB'000
		(Restated)
Trade receivables	13,124,849	10,987,600
Impairment	(1,707,337)	(1,200,770)
	11,417,512	9,786,830

For the sale of large-scale products, deposits and progress payments are required from customers. Retention money is calculated mainly at 5% to 10% of the total sales value, with retention periods of one to two years.

For the sale of other products, the Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance or cash on delivery is normally required. The credit period is generally three months and may extend to six months for key customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

9. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at the balance sheet date, based on the due date and net of provision for bad and doubtful debts, is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Undue	5,203,876	4,789,970
Within 3 months	3,772,709	2,816,784
Over 3 months but within 6 months	763,431	831,929
Over 6 months but within 1 year	1,065,140	813,978
Over 1 year but within 2 years	523,967	457,542
Over 2 years but within 3 years	68,303	70,635
Over 3 years	20,086	5,992
	11,417,512	9,786,830

10. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Within 3 months	7,615,590	7,083,743
Over 3 months but within 6 months	1,027,650	1,005,340
Over 6 months but within 1 year	750,833	730,371
Over 1 year but within 2 years	356,450	272,485
Over 2 years but within 3 years	114,750	90,901
Over 3 years	114,546	86,205
	9,979,819	9,269,045

11. COMPARATIVE AMOUNTS

As further explained in notes 2.2 (c) and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs and the change in accounting policy for the investments in jointly-controlled entities, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

Operation Overview

During the period under review, the Company enhanced its competitiveness and profitability, as well as its sustainable and healthy operation level, and optimised its management systems. In particular, the Company managed to maintain its growth momentum by adopting appropriate measures to tackle the global financial crisis. During the reporting period, the Company recorded a steady growth in revenue and attained a satisfactory level for its financial indicators. Core businesses achieved a series of breakthroughs. As at the end of 2008, outstanding orders of power equipment division and heavy machinery division exceeded RMB160 billion and RMB17 billion respectively.

Revenue for 2008 was RMB58,907 million (2007: RMB55,929 million), representing an increase of 5.3% over last year. However, due to the decrease in other income, increase in expenses, as well as the fact that certain customers requested to defer delivery of products that such revenue was not recognized in 2008, profit attributable to equity holders of the parent was RMB2,534 million (2007: RMB2,811 million), representing a decrease of 9.9% over last year. Basic earnings per share attributable to ordinary equity holders of the parent was RMB21.21 cents (2007: RMB23.64 cents). The board of the Company proposed a final dividend of RMB6.1 cents per share (2007: RMB5.6 cents).

As at 31 December 2008, the Group has total assets of RMB82,011 million (2007: RMB76,021 million), an increase of RMB5,990 million, or 7.88%, compared to that of the beginning of the year. Total current assets increased by RMB4,768 million from the beginning of the year to RMB63,737 million (2007: RMB58,969 million), accounting for 77.72% of the total assets. Total non-current assets were RMB18,274 million (2007: RMB17,052 million), representing an increase of RMB1,222 million from the beginning of the year and accounting for 22.28% of the total assets.

As at 31 December 2008, total liabilities of the Group were RMB53,854 million (2007: RMB48,510 million), representing an increase of 11.02% from the beginning of the year. Total current liabilities increased by 11.24% to RMB50,624 million (2007: RMB45,507 million) from the beginning of the year, while total non-current liabilities increased by 7.56% to RMB3,230 million (2007: RMB3,003 million) from the beginning of the year.

As at 31 December 2008, total net current assets of the Group was RMB13,113 million (2007: RMB13,462million), representing a decrease of RMB349 million from the beginning of the year. Current ratio decreased from 1.30 to 1.26.

Business Review of Major Divisions

Power Equipment Division

As the Company's traditional core competence business segment, the power equipment division steadily enhanced its competitiveness. Revenue of the Power Equipment Division reached RMB33,968 million (2007: RMB33,440 million), representing an increase of 1.6% from last year. As a result of stringent controls over production costs, the Power Equipment Division recorded an increase in gross profit margin to 17.2% (2007: 15.4%); operating profit amounted to RMB2,206 million. During the period under review, the production of our three major equipments, namely turbine generators, turbines and boilers, were 28,680 MW, 27,030 MW and 24,860 MW respectively. The Engineering, Procurement & Construction (the "EPC") business maintained its rapid development and recorded a revenue of more than RMB10 billion during the period under review. With its improved competitiveness in overseas markets, the Company secured overseas power equipment orders of more than RMB20 billion. The Company also completed the construction of 200 units of wind power equipment and successfully launched its first unit with 2 MW capacity. A large-scale wind power equipment production base was planned to be built in Lingang in Shanghai. Phase I of the construction was on schedule. The planned annual production capacity of Phase I of the production base is 600 units of wind power equipment of 1.25-2 MW capacity each. Shanghai Lingang nuclear power conventional island production base with an annual production capacity of 2.5 sets of 1,000 MW nuclear power conventional island equipment commenced its operation. During the period under review, the Company has established a strategic alliance with AREVA Group in France, in respect of the transformer business. The construction of Lingang large-scale transformer production base was in good progress. Upon completion of the production base, the Group's competitiveness in high voltage and ultra-high voltage large-scale transformer equipment production will be enhanced.

Electromechanical Equipment Division
In 2008, electromechanical equipment division also enjoyed a steady growth as a whole. Revenue of the division was RMB13,036 million (2007: RMB12,135 million), representing an increase of 7.4% from last year, mainly attributable to the growth in sales of elevators; operating profit amounted to RMB953 million. During the period under review, the Company maintained its leading position in the PRC elevator market. Shanghai Mitsubishi Elevator Co., Ltd. (the "SMEC"), a subsidiary of the Company, achieved a global breakthrough with an annual production and sales record of 30,000 elevators, in which the cumulative units produced and sold reached 200,000 elevators. It was the highest annual production of a single elevator production plant in the world. During the reporting period, the export volume of complete sets of SMEC elevators recorded a year-on-year growth of more than 30%, marking a milestone of the elevator export business. In addition, the revenue from the elevator installation, maintenance and repairs business of SMEC for the year continued to grow, maintaining highest number of interest units, highest number of units under maintenance and repair contracts in the domestic elevator market.

Heavy Machinery Division
Coupled with the continuous investment and construction in recent years, the heavy machinery division of the Company has entered a fast-growing phase. During the period under review, the revenue from heavy machinery division amounted to RMB5,133 million (2007: RMB3,008 million), posting a year-on-year growth of more than 70%, mainly attributable to an increase in sales of heavy machinery and nuclear power equipment products; while operating profit surged 246.3% to RMB277 million. Through a joint venture with KSB of Germany, the Company has successfully entered the market of nuclear power pumps and valves and formed a production chain of nuclear power nuclear island equipments. The Company's market competitiveness was further strengthened. During the reporting period, the Company secured all the orders of reactor vessel internals and control rods drive mechanisms nuclear equipment in the domestic market. The Company also secured orders of 1,000 MW level steam generators, pressure vessels and pressurizers from Hongyanhe, Ningde, Fang Jia Shan, Yangjiang and Haiyang. In addition, the Company had also secured an order of pressure vessels for high-temperature air-cool reactor project in Shidaowan, which is the first of its kind in China. During the period under review, the Company successfully produced "8K80MC-C", "8K90MC-C" and "8RT-FLEY68D" ship-use crankshafts and achieved a series of "No.1 in China". Upon completion of the production facilities in Lingang base, the production capacity of the Company in extra-large, heavy and extreme capacity equipments will be enhanced.

Transportation Equipment Division
Regarding the transportation equipment division, revenue dropped by 6.3% to RMB4,471 million (2007: RMB4,772 million), mainly attributable to the delivery schedule arrangement of the metro-railcars; operating profit amounted to RMB131 million. The sales volume of metropolitan railcars of the Company was 148 units during the reporting period, reaching around 27% market share in Shanghai. The Company also secured orders of electrical and mechanical projects of urban mass transit system in Chongqing and Shenzhen and will further explore other markets in China. Significant progress was made in the self-manufactured Type A metro railcars of the Company. Traction systems, braking systems, car doors and dynamic systems of the railcars had passed the necessary tests and the railcars have now been put on trial run.

During the period under review, the Company completed the disposal of an equity of 50.32% in Shanghai Diesel Engine Co., Ltd., and the proceeds from the sale of shares will be used to develop the core business of the Company.

Environmental Systems Division
For the environmental systems division, revenue increased by 8.6% to RMB3,222 million (2007: RMB2,966 million) in 2008; operating loss was RMB28 million due to the operating loss of solar energy business. The Company proactively reorganised the business structure and enhanced its competitiveness to counter the adverse impact of the financial crisis during the period under review. The Company will continue to develop its capability in respect of refuse incineration and sewage discharge business.

Successful A-share Listing
During the reporting period, the Company's share exchange and merger with Shanghai Power Transmission & Distribution Company Limited was launched and the A shares of the Company were successfully listed on the Shanghai Stock Exchange on 5 December 2008. The listing of A shares of the Company broadened the Company's financing platform, helped to further consolidate the Company's resources, and laid a solid foundation for the enhancement of synergy and operation efficiency of the Group.

Outlook

The global economy in 2009 will continue to be challenging. The adverse impact on enterprises of China as a result of the financial crisis may come up further. The Group will proactively optimise its operating structure and implement further cost control measures to improve its efficiency. The Group will strengthen the control on trade receivables and inventories, as well as maintain sufficient cash flow to cope with unprecedented changes in the macroeconomic environment. Looking forward, it is believed that the urbanisation process in China will continue its growth momentum. In addition, the Chinese government's RMB4 trillion stimulus package for boosting domestic demand and the revitalisation scheme for ten major industries will be a strong driving force to facilitate its economic development. Against this backdrop, our business segments in clean energy equipment, high/ultra-high voltage power transmission and distribution equipment, heavy machinery and metropolitan rail transportation equipment are expected to enjoy a faster development pace. The Group will seize opportunities to further enhance its technological innovation as well as to reinforce its production capability. While enjoying direct benefits from the government's favourable policies towards the nuclear power, wind power, power transmission and distribution, and metropolitan rail transportation, the Group will continue to consolidate its leading position in the power equipment, heavy machinery and elevator businesses. Meanwhile, the Group will also establish world-class production plants with an aim to become an international heavy equipment manufacturer with self-innovative capability and development sustainability.

Post Balance Sheet Events

(1) On 20 July 2007, the Board resolved to acquire a 100% equity interest in Shanghai Institute of Machine Building Technology Co., Ltd. from SE Corporation at a mutually agreed consideration of RMB163,960,000 in cash. The acquisition has been completed on 20 February 2009.

(2) On 24 February 2009, the board of directors of Shanghai Mechanical and Electrical Industry Co., Ltd. resolved to:

acquire a 50% equity interest in Shanghai Pulux Machinery Co., Ltd. ("Pulux Machinery") from Shanghai Zi Wen Investment Co., Ltd. ("Zi Wen Investment") at a consideration of RMB85,920,000;

acquire a 50% equity interest in Shanghai Guang Hua Printing Machinery Co., Ltd. ("Guang Hua Printing") from Zi Wen Investment at a consideration of RMB199,720,000;

acquire a 50% equity interest in Akiyama International Co., Ltd. ("Akiyama International") from Bowton Limited at a consideration of RMB30,900,000, upon completion of which additional capital of RMB200,000,000 will be injected;

acquire a 22.14% equity interest in Shanghai Shen Wei Da Machinery Co., Ltd. ("Shen Wei Da") from Hong Kong Hua Wei Trading Co., Ltd. at a consideration of RMB15,666,000; acquire a 2.86% equity interest in Shen Wei Da from American Shanghai Mechanical and Electrical Trading Co., Ltd. at a consideration no higher than RMB2,023,000.

After the completion of above transactions, Pulux Machinery, Guang Hua Printing, Akiyama International and Shen Wei Da will become wholly-owned subsidiaries of the Group.

(3) Details of final 2007 dividend declared and final 2008 dividend proposed after the balance sheet date are contained in note 7 to the financial statements.

Investment on Shanghai Topsolar Green Energy Co., Ltd.

On 24 December 2008, the Company entered into an equity transfer agreement with Yancheng Dongtou New Energy Equipment Co.,Ltd.（鹽城市東投新能源設備有限公司） to transfer 36% of the equity in Shanghai Topsolar Green Energy Co., Ltd. held by the Company at a consideration of RMB138,601,000. According to the agreement, net operating profit or loss of Shanghai Topsolar Green Energy Co., Ltd. from 30 September 2007, the reference date of the transaction, to the date of completion of transaction shall attribute to the Company. On 30 December 2008, Shanghai Topsolar Green Energy Co., Ltd. completed the change of registration with the Industry and Commerce Administration Bureau.

As at the date of the approval of the financial statements for 2008, Yancheng Dongtou New Energy Equipment Co.,Ltd.（鹽城市東投新能源設備有限公司）has failed to pay the second installment of equity transfer consideration amounting RMB 97,020,000 within 20 business days after the effective date of the agreement despite of demand by the Company.

As at the date of approval of the financial statements for 2008, the major terms of the aforementioned equity transfer agreement have not been fulfilled and most of the equity transfer consideration has not been paid by Yancheng Dongtou New Energy Equipment Co., Ltd.（鹽城市東投新能源設備有限公司）in accordance with the agreement, the Company is of the view that it still has the effective control over the operations of Shanghai Topsolar Green Energy Co., Ltd. and accordingly the consolidated financial statements of the Company included the financial statements of Shanghai Topsolar Green Energy Co., Ltd. for the year ended 31 December 2008.

Corporate Governance

The Board firmly believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure its strict compliance with relevant regulatory requirements, including but not limited to the code provisions set out in the Code on Corporate Governance Practices (the "Code")contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and to ensure a high level of transparency in corporate governance and an excellent performance in operation.

During the reporting period, the Board of Directors is of the view that the Company has complied with the code provisions of the Code except for code provision A.2.1 concerning the requirements to separate the roles of the chairman and chief executive officer. The Company is of the opinion that segregation of duties and responsibilities between the Board of Directors and the senior management has been well maintained and there exists no problem of over-centralization of management power on one particular individual.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Further to the Company's enquiry, all directors confirmed that they had complied with the Model Code throughout the year 2008.

Review of Annual Results by Audit Committee

The annual results for the year ended 31 December 2008 have been reviewed by the Audit committee of the Company.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Withholding of Corporate Income Tax for Non-resident Corporate Shareholders

According to the implementation rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the 2008 final dividend to non-resident enterprise shareholders as appearing on the H Share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

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

Shanghai, the PRC, 24 April 2009

As at the date of this announcement, the executive Directors of the Company are Mr. XU Jianguo, Mr. HUANG Dinan, Mr. ZHANG Suxin and Mr.YU Yingui; the non-executive Directors of the Company are Mr. ZHU Kelin and 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.