#

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)

2009 INTERIM RESULTS

Performance Highlights

- **Revenue for the first half of 2009 reached RMB27,798 million, representing a decrease of 2.9% over the corresponding period last year**
- **Profit attributable to equity holders of the parent for the first half of 2009 was RMB1,370 million, representing a decease of 11.4% over the corresponding period last year, and RMB1,265 million of which was profit attributable to equity holders net of financial business, representing a decrease of 5.0% over the corresponding period last year**
- **Basic earnings per share were RMB10.95 cents**

The board of directors (the "**Board**") of Shanghai Electric Group Company Limited (the "**Company**") is pleased to announce the condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2009. The results have not been audited but have been reviewed by audit committee of the Company.

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Notes	For the six months ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000 (Restated)
REVENUE	3	27,798,325	28,631,427
Cost of sales		(23,618,402)	(23,381,946)
GROSS PROFIT		4,179,923	5,249,481
Other income and gains	3	290,577	413,438
Selling and distribution costs		(601,777)	(693,136)
Administrative expenses		(1,525,759)	(1,722,586)
Other expenses		(447,261)	(704,320)
Finance costs		(16,336)	(29,113)
Share of profits and losses of:			
Jointly-controlled entities		22,280	1,494
Associates		286,360	274,525
PROFIT BEFORE TAX	4	2,188,007	2,789,783
Tax	5	(264,190)	(530,836)
PROFIT FOR THE PERIOD		1,923,817	2,258,947
ATTRIBUTABLE TO:			
Equity holders of the parent		1,369,510	1,546,710
Non-controlling interests		554,307	712,237
		1,923,817	2,258,947
DIVIDEND			
Proposed interim	6	-	-
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic			
- For profit for the period		10.95 cents	13.01 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
PROFIT FOR THE PERIOD	1,923,817	2,258,947
Changes in fair value and disposal of available-for sale investments	53,034	(1,721,556)
Deferred tax impact on changes in fair value and disposal of available-for-sale investments	(8,954)	411,676
	44,080	(1,309,880)
Exchange realignment	(18,916)	(3,812)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX	25,164	(1,313,692)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,948,981	945,255
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	1,388,538	503,959
Non-controlling interests	560,443	441,296
	1,948,981	945,255

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2009

	Notes	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,346,336	11,252,172
Prepaid land lease payments		1,444,292	1,362,001
Goodwill		191,061	191,061
Other intangible assets		860,542	761,594
Investments in jointly-controlled entities		364,824	348,471
Investments in associates		2,627,232	2,381,090
Loans receivable		427,551	313,071
Other investments		386,743	814,048
Other non-current assets		172,138	107,907
Deferred tax assets		792,951	742,529
Total non-current assets		18,613,670	18,273,944
CURRENT ASSETS			
Inventories		20,930,209	21,367,883
Construction contracts		414,631	382,946
Trade receivables	8	13,430,148	11,417,512
Loans receivable		891,495	1,017,705
Discounted bills receivable		47,619	131,152
Bills receivable		1,460,225	866,368
Prepayments, deposits and other receivables		10,581,651	8,759,678
Investments		3,573,850	4,401,553
Derivative financial instruments		51,353	61,680
Due from the Central Bank		1,552,004	1,260,876
Restricted deposits		1,002,224	1,403,209
Cash and cash equivalents		15,542,678	12,666,525
Total current assets		69,478,087	63,737,087
CURRENT LIABILITIES			
Trade payables	9	13,786,804	9,979,819
Bills payable		1,723,683	2,046,475
Other payables and accruals		38,512,297	35,274,488
Derivative financial instruments		12,645	21,731
Customer deposits		574,064	747,036
Interest-bearing bank and other borrowings		462,084	666,768
Tax payable		1,082,452	1,327,941
Provisions		621,482	559,566
Total current liabilities		56,775,511	50,623,824
Net current assets		12,702,576	13,113,263
Total assets less current liabilities		31,316,246	31,387,207

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2009

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Bonds	1,000,000	1,000,000
Interest-bearing bank and other borrowings	1,562,178	1,536,856
Provisions	96,717	52,018
Government grants	94,176	116,748
Other non-current liabilities	29,987	15,971
Deferred tax liabilities	486,964	508,533
Total non-current liabilities	3,270,022	3,230,126
Net assets	28,046,224	28,157,081
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	12,507,686	12,507,686
Reserves	9,042,287	7,627,654
Declared final 2007 dividend	-	700,430
Proposed final 2008 dividend	-	762,969
	21,549,973	21,598,739
Non-controlling interests	6,496,251	6,558,342
Total equity	28,046,224	28,157,081

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2009

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	*Financial Instruments: Disclosure*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 10	*Events after the Balance Sheet Date*
HKAS 18	*Revenue*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS39 Amendments	*Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The amendments have no impact on the consolidated financial statements. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes, and therefore, the amendments have no impact on the financial statements.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES(continued)

HKFRS 7 Amendments requires additional disclosure about fair value measurement and liquidity risk. The amendments have no financial impact on the Group.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 *Segment Reporting*. Additional disclosures about each of these segments are shown in Note 2, including revised comparative information.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present in two statements.

HKAS 10 clarifies that if dividends are declared (i.e. the dividends are appropriately authorized and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorized for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with HKAS 1 *Presentation of Financial Statements*.

HKAS 18 clarifies that the recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument. The description of fees for financial services may not be indicative of the nature and substance of the services provided. Therefore, it is necessary to distinguish between fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES(continued)

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendments to HK(IFRIC)-Int 9 and HKAS 39 are made in response to the earlier amendments to HKAS 39 and HKFRS7 regarding reclassification of financial assets. As the Group has not reclassified hybrid financial instruments in accordance with the October 2008 amendments HKAS39, the amendments are unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 15 will replace HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES(continued)

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. The Group adopts the following amendments to HKFRSs from 1 January. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have a significant financial impact on the Group.

(a) HKFRS 7 *Financial Instruments*: *Disclosures*: Removes the reference to "total interest income" as a component of finance costs.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the balance sheet.

(c) HKAS 16 *Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is calculated as the higher of an asset's fair value less costs to sell and its value in use.

In addition, items held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventories when rental ceases and they are held for sale.

(d) HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

(e) HKAS 27 *Consolidated and Separate Financial Statements*: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES(continued)

(f) HKAS 28 *Investments in Associates*: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

(g) HKAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

(h) HKAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

2. SEGMENT INFORMATION

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

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.

2. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit/(loss) of the Group's operating segments for the six months ended 30 June 2009 (the "Period"):

Six months ended 30 June 2009 (Unaudited)	Power equipment RMB'000	Electro-mechanical equipment RMB'000	Heavy machinery equipment RMB'000	Transportation equipment RMB'000	Environmental systems RMB'000	Financial business RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	17,385,941	6,140,282	2,667,177	244,926	1,057,229	104,010	198,760	-	27,798,325
Intersegment sales	66,977	80,835	198,157	-	181,021	60,068	19,169	(606,227)	-
Total	17,452,918	6,221,117	2,865,334	244,926	1,238,250	164,078	217,929	(606,227)	27,798,325
Operating profit	1,091,486	520,031	223,983	26,678	145	167,912	(46,919)	(87,613)	1,895,703
Finance costs									(16,336)
Share of profits and losses of associates	173,248	125,467	-	3,757	-	-	(16,112)	-	286,360
Share of profits and losses of jointly-controlled entities	-	22,280	-	-	-	-	-	-	22,280
Profit before tax									2,188,007
Tax									(264,190)
Profit for the period									1,923,817

2. SEGMENT INFORMATION (continued)

Business segments (continued)

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2008:

Six months ended 30 June 2008 (Unaudited, Restated)	Power equipment RMB'000	Electro-mechanical equipment RMB'000	Heavy machinery equipment RMB'000	Transportation equipment RMB'000	Environmental systems RMB'000	Financial business RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:									
Sales to external customers	15,430,627	6,575,031	2,168,972	2,700,588	1,456,682	121,029	178,498	-	28,631,427
Intersegment sales	383,293	40,091	117,268	-	165,866	73,172	54,517	(834,207)	-
Total	15,813,920	6,615,122	2,286,240	2,700,588	1,622,548	194,201	233,015	(834,207)	28,631,427
Operating profit	1,496,133	555,355	105,859	114,933	37,160	346,766	(32,230)	(81,099)	2,542,877
Finance costs									(29,113)
Share of profits and losses of associates	127,163	127,767	-	19,595	-	-	-	-	274,525
Share of profits and losses of jointly-controlled entities	-	10,345	-	(8,851)	-	-	-	-	1,494
Profit before tax									2,789,783
Tax									(530,836)
Profit for the period									2,258,947

2. SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue information on the Group's geographical segments for the six months ended 30 June 2009 and 2008:

	Six months ended 30 June 2009 (Unaudited)			Six months ended 30 June 2008 (Unaudited, 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	23,073,977	4,724,348	27,798,325	23,971,138	4,660,289	28,631,427

3. REVENUE, OTHER INCOME AND GAINS

Revenue includes turnover and other revenue that arise in the Group's course of ordinary activities. 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:

	For the six months ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000 (Restated)
Revenue		
Turnover		
Sales of goods	21,186,417	21,837,616
Construction contracts	5,344,052	5,380,502
Rendering of services	823,318	695,058
	27,353,787	27,913,176
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	254,166	456,281
Gross rental income	37,953	33,900
Shanghai Electric Group Finance Company ("Finance Company"):		
Interest income from banks and other financial institutions	88,417	91,285
Interest income on loans receivables and discounted bills receivable	27,036	31,555
Others	36,966	105,230
	444,538	718,251
	27,798,325	28,631,427

3. REVENUE, OTHER INCOME AND GAINS (continued)

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Other income		
Interest income on bank balances and time deposits	60,508	70,166
Interest income on debt investments	6,728	7,532
	67,236	77,698
Dividend income from equity investments and investment funds	27,547	31,910
Subsidy income	48,275	54,263
Others	28,493	32,486
	171,551	196,357
Gains		
Gain on disposal of items of property, plant and equipment	1,568	1,152
Gain on disposal of subsidiaries	-	31,400
Gain on disposal of equity interest in a jointly-controlled entity	-	10,397
Investments at fair value through profit or loss:		
Reversal of unrealised fair value gains, net	(10,890)	(206,645)
Realised fair value gains, net	11,880	91,164
Derivative financial instruments transactions not qualifying as hedges:		
Unrealised fair value (losses)/gains, net*	(1,241)	2,778
Realised fair value gains, net	7,619	3,430
Realised gain on available-for-sale investments (transfer from equity)	108,778	289,587
Gain on disposal of unquoted equity investments stated at cost	3,235	209
(Loss)/gain on debt restructuring	(6,865)	5,260
Exchange gains/(losses), net	4,942	(11,651)
	119,026	217,081
	290,577	413,438

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Cost of inventories sold	17,626,158	17,855,203
Cost of construction contracts	4,945,427	4,650,018
Cost of services provided	680,150	600,593
Finance Company:		
Interest expense due to banks and other financial institutions	830	4,926
Interest expense on customer deposits	4,069	6,906
Interest expense on bonds	19,350	26,100
	24,249	37,932
Depreciation	433,613	428,104
Recognition of prepaid land lease payments*	13,146	15,849
Amortisation of patents and licences*	20,801	14,274
Amortisation of other intangible assets*	3,513	6,745
Research and development costs:*		
Amortisation of technology know-how	18,214	16,192
Current period expenditure	447,546	333,104
	465,760	349,296
Minimum lease payments under operating leases:		
Land and buildings	74,642	58,366
Plant, machinery and motor vehicles	33,465	28,167
Staff costs	2,065,650	2,131,549
Write-down of inventories to net realisable value 95,596	70,270	
(Reversal of impairment)/ impairment of accounts receivable and other receivables*	(86,915)	362,161
Impairment/(reversal of impairment) of loans receivable*	670	(2,578)
(Reversal of impairment)/ impairment of discounted bills receivable*	(1,239)	193
Reversal of impairment of held-to-maturity entrusted assets management*	-	(75,000)
Impairment of investments in associates*	1,158	-
Impairment of other investments*	8,627	-

4. PROFIT BEFORE TAX (continued)

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

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Product warranty provisions:		
Additional provisions	78,153	90,785
Reversal of unutilised provision	(15,664)	(2,070)
Onerous contract provisions:		
Additional provisions	46,315	37,031
Late delivery provision:		
Additional provisions	70,000	-

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

5. 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 six months ended 30 June 2009 (for the six months ended 30 June 2008: 25%) under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 20% 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.

5. TAX (continued)

Tax 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 Period.

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Group:		
Current – Mainland China		
Charge for the period	406,251	607,975
Overprovision in prior years	(60,084)	(66,368)
Current – Elsewhere		
Charge for the period	(351)	2,499
Underprovision in prior years	-	349
Deferred	(81,626)	(13,619)
Total tax charge for the period	264,190	530,836

The share of tax attributable to associates amounting to RMB39,325,000 (six months ended 30 June 2008: RMB33,722,000) is included in "Share of profits and losses of associates" on the face of the unaudited interim condensed consolidated income statement.

The share of tax attributable to jointly-controlled entities amounting to RMB3,060,000 (six months ended 30 June 2008: RMB351,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the unaudited interim condensed consolidated income statement.

6. DIVIDEND

The Board do not recommend the payment of interim dividend (six months ended 30 June 2008: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent of RMB1,369,510,000 (six months ended 30 June 2008: RMB1,546,710,000) and the number of 12,507,686,405 ordinary shares in issue during the Period (six months ended 30 June 2008: 11,891,648,000 ordinary shares).

No diluted earnings per share amounts have been presented for the six months ended 30 June 2009 and 2008 as no diluting events occurred during these periods.

8. TRADE RECEIVABLES

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

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Undue	7,190,369	5,203,876
Within 3 months	3,257,552	3,772,709
Over 3 months but within 6 months	1,446,984	763,431
Over 6 months but within 1 year	919,082	1,065,140
Over 1 year but within 2 years	502,084	523,967
Over 2 years but within 3 years	85,113	68,303
Over 3 years	28,964	20,086
	13,430,148	11,417,512

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

For the sale of other products, the Group's trading terms with 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.

9. TRADE PAYABLES

An ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within 3 months	9,753,054	7,615,590
Over 3 months but within 6 months	1,540,830	1,027,650
Over 6 months but within 1 year	1,576,186	750,833
Over 1 year but within 2 years	671,532	356,450
Over 2 years but within 3 years	128,980	114,750
Over 3 years	116,222	114,546
	13,786,804	9,979,819

10. OTHER SIGNIFICANT MATTERS

(1) On 27 April 2009, the Board resolved to authorise the issue and allotment of no more than 700 million A Shares by way of private offering ("Private Offering"). Upon completion of the Private Offering, the Company estimates that it will receive net proceeds of approximately RMB5,000 million, which the Company intends to utilise to facilitate the investments in fixed assets and projects, repay outstanding bank loans and supplement the working capital of the Company. The Private Offering have been already approved by the Shareholders by way of a special resolution at the annual general meeting of the Company, by the holders of A Shares by way of a special resolution at the relevant Class Meeting and by the holders of H Shares by way of a special resolution at the relevant Class Meeting. The Company also obtained the approval from Shanghai State-owned Assets Supervision and Administration Committee. As at 30 June 2009, the Company is in process of applying for other necessary approvals of the Private Offering.

(2) On 23 February 2009, the Board resolved to approve the acquisitions made by Shanghai Electric Group Printing & Packaging Machinery Co., Ltd., a wholly-owned subsidiary of Shanghai Mechanical and Electrical Industry Co., Ltd., of 50% equity interests in each of Shanghai Pulux Machinery Co., Ltd. ("Pulux Machinery"), Shanghai Guang Hua Printing Machinery Co., Ltd. ("Guang Hua Printing") and Akiyama International Co., Ltd. ("Akiyama International"), held by Morningside Group (Holdings) Limited ("Morningside"), at a total consideration of RMB316,540,000. As at the date of this report, the related procedures are in the process.

(3) On 23 February 2009, the Board resolved to approve the disposal of 10% equity interest in Shanghai Purple Magna Machinery Co., Ltd., held by Pulux Machinery, to Purple Scroll Investments Limited, a subsidiary of Morningside, at a consideration of RMB11,540,000 based on the appraised value agreed mutually. As at the date of this report, the related procedures are in the process.

11. COMPARATIVE AMOUNTS

Due to the adoption of new and revised HKFRSs and the change in accounting policy for the investments in jointly-controlled entities in the year ended 31 December 2008, 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 period adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

REVIEW OF OPERATIONS

The Group's revenue for the first half of 2009 was RMB27,798 million (1H08: RMB28,631 million), representing a decrease of 2.9% over the corresponding period last year. Profit attributable to the equity holders of the parent was RMB1,370 million (1H08: RMB1,547 million), representing a decrease of 11.4% over the corresponding period last year, of which profit net of financial business attributable to equity holders of the parent was RMB1,265 million, representing a decrease of 5.0% over the corresponding period last year. Basic earnings per share were RMB10.95 cents (1H08: RMB13.01 cents).

As at 30 June 2009, total assets of the Group were RMB88,092 million (31 December of 2008: RMB82,011 million) and total liabilities amounted to RMB60,046 million (31 December of 2008: RMB53,854 million). Total equity was RMB28,046 million (31 December of 2008: RMB28,157 million), of which RMB21,550 million (31 December of 2008: RMB21,599 million) was attributable to equity holders of the parent. Net asset value per share (attributable to equity holders of the parent) was RMB1.72.

Stepping into 2009, the impact of the financial crisis lingered on. Such impact led to a lack of recovery sign in the global economy. However, China's economy gradually bottomed out by virtue of the launch of various national policies, such as the Chinese government's RMB4 trillion stimulus package, industry revitalisation polices and measures for boosting domestic demand. The GDP growth rate of China recorded a growth of 7.1% for the first half of 2009 over the corresponding period last year. In June 2009, national electricity consumption increased by 4.3% as compared with that of the corresponding period last year, putting an end to the period-on-period negative growth for eight consecutive months. The turnaround in electricity demand also strengthened market confidence in the economic recovery of China. In view of the different economic conditions at home and abroad, the Group adjusted its operational strategies by cautiously taking into account the economic environment, the characteristics of the industry and the differences between domestic and the overseas markets. The Group strived to improve its profitability and competitiveness while maintaining the healthy and solid development of its core businesses, including power equipment, heavy machinery and elevators.

During the reporting period, the Group secured new orders of power generation equipment and heavy machinery with a contract value of over RMB33 billion and over RMB6 billion respectively. As at the end of June, the orders on hand of power generation equipment and heavy machinery amounted to over RMB170 billion and approximately RMB20 billion respectively, both of which hit the historical heights. The Group not only maintained its leading market shares in core businesses, but also achieved progress in commercialisation of the technology of key products. For the thermal power equipment business, the first national E-class IGCC model power station project with key equipment to be provided by the Group to Huaneng Group commenced construction in Lingang, Tianjin. For the wind power equipment business, wind power equipment of 2MW developed by the Group commenced operation this April. The development of off-shore wind power equipment of 3.6MW is expected to be completed in 2010. The design and development of components of the equipment are in progress. With regard to the nuclear power equipment business, the Group maintained its technical advantages in major nuclear power equipment, such as reactor vessel internals and control rod drive mechanisms nuclear equipment, and achieved progress in the research and development of welding of rotors. The capacity expansion project of Lingang Phase II has commenced, and the research and development of major pumps for nuclear power has also commenced. For the power transmission and distribution equipment business, the Group fully collaborated with Areva Group in France in high voltage and ultra-high voltage transmission equipment businesses, and the construction of the plant in Lingang was substantially completed. In respect of the heavy machinery business, the hot processing capability expansion project was basically completed and the production capability of large-scale forging and casting pieces was largely increased. With regard to the elevator business, the Group timely adjusted the product portfolio in response to the changes in market demand. The Group developed and launched LEGY elevators for welfare housing as well as K type escalators used in public transportation, both of which have achieved satisfactory results.

MANGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company aimed to maintain and enhance its profitability and competitiveness as well as to be a world class equipment manufacturer. Apart from securing its leading position in traditional businesses such as thermal power equipment, the Company seized market opportunities to expand into new energy areas, including nuclear power and wind power equipment businesses. The Group continued to invest in research and development with a view to strengthening the competitiveness of its core products. Through strengthening its capital structure and the proactive implementation of cost control and efficiency improvement measures, the Company further consolidated its leading position in the power equipment, heavy machinery and elevator businesses. Furthermore, the Company is evolving into a new business model with dual-focus on manufacturing and service provision to maintain a sustainable and healthy development.

Power Equipment Division

During the first half of 2009, the power equipment division achieved a steady growth through the active development of highly efficient and clean energy providing power equipment, as well as the wind power equipment businesses. The revenue of the division amounted to RMB17,453 million for the period (1H08: RMB15,814 million), which represents a year-on-year increase of 10.4%. Divisional operating profit amounted to RMB1,091 million (1H08: RMB1,496 million). Pursuant to the national policy of energy saving and emission reduction, installation of large capacity power equipment will be a development trend for domestic power plants. During the first half of 2009, the percentage of low margin products sales increased as compared with that of the corresponding period last year. As a result of the change of sales mix, the gross margin of this division dropped and operating profit decreased by RMB405 million year-on-year.

Electromechanical Equipment Division

During the first half of 2009, the revenue of our electromechanical equipment division decreased by 6.0% as compared to that of the corresponding period last year. This was primarily due to the extensive adjustment of the product mix of machine tool business, which further reduced the percentage of sales of traditional machine tools and increased the percentage of sales of high end products such as high precision machine tools and digital machine tools. This division's operating profit slightly decreased compared with that of the corresponding period last year. However, the elevator business of the Company maintained a stable growth in the reporting period with sales revenue increased by 5.8% as compared with the corresponding period last year.

Heavy Machinery Division

During the first half of 2009, the revenue of the heavy machinery division increased by 25.3% as compared with that of the same period last year. This was mainly attributable to the significant increase in production capacity of nuclear power nuclear island equipment business as a result of the commencement of operation of the Company's nuclear power equipment production plant in Lingang, leading to more than RMB900 million sales of nuclear power nuclear island equipment, or 116.8% year-on-year increase in sales, for the reporting period. The operating profit of the heavy machinery division increased by 111.6% over the corresponding period last year. This was mainly attributable to the increase of sales revenue.

Transportation Equipment Division

During the first half of 2009, both the revenue and operating profit of the transportation equipment division significantly decreased as compared with those of the same period last year. This was mainly due to the completion of the disposal of the diesel engine business in December 2008 and starting from 2009 the Company was no longer engaged in diesel engine business.

Environmental Systems Division

During the first half of 2009, the revenue of the environmental systems division decreased by 23.7% and the operating profit decreased by RMB37 million compared with that of the same period last year. The decrease was mainly due to the adverse impact of the financial crisis on our solar energy business, resulting in a sharp decline of orders from the European market, which is the primary export destination of the Company's products.

Financial Business

During the first half of 2009, due to a reduction in investment gain, operating profit of financial business decreased by RMB179 million compared with that of the same period last year.

Outlook

Looking forward, while the global economy is undergoing a historic transformation from a "high carbon-emission economy" to a "low carbon-emission economy", the Group will continue to invest in the new energy industry as it has become the next highlight of the global economy. The Group will grasp opportunities to develop its core businesses such as nuclear power equipment, wind power equipment and highly-efficient-and-clean thermal power equipment. It will also implement strategic plans to enhance its technology and product innovation capability, develop products with core competitive edges and provide comprehensive and customised market services from time to time so as to become a sustainable as well as an international provider of heavy equipment and related services.

Model Code for Securities Transactions by Directors

The Company has adopted the code provisions as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by directors. Further to the Company's enquiry, all Directors confirmed that they had complied with the Model Code for Securities Transactions by Directors of Listed Issuers and the relevant provisions during the period from 1 January 2009 to 30 June 2009.

Corporate Governance

For the first half of 2009, the Board is of the view that the Company had complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code") except for code provision A.2.1 concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2009, the duties of the Chief Executive Officer and the Chairman of the Board have been carried out by Mr. Xu Jianguo. However, Mr. Huang Dinan, an Executive Director and the President, is fully responsible for the day-to-day operations of the Company and execution of instructions from the Board. The Company is of the opinion that segregation of duties and responsibilities between the Board and the senior management has been well maintained and there exists no problem of over-centralization of management power.

Audit Committee

Our audit committee, comprising Dr. Cheung Wai Bun, Mr. Zhu Sendi (appointed on 6 January 2009), Mr. Lei Huai Chin and Ms. Yao Minfang, has reviewed the accounting policies adopted by the Group, and credit limits of its connected transactions, with the management and the Company's external auditors, and discussed on matters concerning internal control and financial reporting of the Group, including review and approval of the unaudited interim condensed consolidated financial statements for the period under review.

Remuneration Committee

The remuneration committee of the Company, which comprises Mr. Lei Huai Chin, Mr. Huang Dinan and Mr. Zhu Sendi (appointed on 6 January 2009), is mainly responsible for providing recommendations to the Board in respect of the remuneration policy and structure of the directors, supervisors and senior management of the Company, and determining applicable and transparent procedures.

Purchase, Sale or Redemption of the Company's Listed Securities

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The directors do not recommend the payment of interim dividend for the period.

Board of Directors and Supervisors

As at the date of this report, the Board consists of executive directors, namely Mr. Xu Jianguo, Mr. Huang Dinan, Mr. Zhang Suxin and Mr. Yu Yingui; and non-executive directors, namely Mr. Zhu Kelin and Ms. Yao Minfang; as well as independent non-executive directors, namely Mr. Zhu Sendi, Dr. Cheung Wai Bun and Mr. Lei Huai Chin.

During the reporting period, the supervisors of the Company are Mr. Xie Tonglun, Mr. Li Bin, Ms. Sun Wenzhu and Mr. Zhou Changsheng.

By order of the Board
Xu Jianguo
Chairman
Shanghai, the PRC
14 August 2009

For identification purpose only