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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)

2010 INTERIM RESULTS

Performance Highlights

- **Revenue for the first half of 2010 reached RMB30,339 million, representing an increase of 9.1% over the corresponding period last year**
- **Profit attributable to equity holders of the parent for the first half of 2010 was RMB1,401 million, representing an increase of 1.7% over the corresponding period last year**
- **Basic earnings per share were RMB11.15 cents, representing an increase of 1.2% over the corresponding period last year**

The board of directors (the "**Board**") of Shanghai Electric Group Company Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2010. 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 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
			(Restated)
REVENUE	3	**30,338,697**	27,798,325
Cost of sales		**(25,210,374)**	(23,606,052)
GROSS PROFIT		**5,128,323**	4,192,273
Other income and gains	3	**262,621**	290,578
Selling and distribution costs		**(768,617)**	(601,776)
Administrative expenses		**(1,733,230)**	(1,525,760)
Other expenses		**(929,243)**	(446,097)
Finance costs		**(41,822)**	(16,334)
Share of profits and losses of:			
Jointly-controlled entities		**55,204**	22,280
Associates		**314,849**	286,360
PROFIT BEFORE TAX	4	**2,288,085**	2,201,524
Tax	5	**(318,223)**	(266,652)
PROFIT FOR THE PERIOD		**1,969,862**	1,934,872
ATTRIBUTABLE TO:			
Equity holders of the parent		**1,400,744**	1,377,919
Non-controlling interests		**569,118**	556,953
		1,969,862	1,934,872
DIVIDEND			
Proposed interim dividend	6	**755,312**	-
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic			
- For profit for the period		**11.15 cents**	11.02 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE PERIOD	**1,969,862**	1,934,872
Changes in fair value and disposal of available-for-sale investments net of deferred tax	**(144,987)**	44,080
Changes in exchange fluctuation reserve from disposal of a subsidiary	**14,091**	-
Exchange realignment	**1,762**	(18,916)
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD, NET OF TAX	**(129,134)**	25,164
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,840,728**	1,960,036
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the parent	**1,315,168**	1,396,947
Non-controlling interests	**525,560**	563,089
	1,840,728	1,960,036

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2010

	Notes	**30 June 2010 (Unaudited) *RMB'000***	31 December 2009 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,204,464**	12,279,471
Investment properties		**137,573**	141,539
Prepaid land lease payments		**1,422,959**	1,516,286
Goodwill		**77,068**	77,068
Other intangible assets		**647,777**	670,126
Investments in jointly-controlled entities		**513,507**	635,137
Investments in associates		**2,255,330**	2,204,848
Loans receivable		**601,635**	521,690
Other investments		**374,713**	490,843
Other non-current assets		**396,473**	72,720
Deferred tax assets		**900,872**	908,286
Total non-current assets		**19,532,371**	19,518,014
CURRENT ASSETS			
Inventories		**18,732,414**	19,532,300
Construction contracts		**572,140**	660,698
Trade receivables	8	**16,478,460**	13,613,954
Loans receivable		**363,409**	1,160,715
Discounted bills receivable		**82,961**	42,263
Bills receivable		**2,209,035**	2,041,120
Prepayments, deposits and other receivables		**10,460,285**	10,039,377
Investments		**4,457,686**	5,452,907
Derivative financial instruments		**87,463**	84,910
Due from the Central Bank		**2,176,643**	1,803,003
Restricted deposits		**851,203**	866,588
Cash and cash equivalents		**19,158,380**	14,810,233
Total current assets		**75,630,079**	70,108,068
CURRENT LIABILITIES			
Trade payables	9	**15,506,016**	12,818,416
Bills payable		**1,174,140**	1,580,267
Other payables and accruals		**38,366,215**	39,037,752
Derivative financial instruments		**34,752**	9,443
Customer deposits		**1,555,105**	766,704
Interest-bearing bank and other borrowings		**335,940**	901,407
Tax payable		**820,637**	980,617
Provisions		**1,434,335**	1,230,118
Total current liabilities		**59,227,140**	57,324,724
NET CURRENT ASSETS		**16,402,939**	12,783,344
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,935,310**	32,301,358

continued/…

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2010

	Notes	**30 June 2010 (Unaudited)** *RMB'000*	31 December 2009 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Bonds		**1,000,000**	1,000,000
Interest-bearing bank and other borrowings		**1,317,218**	1,342,404
Provisions		**143,017**	165,281
Government grants		**359,340**	119,263
Other non-current liabilities		**200,653**	147,354
Deferred tax liabilities		**336,357**	463,437
Total non-current liabilities		**3,356,585**	3,237,739
Net assets		**32,578,725**	29,063,619
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**12,823,627**	12,507,686
Reserves		**12,390,285**	9,967,158
Proposed interim dividend		**755,312**	-
		25,969,224	22,474,844
Non-controlling interests		**6,609,501**	6,588,775
Total equity		**32,578,725**	29,063,619

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 2009, 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
HK(IFRIC)-Int 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Impacts of adopting new and amended HKFRSs are as follows:

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*. As the Group has not entered into share-based payment schedules, the amendments will not have any financial impact on the Group.

The HKAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. As the Group has no such hedged financial instruments, the amendments will not have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 N*on-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

HK(IFRIC)-Int 4 *Leases – Determination of the length of Lease Term in respect of Hong Kong Land Lease* is revised as a consequence of the amendment to HKAS 17 *Leases included in improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40. The interpretation does not have any material financial effect on the group.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. 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 those amendments are expected to have a significant financial impact on the Group.

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.

In order to better evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which the Group operates, the Group has changed the composition of the business segments in the current period. The business segment information for the comparable period has been restated accordingly.

Detailed descriptions of business segments are as follow:

(a) the new energy segment is engaged in the design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components for nuclear power equipment;

(b) the high efficiency and clean energy segment is engaged in the design, manufacture and sale of thermal power equipment products, nuclear power conventional island equipment products and power transmission and distribution equipment products;

(c) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, electrical motors, machine tools, printing and packaging equipment, marine crankshafts, urban rail transportation equipment, and other electromechanical equipment products;

(d) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial services and functional services including international trading services; and

(e) the "others" segment include the central research institute, headquarters and etc.

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 2010 (the "Period"):

Six months ended 30 June 2010 (Unaudited)	**New energy** *RMB'000*	**High efficiency and clean energy** *RMB'000*	**Industrial equipment** *RMB'000*	**Modern services** *RMB'000*	**Others** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Segment revenue:							
Sales to external customers	**3,287,472**	**11,610,396**	**8,910,142**	**5,266,166**	**1,264,521**	**-**	**30,338,697**
Intersegment sales	**210,447**	**1,053,660**	**291,704**	**176,520**	**121,931**	**(1,854,262)**	**-**
Total	**3,497,919**	**12,664,056**	**9,201,846**	**5,442,686**	**1,386,452**	**(1,854,262)**	**30,338,697**
Operating profit/(loss)	**216,536**	**916,030**	**682,699**	**292,441**	**(34,984)**	**(112,868)**	**1,959,854**
Finance costs							**(41,822)**
Share of profits and losses of jointly-controlled entities	**-**	**28,894**	**1,616**	**29,500**	**(4,542)**	**(264)**	**55,204**
Share of profits and losses of associates	**560**	**132,624**	**190,717**	**1,254**	**(10,306)**	**-**	**314,849**
Profit before tax							**2,288,085**
Tax							**(318,223)**
Profit for the period							**1,969,862**

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 2009 (Unaudited/Restated)	New energy *RMB'000*	High efficiency and clean energy *RMB'000*	Industrial equipments *RMB'000*	Modern services *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	2,712,864	10,777,862	7,312,848	5,513,659	1,481,092	-	27,798,325
Intersegment sales	525,129	1,630,793	250,717	205,904	222,755	(2,835,298)	-
Total	3,237,993	12,408,655	7,563,565	5,719,563	1,703,847	(2,835,298)	27,798,325
Operating profit/(loss)	225,675	897,348	659,231	252,738	(41,355)	(84,419)	1,909,218
Finance costs							(16,334)
Share of profits and losses of jointly-controlled entities	-	-	1,726	20,554	-	-	22,280
Share of profits and losses of associates	-	173,581	128,619	272	(16,112)	-	286,360
Profit before tax							2,201,524
Tax							(266,652)
Profit for the period							1,934,872

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 2010 and 30 June 2009:

	Six months ended 30 June 2010 (Unaudited)			Six months ended 30 June 2009 (Unaudited)		
	Mainland China	**Elsewhere**	**Total**	Mainland China	Elsewhere	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue						
Sales to external customers	**24,899,964**	**5,438,733**	**30,338,697**	23,073,977	4,724,348	27,798,325

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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Turnover		
Sales of goods	**24,232,529**	21,115,921
Construction contracts	**4,449,021**	5,344,052
Rendering of services	**1,081,131**	823,319
	29,762,681	27,283,292

3. REVENUE, OTHER INCOME AND GAINS (continued)

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	**288,615**	254,166
Gross rental income	**35,359**	37,953
Shanghai Electric Group Finance Company ("Finance Company"):		
Interest income from banks and other financial institutions	**95,234**	88,417
Interest income on loans receivables and discounted bills receivable	**46,588**	27,036
Others	**110,220**	107,461
	576,016	515,033
	30,338,697	27,798,325

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Other income		
Interest income on bank balances and time deposits	**54,846**	60,508
Interest income on debt investments	**479**	6,728
	55,325	67,236
Dividend income from equity investments and investment funds	**42,982**	27,547
Subsidy income	**75,487**	48,275
Others	**15,844**	28,494
	189,638	171,552

continued/…

3. REVENUE, OTHER INCOME AND GAINS (continued)

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Gains		
Gain on disposal of items of property, plant and equipment	**56,840**	1,568
Loss on disposal of subsidiaries	**(12,591)**	-
Gain on disposal of equity interest in an associate	**12,273**	-
Investments at fair value through profit or loss:		
Reversal of unrealised fair value gains/(loss), net	**857**	(10,890)
Realised fair value gains, net	**2,120**	11,880
Derivative financial instruments transactions not qualifying as hedges:		
Unrealised fair value losses, net	**(22,756)**	(1,241)
Realised fair value gains, net	**3,437**	7,619
Realised gain on available-for-sale investments (transfer from equity)	**82,773**	108,778
Gain on disposal of unquoted equity investments stated at cost	**-**	3,235
Gain/ (loss) on debt restructuring	**466**	(6,865)
Exchange (losses) /gains, net	**(50,436)**	4,942
	72,983	119,026
	262,621	290,578

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories sold	**19,895,038**	17,613,806
Cost of construction contracts	**4,002,243**	4,945,427
Cost of services provided	**942,488**	680,150
Finance Company:		
Interest expense due to banks and other financial institutions	**1,613**	830
Interest expense on customer deposits	**5,884**	4,069
Interest expense on bonds	**18,000**	19,350
	25,497	24,249
Depreciation of property, plant and equipment	**504,775**	419,105
Depreciation of investment properties	**3,966**	2,156
Recognition of prepaid land lease payments*	**15,590**	11,981
Amortisation of patents and licences*	**14,805**	16,801
Amortisation of concession intangible assets*	**8,566**	4,726
Amortisation of other intangible assets*	**7,019**	8,679
Research and development costs:*		
Amortisation of technology know-how	**18,133**	18,214
Current period expenditure	**660,927**	447,546
	679,060	465,760
Minimum lease payments under operating leases:		
Land and buildings	**72,744**	74,642
Plant, machinery and motor vehicles	**40,424**	33,465
Staff costs	**2,168,834**	2,065,650
Write-down of inventories to net realisable value	**(23,533)**	95,596
Impairment/ (reversal of impairment) on accounts receivable and other receivables*	**174,025**	(86,915)
(Reversal of impairment)/ impairment on loans receivable*	**(5,488)**	670
Impairment/(reversal of impairment) on discounted bills receivable*	**411**	(1,239)
Impairment on investments in associates*	**-**	1,158

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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Impairment on items of property, plant and equipment*	**21,401**	-
Impairment on other investments*	**1,854**	8,627
Product warranty provisions:		
Additional provisions	**60,892**	78,153
Reversal of unutilised provisions	**(11,073)**	(15,664)
Onerous contract provisions:		
Additional provisions	**196,106**	46,315
Late delivery provisions:		
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 2010 (for the six months ended 30 June 2009: 25%) under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 22% 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 period 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	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Group:		
Current – Mainland China		
Charge for the period	**487,629**	408,713
Overprovision in prior years	**(97,066)**	(60,084)
Current – Elsewhere		
Charge for the period	**7,609**	(351)
Deferred	**(79,949)**	(81,626)
Total tax charge for the period	**318,223**	266,652

The share of tax attributable to jointly-controlled entities amounting to RMB7,582,000 (six months ended 30 June 2009: RMB3,060,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the unaudited interim condensed consolidated income statement.

The share of tax attributable to associates amounting to RMB42,820,000 (six months ended 30 June 2009: RMB39,325,000) is included in "Share of profits and losses of associates" on the face of the unaudited interim condensed consolidated income statement.

6. DIVIDEND

On 20 August 2010, the 38th Session of 2nd Board of Directors Meeting of the Company resolved to approve the 2010 interim dividend proposal, whereby the dividend distribution shall be RMB5.89 cents per share (inclusive of tax) with an total amount of RMB755,312,000 (six months ended 30 June 2009: Nil). The aforementioned proposal is subject to the approval of the Company's shareholders at the forthcoming general meeting.

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 RMB1,400,744,000 (six months ended 30 June 2009: RMB1,377,919,000) and the weighted average number of 12,560,343,114 ordinary shares in issue during the Period (six months ended 30 June 2009: 12,507,686,405 ordinary shares).

No diluted earnings per share amounts have been presented for the six months ended 30 June 2010 and 30 June 2009 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 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Undue	**10,637,749**	8,441,455
Within 3 months	**2,803,421**	2,281,832
Over 3 months but within 6 months	**1,297,430**	1,444,940
Over 6 months but within 1 year	**1,222,280**	1,046,196
Over 1 year but within 2 years	**463,544**	318,396
Over 2 years but within 3 years	**52,825**	59,430
Over 3 years	**1,211**	21,705
	16,478,460	13,613,954

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 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Within 3 months	**9,674,940**	8,584,734
Over 3 months but within 6 months	**1,747,624**	1,389,013
Over 6 months but within 1 year	**2,478,458**	1,434,707
Over 1 year but within 2 years	**1,243,503**	1,169,365
Over 2 years but within 3 years	**235,323**	107,196
Over 3 years	**126,168**	133,401
	15,506,016	12,818,416

10. OTHER SIGNIFICANT MATTERS

(1) On 3 September 2009, the Group and Siemens Ltd. China ("Siemens") entered into an agreement, pursuant to which, Siemens agreed to make unilateral capital contribution to Shanghai Electric Power Generation Equipment Co., Ltd. ("SEPGE") in an amount of RMB712,000,000. Upon completion of the capital injection, the registered capital of SEPGE will be increased from USD239,375,000 to USD264,792,000. SEPGE will continue to be a subsidiary of the Group and the equity interest of SEPGE will be held as to 60% by the Group indirectly and as to 40% by Siemens.

Up to the date of approval of the financial statements, the capital injection has not been completed.

(2) On 22 February 2010, the board of directors of the Company resolved to dispose a 44.79% equity interest in Shanghai Rail Traffic Equipment Development Co., Ltd. ("SRTE") to China CNR Corporation Limited ("CNR") for a mutually agreed consideration of RMB365,089,000 in cash ("Equity Transfer").

Upon the completion of the Equity Transfer, CNR will make a unilateral capital injection in cash of RMB84,911,000 into SRTE. Upon completion of the capital injection, the registered capital of SRTE will be increased from RMB600,000,000 to RMB662,520,000 and be owned as to 50% by CNR, 34.91% by the Company and 15.09% by SE Corporation, and SRTE will cease to be a subsidiary of the Company.

Up to the date of approval of the financial statements, the Equity Transfer has not been completed.

11. COMPARATIVE AMOUNTS

Due to the change in accounting policy for business combination under common control in 2009 and the adoption of new and revised HKFRSs, 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 2010 was RMB30,339 million (1H09: RMB27,798 million), representing an increase of 9.1% over the corresponding period last year. Profit attributable to the equity holders of the parent was RMB1,401 million (1H09: RMB1,378 million), representing an increase of 1.7% over the corresponding period last year. Basic earnings per share were RMB11.15 cents (1H09: RMB11.02 cents), representing an increase of 1.2% over the corresponding period last year.

As at 30 June 2010, total assets of the Group were RMB95,162 million (31 December 2009: RMB89,626 million) and total liabilities amounted to RMB62,584 million (31 December 2009: RMB60,562 million). Total equity was RMB32,579 million (31 December 2009: RMB29,064 million), of which RMB25,969 million (31 December 2009: RMB22,475 million) was attributable to equity holders of the parent. Net asset value per share (attributable to equity holders of the parent) was RMB2.03.

As the world is undergoing the historical transformation to a low carbon economy, the new energy industry will be the highlight in the next round of global economic development. As one of the largest comprehensive equipment manufacturing conglomerates in China, Shanghai Electric will focus on low carbon economy and endeavor to expedite development on new energy, highly efficiency and clean energy, industrial equipment and modern services industry, adopting green manufacturing practices, so as to contribute to the proposition of alleviating global energy crisis.

In the field of new energy: We strive for rapid development on wind power equipment business and have completed the first domestic export of MW wind power equipment. We have achieved the mass production of wind power units with a capacity of 2 MW and our self-developed 3.6 MW offshore wind power unit, the highest capacity wind power unit of its kind in the PRC, has been successfully launched by the Company. It is expected that the growth of our wind power equipment business will remain robust in 2010. Through our continuous investment and construction in recent years, our business of nuclear power nuclear island equipment has entered into a stage of rapid development. Currently, the Company is the sole domestic manufacturer of reactor vessel internals and control rod drive mechanisms while our production capacity of steam generators, pressurizers and pressure vessels has been further increased. Meanwhile, the Company achieved new breakthrough in the field of nuclear power main pumps through collaborating with KSB Group. We have become the most comprehensive supplier within the nuclear power nuclear island equipment industry chain in the PRC.

In the field of highly efficient and clean energy: In terms of market share, our 1,000 MW ultra-supercritical thermal power units currently retain its top spot in the domestic market. We have gradually ventured into the overseas high-end thermal power equipment market through our overseas marketing efforts in the past few years. We have participated in the exemplary Tianjin eco-friendly IGCC power plant project of China Huaneng, which involves building the first 250MW IGCC power generation unit in the PRC. Upon entering into a comprehensive strategic alliance with Areva Group in the area of transformer business, our competitiveness in the field of high voltage and ultra-high voltage large-scale transformer will gradually be enhanced.

In the field of industrial equipment: The elevator business of the Company continuously retained its leading position in the PRC's elevator market. The Group's largest single elevator factory in the world has taken the lead in achieving an annual sales volume for a single elevator factory of 30,000 units. Among our Chinese peers, we have the highest number of installation units and the highest number of units under maintenance and repair contracts. Our large-scale grinder and computer-controlled machine tools have reached top standard in the PRC and we are also the largest Chinese printing and packaging equipment company in terms of scale, with the most advanced products and most comprehensive industry chain. We will continue to explore the market of metro-railcars through entering into strategic cooperation in the arena of metropolitan rail transportation equipment with China CNR.

In the field of modern services: Our service covers engineering service, international trading and financial services. In merely 5 years, the turnover of our power station engineering project business has increased rapidly from RMB600 million in 2005 to RMB10 billion in 2009. We have been appointed as a contractor for power stations in many countries. We will target at relatively more developed countries and regions this year and foray into markets which are dominated by traditional energy giants of Europe and America. Meanwhile, we will enhance our cooperation with our strategic partner Siemens in power station services. The robust development of our core business is well supported by our Finance Company which provides professional management and services as well as to help reduce our exchange risk exposure.

MANGEMENT DISCUSSION AND ANALYSIS

During the reporting period, despite the gradual recovery of the macro-economy of China, global economy has not yet completely overcome the influence of financial crisis. The recovery of the equipment manufacturing market remains to be seen. The Company carefully coped with the volatile macroeconomic environment. It enhanced the overall profit level of the Group and expedited the development of core businesses. It also steadfastly made adjustments to its business structure, maintaining a steady and healthy development of the Group. During the reporting period, the Group recorded a sales revenue of RMB30,339 million, representing a growth of 9.1% compared with that of the same period last year.

New energy division, as the core business area on which the Company will focus in the future, maintained a stable development during the reporting period. During the period under review, the value of the Company's contracts in hand for nuclear power nuclear island equipment exceeded RMB18,000 million. The nuclear power nuclear island products of the Company were used in all nuclear projects-in-construction in the China market. During the reporting period, the sales revenue generated from the Company's wind power generation units amounted to RMB1,003 million, which represents a year-on-year increase of 57.0%. The off-shore wind power equipment of 3.6MW developed by the Company's core technology team has been successfully launched, laying a solid foundation for the Company in the off-shore wind power equipment market. In the first half of 2010, the sales revenue generated from the new energy division amounted to RMB3,498 million, representing a year-on-year increase of 8.0%. The gross profit margin was 14.3%, representing a year-on-year increase of 0.3 percentage points, which was primarily due to the benefits of cost efficiency resulted from the increase of sales of the Company's nuclear power nuclear island equipment business in the first half of the year. The operating profit amounted to RMB217 million, representing a year-on-year decrease of 4.1%, which was primarily due to the corresponding increase of expenses such as sales expenses led by the expansion of sales scale of wind power equipment.

Regarding the highly efficient and clean energy division, the Company continued its effort in upgrading the products and enhancing the competitiveness of the core products. During the reporting period, the Company was committed to developing the highly efficient and clean thermal power equipment products, among which the ultra super-critical was the most outstanding product. The Company fully commenced its research and development of the 1,200 MW thermal power technology. The manufacturing of equipment for the first IGCC project in China has commenced. Meanwhile, the Company has obtained significant progress in developing the technology of the 1.7 metres last stage long blade for our steam turbines. It also completed the projects such as the low pressure pneumatic design and strong structure design for the third generation AP1000 Taohuajiang Project. Benefited from the construction of the national power grid, the power transmission and distribution equipment business of the Company achieved satisfactory development during the reporting period with revenue generated increased by 16.6% when compared with that of the same period last year. In the first half of 2010, the sales revenue generated from the highly efficient and clean energy division amounted to RMB12,664 million, which represents a year-on-year growth of 2.1%. The gross profit margin was 18.43%, representing a year-on-year increase of 3.6 percentage points, which was primarily due to higher proportion of sales of higher gross margin products in the first half of the year from that in the same period last year, as well as the effect of the cost control measures adopted by the Company. The operating profit amounted to 916 million. It increased 2.1% when compared with the same period last year, which was primarily due to the improvement of the gross profit margin.

The major products of the industrial equipment division such as elevators, electric motors, machine tools, printing and packaging equipment and metropolitan rail transportation equipment are more susceptible to the macro environment. Nevertheless, most of our such products of the Company are mature products in the market. They generated stable sales revenue and operating profit and created a good cash flow for the Company. Moreover, these products play a strategic role in perfecting the business structure of the Company. In the first half of 2010, the industrial equipment division recorded the sales revenue of 9,202 million, which represents a year-on-year increase of 21.7%. The gross profit margin was 19.2%, remaining stable as compared with the same period last year. The operating profit amounted to 683 million, representing a year-on-year increase of 3.6%, which was primarily due to the growth in revenue.

Regarding the modern services division, the Company's service business has been working based upon the solid foundation provided by our equipment manufacturing business while on the other hand the development of the service business further enhanced the development of the Company's equipment manufacturing business. Supported by new technology and new equipment, the Company's service business currently demonstrated solid growth. At the end of the reporting period, the value of the Company's orders in hand for the power station engineering projects exceeded RMB66,000 million, of which RMB59.5 billion are from overseas. The Company has over 2,000 staff working on overseas projects. The Company is continuously expanding the business to markets of more developed foreign countries. In the area of financial services, the finance company of the Group continues to play its role as a functional and professional platform, providing comprehensive financial support for the business development of the Group. In the first half of 2010, the sales revenue generated from the modern service division amounted to RMB5,443 million, which represents a year-on-year decrease of 4.8%. The gross profit margin was 7.6%, representing a year-on-year increase of 2.4 percentage points, which was primarily due to the increased proportion of higher margin projects in the Group's sales mix during the period. The operating profit amounted to RMB292 million, representing a year-on-year growth of 15.7%, which was primarily due to the increase in gross profit margin.

Outlook

Looking forward, we will continue our efforts in "closely aligning with the national strategy, strengthening our in-house innovation, promoting the commercialization of new and advanced technologies, and proactively developing low-carbon business model" according to the theme of development of "low carbon economy". The Group will devote more resources to the field of new energy industry and grasp the development opportunities brought about by the core businesses of nuclear power, wind power and highly efficient and clean thermal power equipment. We aim at promoting our overall competitiveness by enhancing our capability in developing new technologies and operating on an international scale, in order to establish the Group as the world's leading equipment producer with self-innovation capability and development sustainability.

Model Code for Securities Transactions by Directors

The Company has adopted the provisions 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") as its model code for securities transactions by directors of the Company(the "Director"). Further to the Company's enquiry, all Directors confirmed that they had complied with the Model Code and the relevant provisions as set out in Appendix 10 of the Listing Rules during the period from 1 January 2010 to 30 June 2010.

Corporate Governance

For the first half of 2010, the Board of the Directors is of the view that the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for deviation from code provision A.2.1 of the Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the Code, 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 2010, the duties of the Chairman of the Board and the Chief Executive Officer 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 of Directors. 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.

Audit Committee

Our audit committee, comprising Dr. Cheung Wai Bun, Mr. Zhu Sendi, 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 six months ended 30 June 2010.

Remuneration Committee

The Remuneration Committee, which comprises Mr. Lei Huai Chin, Mr. Huang Dinan and Mr. Zhu Sendi, is mainly responsible for providing recommendations to the Board of Directors in respect of the remuneration policy and structure of the Directors, Supervisors and operating team of the Company, and determining applicable and transparent procedures.

Purchase, Sale or Redemption of the Company's Securities

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

Interim Dividend

On 20 August 2010, the Board has passed a proposal for interim profit distribution for six months ended 30 June 2010 at the thirty-eighth board meeting of the second session held by the Company. Pursuant to the proposal, a cash dividend of RMB 0.0589 (tax inclusive) per share, amounting to RMB 755,311,610 in total, would be distributed based on the total of 12,823,626,660 shares in the Company's entire share capital. The above proposal is subject to the approval of the Company's shareholders at the general meeting.

The period for the closure of registration for H shareholders will be disclosed in the circular for the extraordinary general meeting.

Board of Directors and Supervisors

As at the date of this report, the Board of Directors of the Company consists of executive directors, namely Mr. Xu Jianguo, Mr. Huang Dinan, Mr. Zhang Suxin, Mr. Yu Yingui, and non-executive directors, namely Mr. Zhu Kelin, 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
20 August 2010

For identification purpose only