上海电气*
SHANGHAI ELECTRIC

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)

2011 INTERIM RESULTS

PERFORMANCE HIGHLIGHTS

- **Revenue for the first half of 2011 reached RMB33,583 million, representing an increase of 10.7% over the corresponding period last year**
- **Profit attributable to owners of the parent for the first half of 2011 was RMB1,637 million, representing an increase of 16.9% over the corresponding period last year**
- **Basic earnings per share were RMB12.77 cents, representing an increase of 14.5% over the corresponding period last year**
- **The Board did not recommend payment of interim dividend for the Period.**

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 2011 (the "**Period**"). The results have not been audited but have been reviewed by Audit Committee of the Company.

* *For identification purposes only*

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**33,583,075**	30,338,697
Cost of sales		**(27,788,280)**	(25,210,374)
GROSS PROFIT		**5,794,795**	5,128,323
Other income and gains	*3*	**326,804**	262,621
Selling and distribution costs		**(802,993)**	(768,617)
Administrative expenses		**(1,908,977)**	(1,733,230)
Other expenses		**(1,040,817)**	(929,243)
Finance costs		**(40,816)**	(41,822)
Share of profits and losses of:			
Jointly-controlled entities		**54,848**	26,310
Associates		**346,675**	343,743
PROFIT BEFORE TAX	*4*	**2,729,519**	2,288,085
Income tax expense	*5*	**(356,497)**	(318,223)
PROFIT FOR THE PERIOD		**2,373,022**	1,969,862
ATTRIBUTABLE TO:			
Owners of the parent		**1,637,044**	1,400,744
Non-controlling interests		**735,978**	569,118
		2,373,022	1,969,862
DIVIDEND			
Proposed interim dividend	*6*	**–**	755,312
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic and diluted			
– For profit for the period (RMB)		**12.77 cents**	11.15 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**2,373,022**	1,969,862
Changes in fair value and disposal of available-for-sale investments net of income tax	**(100,356)**	(144,987)
Effective portion of changes in fair value of hedging instruments net of income tax	**30,295**	–
Exchange losses on translation recognised on disposal of a foreign subsidiary	**–**	14,091
Exchange realignment	**27**	1,762
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(70,034)**	(129,134)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,302,988**	1,840,728
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	**1,587,109**	1,315,168
Non-controlling interests	**715,879**	525,560
	2,302,988	1,840,728

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2011

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,867,142**	13,460,765
Investment properties		**131,298**	134,417
Prepaid land lease payments		**1,333,040**	1,344,941
Goodwill		**12,483**	16,110
Other intangible assets		**662,750**	684,332
Investments in jointly-controlled entities		**257,938**	227,092
Investments in associates		**2,957,649**	2,969,016
Loans receivable		**1,035,296**	876,014
Other investments		**305,864**	308,745
Other non-current assets		**226,786**	231,193
Deferred tax assets		**1,303,980**	1,114,752
Total non-current assets		**22,094,226**	21,367,377
CURRENT ASSETS			
Inventories		**21,544,048**	19,871,769
Construction contracts		**506,932**	456,334
Trade receivables	*8*	**19,958,680**	15,977,396
Loans receivable		**1,893,115**	1,703,611
Discounted bills receivable		**405,295**	82,036
Bills receivable		**2,892,213**	2,374,707
Prepayments, deposits and other receivables		**9,609,867**	8,886,482
Investments		**3,731,744**	5,220,779
Derivative financial instruments		**90,274**	61,980
Due from the Central Bank		**2,639,896**	2,613,114
Restricted deposits		**811,135**	653,435
Cash and cash equivalents		**15,425,876**	18,942,821
Total current assets		**79,509,075**	76,844,464
CURRENT LIABILITIES			
Trade payables	*9*	**20,524,211**	15,967,932
Bills payable		**1,572,707**	1,539,233
Other payables and accruals		**36,280,581**	38,559,777
Customer deposits		**1,770,030**	1,930,598
Interest-bearing bank and other borrowings		**580,273**	395,629
Tax payable		**708,457**	829,094
Provisions		**1,995,287**	1,656,048
Total current liabilities		**63,431,546**	60,878,311
NET CURRENT ASSETS		**16,077,529**	15,966,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,171,755**	37,333,530

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2011

	Notes	**30 June 2011 (Unaudited)** *RMB'000*	31 December 2010 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Bonds		**1,000,000**	1,000,000
Interest-bearing bank and other borrowings		**826,994**	1,021,285
Provisions		**59,261**	45,666
Government grants		**346,771**	311,439
Other non-current liabilities		**123,431**	119,198
Deferred tax liabilities		**295,662**	333,477
Total non-current liabilities		**2,652,119**	2,831,065
Net assets		**35,519,636**	34,502,465
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**12,823,627**	12,823,627
Reserves		**14,941,355**	13,344,004
Proposed dividend		**–**	834,818
		27,764,982	27,002,449
Non-controlling interests		**7,754,654**	7,500,016
Total equity		**35,519,636**	34,502,465

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2011

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 2010, 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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard may result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group adopted the amendments from 1 January 2011. 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 had a significant financial impact on the Group. Those amendments that had a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 organises and manages its operating business in accordance with the nature of business and provision of goods and services. Each business segment of the Group is one operating group, providing goods and services with risks and rewards different from those of the other business segments.

In order to more appropriately assess the nature and the financial impact of business activities that the Group is involved in, and the economic environment of the Group's operation, the Group revised the structure of business segments during the year and the relevant comparative figures were 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;

(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 2011 (the "Period"):

Six months ended 30 June 2011 (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	**2,698,572**	**14,476,921**	**9,542,576**	**6,284,105**	**580,901**	**–**	**33,583,075**
Intersegment sales	**232,786**	**1,136,783**	**397,392**	**198,965**	**155,969**	**(2,121,895)**	**–**
Total	**2,931,358**	**15,613,704**	**9,939,968**	**6,483,070**	**736,870**	**(2,121,895)**	**33,583,075**
Operating profit/(loss)	**160,802**	**1,279,423**	**789,734**	**281,622**	**(80,512)**	**(62,257)**	**2,368,812**
Finance costs							**(40,816)**
Share of profits and losses of jointly-controlled entities	**–**	**–**	**1,548**	**53,300**	**–**	**–**	**54,848**
Share of profits and losses of associates	**–**	**147,834**	**200,669**	**4,780**	**(6,608)**	**–**	**346,675**
Profit before tax							**2,729,519**
Income tax expense							**(356,497)**
Profit for the period							**2,373,022**

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 2010 (the "Period"):

Six months ended 30 June 2010 (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	2,344,105	12,556,801	8,909,023	5,265,330	1,263,438	–	30,338,697
Intersegment sales	6,758	1,145,121	292,823	177,356	123,014	(1,745,072)	–
Total	2,350,863	13,701,922	9,201,846	5,442,686	1,386,452	(1,745,072)	30,338,697
Operating profit/(loss)	159,384	976,341	682,699	292,441	(34,984)	(116,027)	1,959,854
Finance costs							(41,822)
Share of profits and losses of jointly-controlled entities	–	–	1,616	29,500	(4,542)	(264)	26,310
Share of profits and losses of associates	560	161,518	190,717	1,254	(10,306)	–	343,743
Profit before tax							2,288,085
Income tax expense							(318,223)
Profit for the period							1,969,862

Geographical segments

The following table presents revenue information on the Group's geographical segments for the six months ended 30 June 2011 and 30 June 2010:

	Six months ended 30 June 2011 (Unaudited)			Six months ended 30 June 2010 (Unaudited)		
	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	**27,374,795**	**6,208,280**	**33,583,075**	24,899,964	5,438,733	30,338,697

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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Turnover		
Sales of goods	**26,453,997**	24,232,529
Construction contracts	**5,285,023**	4,449,021
Rendering of services	**1,085,050**	1,081,131
	32,824,070	29,762,681
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	**384,133**	288,615
Gross rental income	**49,447**	35,359
Shanghai Electric Group Finance Company ("Finance Company"):		
Interest income from banks and other financial institutions	**135,990**	95,234
Interest income on loans receivable and discounted bills receivable	**74,332**	46,588
Others	**115,103**	110,220
	759,005	576,016
	33,583,075	30,338,697

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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Interest income on bank balances and time deposits	**70,508**	54,846
Interest income on debt investments	**1,936**	479
	72,444	55,325
Dividend income from equity investments and investment funds and products	**32,823**	42,982
Subsidy income	**45,960**	75,487
Others	**16,242**	15,844
	167,469	189,638
Gains		
Gain on disposal of items of property, plant and equipment	**7,548**	56,840
Loss on disposal of subsidiaries	**–**	(12,591)
Gain on disposal of equity interest in associates	**–**	12,273
Investments at fair value through profit or loss:		
Unrealised fair value gains, net	**1,571**	857
Realised fair value gains, net	**5,935**	2,120
Derivative financial instruments – transactions not qualifying as hedges:		
Unrealised fair value losses, net	**(14,957)**	(22,756)
Realised fair value gains, net	**44,233**	3,437
Realised gain on available-for-sale investments (transfer from equity)	**42,290**	82,773
Gain on disposal of unquoted equity investments stated at cost	**61,796**	–
Gain on debt restructuring	**–**	466
Exchange gains/(losses), net	**10,919**	(50,436)
	159,335	72,983
	326,804	262,621

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**20,923,345**	19,895,038
Cost of construction contracts	**4,804,042**	4,002,243
Cost of services provided	**940,605**	942,488
Finance Company:		
Interest expense due to banks and other financial institutions	**4,081**	1,613
Interest expense on customer deposits	**13,422**	5,884
Interest expense on bonds	**19,200**	18,000
	36,703	25,497
Depreciation of property, plant and equipment	**536,126**	504,775
Depreciation of investment properties	**3,119**	3,966
Recognition of prepaid land lease payments*	**14,918**	15,590
Amortisation of patents and licences	**8,798**	14,805
Amortisation of concession intangible assets	**8,970**	8,566
Amortisation of other intangible assets	**4,559**	7,019
Research and development costs:*		
Amortisation of technology know-how	**20,659**	18,133
Current period expenditure	**566,407**	660,927
	587,066	679,060
Minimum lease payments under operating leases:		
Land and buildings	**80,536**	72,744
Plant, machinery and motor vehicles	**42,481**	40,424
Staff costs	**2,340,951**	2,168,834
Write-down of inventories to net realisable value	**124,260**	(23,533)
Impairment on trade receivables and other receivables*	**405,317**	174,025
Reversal of impairment of loans receivable*	**(6,795)**	(5,489)
Impairment on discounted bills receivable*	**8,300**	411
Impairment of items of property, plant and equipment*	**–**	21,401
Impairment of goodwill*	**3,627**	–
Impairment of other investments*	**–**	1,855
Product warranty provision:		
Additional provision	**61,980**	60,892
Reversal of unutilised provision	**(2,959)**	(11,073)
Onerous contract provision:		
Additional provision	**392,566**	196,106
Late delivery provision:		
Reversal of provision	**(24,000)**	–

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

5. INCOME 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 period of the six months ended 30 June 2011 (for the six months ended 30 June 2010: 25%) under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 24% 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 authentication of "High-New Technology Enterprises" in 2011 is still in progress.

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.

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current – Mainland China		
Charge for the period	**552,958**	487,629
Overprovision in prior years	**(10,984)**	(97,066)
Current – Elsewhere		
Charge for the period	**10,768**	7,609
Deferred	**(196,245)**	(79,949)
Total tax charge for the period	**356,497**	318,223

The share of tax attributable to jointly-controlled entities amounting to RMB9,244,000 (for the six months ended 30 June 2010: RMB5,501,000) 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 RMB81,794,000 (for the six months ended 30 June 2010: RMB74,170,000) is included in "share of profits and losses of associates" on the face of the unaudited interim condensed consolidated income statement.

6. DIVIDEND

The Board of Directors did not recommend interim dividend for the Period (for the six months ended 30 June 2010: On 20 August 2010, the Board of Directors resolved to recommend the proposal of interim dividend distribution for year 2010. A cash dividend of RMB5.89 cents per share (tax inclusive) with an aggregate amount of RMB755,312,000 was approved and then distributed on 8 December 2010).

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 RMB1,637,044,000 (the six months ended 30 June 2010: RMB1,400,744,000) and the weighted average number of 12,823,626,660 ordinary shares in issue during the Period (for the period of six months ended 30 June 2010: 12,560,343,114 ordinary shares).

No diluted earnings per share amounts have been presented for the six months ended 30 June 2011 and 30 June 2010 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 2011 (Unaudited) ***RMB'000***	31 December 2010 (Audited) *RMB'000*
Undue	**12,888,991**	11,339,121
Within 3 months	**2,995,710**	2,257,240
Over 3 months but within 6 months	**1,951,048**	980,597
Over 6 months but within 1 year	**1,301,834**	610,011
Over 1 year but within 2 years	**735,656**	726,917
Over 2 years but within 3 years	**85,441**	50,244
Over 3 years	**–**	13,266
	19,958,680	15,977,396

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 2011 (Unaudited) ***RMB'000***	31 December 2010 (Audited) *RMB'000*
Within 3 months	**13,408,602**	11,686,364
Over 3 months but within 6 months	**2,925,141**	1,222,287
Over 6 months but within 1 year	**2,360,369**	1,194,253
Over 1 year but within 2 years	**1,298,041**	1,235,178
Over 2 years but within 3 years	**373,781**	496,512
Over 3 years	**158,277**	133,338
	20,524,211	15,967,932

10. OTHER SIGNIFICANT MATTERS

On 20 April 2011, the Company entered into a letter of binding intent with Alstom Holdings in Paris, France for the establishment of an equity joint venture (the "JV") in Shanghai, the PRC and the contribution of their respective boiler business to the JV which will be principally engaged in power plant boilers and boiler related equipment business. Upon the JV's formation, the Company and Alstom Holdings will own a 50% equity interest in the JV. Up to the date of approval of the unaudited interim condensed consolidated financial statements, JV agreement and other related matters are still under negotiation.

11. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the period's presentation.

REVIEW OF OPERATIONS

The Group's revenue for the first half of 2011 was RMB33,583 million (1H2010: RMB30,339 million), representing an increase of 10.7% over the corresponding period last year. Profit attributable to the owners of the parent was RMB1,637 million (1H2010: RMB1,401million), representing an increase of 16.9% over the corresponding period last year. Basic earnings per share were RMB12.77 cents (1H2010: RMB11.15 cents), representing an increase of 14.5% over the corresponding period last year.

As at 30 June 2011, total assets of the Group were RMB101,603 million (31 December 2010: RMB98,212 million) and total liabilities amounted to RMB66,084 million (31 December 2010: RMB63,709 million). Total equity was RMB35,520 million (31 December 2010: RMB34,502 million), of which RMB27,765 million (31 December 2010: RMB27,002 million) was attributable to owners of the parent. Net asset value per share (attributable to owners of the parent) was RMB2.17.

Year 2011 is the start of "Twelfth Five-Year" Plan. Expediting the transformation of economic development patterns became the key tone of future economic development in China. Facing the soaring raw material and labour costs, tightening of monentary liquidity and radioactive leakage in Fukushima incident, all these unfavourable changes in both domestic and overseas macroeconomic environment during the first half of the year inflicted immense pressure on the business operation of our Group. Shanghai Electric, as one of the largest comprehensive industrial equipment manufacturing conglomerates in China, had been adhering to its corporate strategic direction of "development by innovation-driven and transformation" by focusing on its core business, as to improve profitability, tap more markets and pursue innovation in management controls to proactively tackle the changes in market and manage to accomplish remarkable results during the reporting period.

In the field of new energy: We made a breakthrough in our wind turbine business in the overseas markets as the Company received an purchase order from KSK Group of India for 125 sets of 2MW wind turbines during the reporting period. By the end of the reporting period, the Company had over RMB6 billion worth orders on hand for wind turbines, which hit a record high in the business history. Meanwhile, we continued to explore the offshore wind turbine market which has a high entry barrier. Leveraging our success of 3.6MW offshore wind turbine production, we continue our research on the production of 5MW wind power turbine. In March 2011, following the occurrence of the radioactive leakage incident in

Fukushima Japan, the central covernment of China stipulated the “Four Control Measures”(國四條) that required higher standards on safety of nuclear power development. At the same time, as the world’s energy and electricity consumption continues to grow and the supply of fossil fuel will run out some day, it is inevitable for the mankind to substantially develop new energy sources about the survival, and thus the trend of developing nuclear and wind power will remain unchanged in China. During the reporting period, China’s first set of fully self-developed 1,000MW nuclear reactor vessel internals manufactured by the Group went through all testings successfully. We will keep on strengthening our capability in nuclear power equipment design and integration. We will also continue our efforts in the introduction, application and adaptation of AP1000 third-generation technology, and strive to fully tap the field of CAP1400 nuclear power technology, so as to keep our cutting edge in the nuclear power equipment industry.

In the field of high efficiency and clean energy: The market share of our 1,000MW ultra-supercritical thermal power units continued to rank No.1 in the domestic market during the reporting period. Our 300MW and 600 MW power generation units stood out in a competition of product reliability in China, by winning over half of the prizes in Gold Medal League. We capitalized on the policy of developing Western China promulgated by the central government and entered into a “Memorandum of Understanding for Strategic Cooperation Framework Agreement” with Xinjiang Production and Construction Corps. We signed a letter of intent with Alstom Holdings of France on a joint venture project, pursuant to which the respective boiler subsidiaries of each of the parties will contribute to a start-up funding pool to establish a joint venture company that will be groomed into a global leader in the field of boiler and related businesses. In the field of gas turbines, we had received new purchase orders of exceeding RMB2.0 billion in aggregate during the reporting period. As the Chinese Central Government acquired several overseas natural gas resources recently and with the improving market conditions for natural gas power generation brought by the commencement of service of the second West-to-East Gas Transmission Pipeline, it is expected that demand for gas turbine equipment will increase gradually year after year in the future. In the field of power transmission and distribution, we entered into a joint venture agreement with Shanghai Municipal Electric Power Company, a subsidiary of State Grid Corporation of China. It was agreed that both parties will contribute to establish Shanghai Electric Transmission and Distribution Equipment Company Limited and to groom it into a the prime vehicle to accommodate the demands of the latest generation of smart grid systems, energy-storage equipments and energy-saving and environmental protection in China through establishing a comprehensive strategic cooperative relationship in the area of power transmission and distribution.

In the field of industrial equipment: Our elevator business continued to retain its leading position in the elevator market in China. We became the first manufacturer in China which had sold 300,000 units in aggregate from a single factory since its incorporation. We are the sole elevator supplier to the exhibition halls in International Horticultural Exposition. During the reporting period, an agreement was signed for our subsidiary, Shanghai Mitsubishi Elevator Co. Ltd. to participate in the elevator project of Shanghai Tower, which is known as the highest skyscraper in China, to supply 106 sets of elevators to the building. The contribution of elevator maintenance business to the Group revenue continued to increase, and we had the highest numbers of installed units and of units under maintenance and repair contracts respectively among our Chinese peers. During the reporting period, our ultra-high-speed, high-capacity electronic rotator, which was debuted in China with a driving speed up to 5,040 rotations per minute, completed the ultra-high-speed balancing test. This unit will commence its service for the West-to-East Gas Transmission Pipeline project. Furthermore, our large-scale grinder and digital-controlled machine tools reached the highest standards in China. During the reporting period, self-developed nano-scale precision digital-controlled mini grinding machine had successfully passed the examination and obtained an approval under State-level assessment. We are also the one with the largest scale, the most advanced products and the most comprehensive industry chain in the printing and packaging equipment industry in China.

In the field of modern services: Our services cover engineering services, international trading and financial services. Our engineering service business achieved a turnover exceeding RMB10 billion for three consecutive years. As at the end of the reporting period, our EPC project orders on hand were worth more than RMB110 billion, which hit a new record. During the reporting period, we proactively progressed our expansion in the overseas markets and had been contracted as the contractor of the WASSIT 2 X 610MW EPC Coal-Fired Power Project in Iraq under an agreement that is worth US$1.08 billion. Our power station project penetrated into Thailand for the first time, laying the foundation for further expansion into this market. Subcontracted EPC power station project orders were received in a variety of countries. We will further penetrate into the relatively developed countries and regions and make a foray into markets which have long been dominated by traditional energy giants from Europe and the US. With ongoing improvements in our project construction capabilities, we ranked as 78th among the 225 largest world construction contractors in the League of Top 225 International Contractors for 2010 accredited by Engineering News-Record ("ENR"). Following the establishment of Shanghai Electric (India) Company Limited in India, we took a major step forward in international project services. The robust development of our core business has been well supported by our finance company which has provided professional management and services for the management and control of our exchange risk exposure.

MANGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company carefully coped with the volatile macroeconomic environment and economic situation, and actively enhanced its overall profitability by expediting the development of its core businesses. It also steadfastly made adjustments to its business structure to promote aggressively commercialization of new and advanced technologies and to establish world-class plants through implementing innovative management, so as to maintaining development of the Group at a steady and healthy pace. During the reporting period, the Group recorded a revenue of RMB33,583 million, representing a growth of 10.7% when compared with that of the same period last year. Profit attributable to owners of the parent amounted to RMB1,637 million, representing a growth of 16.9% when compared with that of the same period last year.

The New Energy Segment

During the reporting period, the new energy segment recorded a sales revenue of RMB2,931 million, representing a growth of 24.7% when compared with that of the same period last year. Revenue generated from the Company's wind power products in the segment amounted to RMB1,339 million, representing a year-on-year increase of 33.5%. Gross profit margin for the segment during the period was 13.2%, representing a decline of 2.3 percentage points when compared with that of the same period last year. Operating margin for the segment was 5.5%, representing a reduction of 1.3 percentage points when compared with that of the same period last year. Decline in both gross profit margin and operating margin was mainly due to a drop in market prices of wind power products under keen market competition in the PRC.

The High Efficiency and Clean Energy Segment

During the reporting period, the high efficiency and clean energy segment reported a revenue of RMB15,614 million, representing a growth of 14.0% when compared with that of the same period last year. Gross profit margin for the segment during the period stood at 18.5%, increased by 0.5 percentage point when compared with that of the same period last year. Operating margin for the segment stood at 8.2%, increased by 1.1 percentage points from that of the same period last year. This was mainly due to the increase in sales of thermal power equipment of the Company and rise in profit.

Industrial Equipment Segment

During the reporting period, the industrial equipment segment recorded a revenue of RMB9,940 million, representing a growth of 8.0% when compared with that of the same period last year, which is mainly due to increased sales of products including elevators and electric motors. Gross profit margin for the segment during the period stood at 19.2%, remained stable when compared with that of the same period last year. Operating margin stood at 7.9%, increased by 0.5 percentage point from that of the same period last year.

Modern Services Segment

During the reporting period, the modern services segment recorded a revenue of RMB6,483 million, representing a growth of 19.1% when compared with that of the same period last year, which is mainly due to increase in revenue from power station EPC projects. Gross profit margin for the segment during the period stood at 7.5%, decreased by 0.1 percentage point when compared with that of the same period last year. Operating margin for the segment stood at 4.3%, decreased by 1.1 percentage point from that of the same period last year.

Outlook

2011 is the start of "Twelfth Five-Year" Plan for Shanghai Electric and is also the start of our "re-venturing" strategy. We must achieve the goals of "set for a good start and look for solid results". We will adhere to our strategic goal established for the "Twelfth Five-Year" Plan, keep on optimizing our product portfolio and promote sustainable development for the industry, that is, to enhance maturity of industry capability and to maintain our leading position; to grow the capacity of industry and to promote the industry brand; to accelerate nurturing the emerging industry segments and to strike a breakthrough in new strategic businesses. On a new level and horizon, we will persist in innovative development under new proposition. To promote China's economic transformation and enhance the Group's deployment of technological advancement and human resources, Shanghai Electric will adopt an open-minded attitude to embark on new ventures which are better integrated into our optimized pool of resources.

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 reporting period.

Corporate Governance

For the first half of 2011, 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 2011, 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.

Strategy Committee

The Strategy Committee comprises Mr. Xu Jianguo, Mr. Huang Dinan, Ms. Xu Ziying, Mr. Zhu Sendi and Dr. Lui Sun Wing. During the reporting period, the Strategy Committee has discussed and reviewed the Company's future development plans with the management team.

Audit Committee

Our Audit Committee, comprising Dr. Cheung Wai Bun, Mr. Zhu Sendi, Dr. Lui Sun Wing 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 2011.

Remuneration Committee

The Remuneration Committee, which comprises Dr. Lui Sun Wing, 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 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 Board of Directors did not recommend interim dividend for the Period (for the six months ended 30 June 2010: On 20 August 2010, the Board of Directors resolved to recommend the proposal of interim dividend distribution for year 2010. A cash dividend of RMB5.89 cents per share (tax inclusive) with an aggregate amount of RMB755,312,000 was approved and then distributed on 8 December 2010).

Board of Directors and Supervisors

As at the date of this announcement, the executive directors of the Company are Mr. XU Jianguo, Mr. HUANG Dinan, Ms. Xu Ziying and Mr. YU Yingui; the non-executive directors of the Company are Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Mr. ZHU Sendi, Dr. CHEUNG Wai Bun and Dr. LUI Sun Wing.

During the reporting period, the Supervisors of the Company are Mr. Dong Jianhua, Mr. Xie Tonglun, Mr. Li Bin, Mr. Zhou Changsheng and Mr. Zheng Weijian.

By order of the Board
Xu Jianguo
Chairman

Shanghai, the PRC
19 August 2011