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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

上海電氣集團股份有限公司

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

(Stock code: 02727)

ANNOUNCEMENT

PROFIT WARNING

The board of directors (the **Board**) of Shanghai Electric Group Company Limited (the **Company**) wishes to inform the shareholders of the Company and potential investors that, based on the management account of the Company and its subsidiaries (the **Group**) for the year ended 31 December 2008 under the Hong Kong Financial Reporting Standards (the **HKFRS**), the Board estimated that the net profit of the Group for the same period may fall by approximately 10% to 13% compared to the net profit amount of RMB2,900,845,000 in the profit forecast for the year 2008 disclosed in the announcement dated 10 November 2008.

The financial information of the Company for the year ended 31 December 2008 referred to in this announcement is not audited by the auditors of the Company, and may differ from the audited financial information, which will be available upon completion of the annual audit of the accounts of the Company. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

This announcement is made pursuant to rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement dated 10 November 2008 of the Company which contains the profit forecast for the year ended 31 December 2008 (the **Profit Forecast**). The Profit Forecast was prepared after due and careful inquiry made by the directors of the Company in connection with the A Share issuance of the Company. The A Shares of the Company were subsequently listed on the Shanghai Stock Exchange on 5 December 2008, details of which are set out in the announcement of the Company dated 2 December 2008.

The Board wishes to inform the shareholders of the Company and potential investors that, based on the management account of the Group for the year ended 31 December 2008 in accordance with the HKFRS, the Board estimated that the net profit of the Group for the same period (the *Profit Estimate*) may fall by approximately 10% to 13% compared to the net profit amount of RMB2,900,845,000 shown in the Profit Forecast.

The Board believes that such discrepancy in net profit is mainly due to the fact that a number of customers of the Group have, since mid-December 2008, requested the Group to defer delivery of certain products to 2009 due to adjustment of their production business plans in response to changes in the macroeconomic environment and government policies. After careful consideration and communication with these customers, the Company accepted the aforementioned requests, as a result of which, the Company was unable to recognise certain revenues for the year ended 31 December 2008.

Having made due and careful considerations, the directors of the Company do not believe that there would be any significant difference between the HKFRS and the PRC GAAP as far as the Profit Estimate is concerned.

Based on the information available to the Board, the Company does not believe that the Profit Forecast previously announced could be achieved. Shareholders of the Company and potential investors should not place undue reliance on the Profit Estimate and/or the Profit Forecast. In particular, shareholders of the Company and potential investors should note that the Profit Estimate has not been audited or reviewed by the Company's auditors and was solely prepared for the purpose of verifying whether or not there has been any subsequent change which might materially affect the Profit Forecast.

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

Shanghai, the PRC, 6 January 2009

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