上海电气
SHANGHAI ELECTRIC

2009
Interim Report

Shanghai Electric Group Company Limited

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

Contents

Corporate Information

Legal name in Chinese:
上海電氣集團股份有限公司

Legal name in English:
Shanghai Electric Group Company Limited

Registered Office:
30th Floor, Maxdo Center,
8 Xingyi Road, Shanghai,
The People's Republic of China

Postal code:
200336

Principal Place of Business in Hong Kong:
2901, 29th Floor,
Tower One, Lippo Centre,
89 Queensway, Hong Kong

Company Secretary:
Li Chung Kwong Andrew
(FCCA, FCPA, ACA, CIA)

Authorized Representatives:
Xu Jianguo
Huang Dinan

Alternate Authorized Representatives:
Cheung Wai Bun
Li Chung Kwong Andrew
(FCCA, FCPA, ACA, CIA)

Stock Exchange on which H Shares are listed:
The Stock Exchange of Hong Kong Limited

Abbreviation of H Shares:
SH Electric

Stock Code of H Shares:
02727

H Share Registrar and Transfer Office:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong

Stock Exchange on which A Shares are listed:
Shanghai Stock Exchange

Abbreviation of A Shares:
上海電氣

Stock Code of A Shares:
601727

Auditors:
Ernst & Young (International auditor)
Ernst & Young Hua Ming (PRC auditor)

Legal Advisers as to PRC Law:
Grandall Legal Group (Shanghai)

Legal Advisers as to Hong Kong Law and U.S Law
Freshfields Bruckhaus Deringer

Legal Advisers as to Japanese Law
Anderson Mori & Tomotsune

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Performance Highlights

- Revenue for the first half of 2009 reached RMB**27,798** million, representing a decrease of **2.9%** over the corresponding period last year

- Profit attributable to equity holders of the parent for the first half of 2009 was RMB**1,370** million, representing a decrease of **11.4%** over the corresponding period last year, and RMB**1,265** million of which was profit attributable to equity holders net of financial business, representing a decrease of **5.0%** over the corresponding period last year

- Basic earnings per share were RMB**10.95** cents

Chairman's Statement

Dear shareholders,

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

Review of Operations

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

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

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

During the reporting period, the Group secured new orders of power generation equipment and heavy machinery with the contract value of over RMB33 billion and over RMB6 billion respectively. As at 30 June 2009, the orders on hand of power generation equipment and heavy machinery amounted to over RMB170 billion and approximately RMB20 billion respectively, both of which hit the historical heights. The Group not only maintained its leading market shares in core businesses, but also achieved progress in commercialisation of the technology of key products. For the thermal power equipment business, the first national E-class IGCC model power station project with key equipment to be provided by the Group to Huaneng Group commenced construction in Lingang, Tianjin. For the wind power equipment business, wind power equipment of 2MW developed by the Group commenced operation in April this year. The development of off-shore wind power equipment of 3.6MW is expected to be completed in 2010. The design and development of components of the equipment are in progress. With regard to the nuclear power equipment business, the Group maintained its technical advantages in major nuclear power equipment, such as reactor vessel internals and control rod drive mechanisms nuclear equipment, and achieved progress in the research and development of welding of rotors. The capacity expansion project of Lingang Phase II has commenced, and the research and development of major pumps for nuclear power has also commenced. For the power transmission and distribution equipment business, the Group fully collaborated with Areva Group in France in high voltage and ultra-high voltage transmission equipment businesses, and the construction of the plant in Lingang was substantially completed. In respect of the heavy machinery business, the hot processing capability expansion project was near to completion and the production capability of large-scale forging and casting pieces was largely increased. With regard to the elevator business, the Group timely adjusted the product portfolio in response to the shift in market demand. The Group developed and launched LEGY elevators for welfare housing as well as K type escalators used in public transportation, both of which have achieved satisfactory results.

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

Last but not least, I would like to take this opportunity to thank all shareholders for their continuous support to the Company and to express my heartfelt gratitude to all Directors, Supervisors, management members and staff of the Group for their dedication and contribution in the first half of the year.

Xu Jianguo
Chairman
Shanghai, the PRC
14 August 2009

Management Discussion and Analysis

Review of Operations

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

Enhance international cooperation and strengthen its leading position in the thermal power equipment business

The Group continued to collaborate with Siemens in the field of thermal power equipment and made further progress in the cooperation on transfer of overseas orders to the Group. Siemens has so far outsourced the production of six units of thermal power equipment to the Group for the South American market, which are scheduled to be delivered as from 2010. The Group also closely monitored the thermal power equipment market in Southeast Asia and established good relationship with its business partners in that area. Such collaboration builds a solid foundation for expanding its market share in the thermal power equipment market in Southeast Asia. Under the government policy of "replacement of small capacity units by large capacity units" for thermal power projects, the Group actively developed environmentally-friendly high capacity thermal power generation units with low carbon emission, such as 1,200 MW, 1,000 MW and 800 MW ultra super-critical equipment, 660 MW dual internal water-cooling power generators and 600-800 MW super-critical bovey-coal-fired generator sets, to strengthen its leading position in the thermal equipment business.

Seize market opportunities to develop the new energy industry

In line with the national strategy of developing the new energy industry, the Group seized market opportunities to focus on the development of nuclear power and wind power equipment businesses. As at the end of the reporting period, the orders on hand of nuclear power equipment amounted to approximately RMB20 billion and that of wind power equipment exceeded RMB2 billion. The Group initiated an A-share private placement project in April this year. The proceeds from the placement of A-shares would mainly be invested in nuclear power and wind power equipment businesses, of which RMB1,147 million and RMB838 million will be used in the nuclear power and wind power equipment businesses respectively. By increasing investment to expand its production capacity, it is expected that the annual production capacity for wind power equipment of the Group will exceed 1,000 units by 2011. The annual production capacity of reactor vessel internals and control rods drive mechanisms nuclear equipments are expected to be increased to eight to ten set by 2010. The annual production capacity of nuclear power conventional island major equipments and nuclear island major equipments are expected to be increased to four to six sets by 2012.

Strengthen research and development to enhance competitiveness of its core products

In respect of the nuclear power equipment business, the Group's new and high technology commercialization projects for 1000MW-capacity reactor vessel internals and control rods drive mechanisms for nuclear power plant have been filed with the relevant authorities and are being implemented with good progress. The projects cover production capacity expansion and production engineering, and also technology research and development in welding of 1000MW-capacity turbine rotors for nuclear power units in cooperation with Tsinghua University, Shanghai Jiao Tong University and Harbin Welding Institute. For wind power equipment business, the Group succeeded in the localisation of converters for its 2 MW wind power equipment. In connection with the thermal power equipment business, the Group successfully produced its first medium-to-low pressure combined-cycle steam turbine rotor which is in line with the international standard. In respect to the power transmission and distribution equipment business, the Group focused on the development of major basic technologies for super-high voltage, ultra-high voltage, flexible alternating current transmission and new energy transmission. With regard to the elevator business, our new product development direction gears towards "environmentally friendly, information technology based, intelligence and high speed" technology. We enhanced the research and development of our proprietary key technologies including high speed elevator technology, energy recycling technology and the technologies relating to new generation escalators. In addition, the Company collaborated with Baosteel Co., Ltd. on the research and development of special steel used in major equipment of thermal power, nuclear power and desalination, etc.

Strengthen assets structure with proactive measures on cost control and efficiency improvement

During the reporting period, the Group optimised its assets structure and enhanced its management efficiency by restructuring its shareholdings in indirect subsidiaries. The Group also proactively implemented various measures of cost reduction and efficiency enhancement. The Group further improved its management of trade receivables and inventory structure and carried out aging analysis for trade receivables according to their maturity dates so that the risks relating to bad debts could be evaluated more accurately and operational risks could be restrained. Its production cost management and cost control were also further strengthened. In light of the adverse market conditions, the Group closely monitored its cash flow. During the reporting period, the cash flow from operating activities of the Group increased significantly compared to the corresponding period last year. In addition, the Group consolidated its management and control system relating to exchange exposure for a stricter control over the operation and approval procedures of the Group's foreign exchange activities. It also cooperated with Bank of China and HSBC to commence forward exchange settlement business. The finance company within the Group successfully obtained approval from relevant authorities to establish a "cash pool" of foreign currencies for the Group and conduct foreign exchange business, through which the Group was able to centralise the management of foreign exchange, reduce exchange spreads and the cost of foreign exchange transactions.

Expand overseas markets and transform into an integrated equipment manufacturer and service provider

Despite the negative impact of the global financial crisis in various aspects, the Group seized the opportunity to further develop overseas markets by its well established brand name and corporate image as well as extensive overseas experiences over the past few years. The Group successfully obtained the construction project of two sets of thermal power equipment with a capacity of 660 MW each in Botswana, Africa. The contract value amounted to US$1,956 million, which is the largest individual overseas order of the Group to date. The Group further expanded the value chain of its products and progressively transformed into an integrated equipment manufacturer and provider of the relevant services. During the reporting period, the number of elevators installed and maintained by Shanghai Mitshibishi Elevator, a subsidiary of the Group, reached around 80,000 units, of which the number of elevators installed and maintained increased by 10% and 17.9% respectively over the corresponding period last year. The revenue from elevator installation and maintenance business increased by 15.3% over the corresponding period last year.

Management Discussion and Analysis (continued)

Operation Review of Major Business Divisions

Set out below are revenue and operating profit for each business division:

	Revenue		Operating Profit	
	For the six months ended 30 June		For the six months ended 30 June	
(in RMB million)	2009	2008	2009	2008
Power equipment	17,453	15,813	1,091	1,496
Percentage of the total	62.8%	55.2%	57.5%	58.8%
Electromechanical equipment	6,221	6,615	520	555
Percentage of the total	22.4%	23.1%	27.4%	21.8%
Heavy machinery	2,865	2,286	224	106
Percentage of the total	10.3%	8.0%	11.8%	4.2%
Transportation equipment	245	2,701	27	115
Percentage of the total	0.9%	9.4%	1.4%	4.5%
Environmental systems	1,238	1,623	-	37
Percentage of the total	4.5%	5.7%	0.0%	1.5%
Financial business	164	194	168	347
Percentage of the total	0.6%	0.7%	8.9%	13.6%
Other businesses	218	233	-47	-32
Percentage of the total	0.8%	0.8%	-2.5%	-1.3%
Adjustment and elimination upon consolidation	-606	-834	-87	-81
Percentage of the total	-2.2%	-2.9%	-4.6%	-3.2%
Total	27,798	28,631	1,896	2,543

Power Equipment Division

During the first half of 2009, the power equipment division achieved a steady growth through the active development of highly efficient and clean energy providing power equipment, as well as the wind power equipment businesses. The revenue of the division amounted to RMB17,453 million for the period (1H08: RMB15,813 million), which represents a year-on-year increase of 10.4%. Divisional operating profit amounted to RMB1,091 million (1H08: RMB1,496 million). Pursuant to the national policy of energy saving and emission reduction, installation of large capacity power equipment will be a development trend for domestic power plants. During the first half of 2009, the percentage of low margin products sales increased as compared with that of the corresponding period last year. In addition, most of the raw materials included in production for sales in first half 2009 were purchased in first half 2008 when raw material prices were high. As a result of the change of sales mix and the increase in raw material costs, the gross margin of this division dropped and operating profit decreased by RMB405 million year-on-year.

Electromechanical Equipment Division

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

Heavy Machinery Division

During the first half of 2009, the revenue of the heavy machinery division increased by 25.3% as compared with that of the same period last year. This was mainly attributable to the significant increase in production capacity of nuclear power nuclear island equipment business as a result of the commencement of operation of the Company's nuclear power equipment production plant in Lingang, leading to more than RMB900 million sales of nuclear power nuclear island equipment, or 116.8% year-on-year increase in sales, for the reporting period. The operating profit of the heavy machinery division increased by 111.3% over the corresponding period last year. This was mainly attributable to the increase of sales revenue.

Transportation Equipment Division

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

Environmental Systems Division

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

Financial Business

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

Share of Profits and Losses of Associates and Jointly-controlled entities

During the first half of 2009, the share of profits and losses of associates and jointly-controlled entities amounted to RMB309 million (1H08: RMB276 million), an increase of 12.0% compared with that of the corresponding period last year. This was mainly attributable to an increase of net profits in the Company's associates which were engaged in power transmission and distribution equipment business compared with that of the same period last year.

Profit for the Period Attributable to Equity Holders of the Parent

Profit for the period attributable to equity holders of the parent for the first half of 2009 decreased by 11.4% from the last corresponding period to RMB1,370million (1H08: RMB1,547 million). Earnings per share were RMB10.95 cents (1H08: RMB13.01 cents).

Cash Flow

As at 30 June 2009, the Group had restricted deposits, cash and cash equivalents and amounts due from the Central Bank of RMB18,097 million in aggregate, representing an increase of RMB2,766 million from the beginning of the period. During the period, the Group had a net cash inflow from operating activities of RMB2,982 million, net cash

Management Discussion and Analysis (continued)

outflow from investing activities of RMB1,446 million, and net cash outflow from financing activities of RMB1,200 million.

Assets and Liabilities

As at 30 June 2009, the Group has total assets of RMB88,092 million (31 December 2008: RMB82,011 million), an increase of RMB6,081 million, or 7.4%, compared with the beginning of the year. Total current assets increased by RMB5,741 million from the beginning of the year to RMB69,478 million (31 December 2008: RMB63,737 million), accounting for 78.9% of the total assets. Total non-current assets were RMB18,614 million as at 30 June 2009 (31 December 2008: RMB18,274 million), representing an increase of RMB340 million from the beginning of the year and accounting for 21.1% of the total assets.

As at 30 June 2009, total liabilities of the Group were RMB60,046 million (31 December 2008: RMB53,854 million), representing an increase of RMB6,192 million, or 11.5%, compared with that of the beginning of the year. Total current liabilities increased by RMB6,152 million from the beginning of the year to RMB56,776 million (31 December 2008: RMB50,624 million), whereas total non-current liabilities increased by RMB40 million from the beginning of the year to RMB3,270 million (31 December 2008: RMB3,230 million).

As at 30 June 2009, total net current assets of the Group were RMB12,703 million (31 December 2008: RMB13,113 million), representing a decrease of RMB410 million from the beginning of the year.

Source of Funding and Indebtedness

As at 30 June 2009, the Group had aggregate bank and other borrowings and bonds of RMB3,024 million (31 December 2008: RMB3,204 million), a decrease of RMB179 million from the beginning of the year. Borrowings repayable within one year amounted to RMB462 million, representing a decrease of RMB205 million compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB2,562 million, which represented an increase of RMB25 million compared with that of the beginning of the year.

As of 30 June 2009, all bank and other borrowings and debentures of the Group were interest-bearing at fixed rates. Except for loans of USD833,000 in aggregate (31 December 2008: USD833,000), HKD52,000,000 in aggregate (31 December 2008: HKD50,000,000), EURO3,593,000 in aggregate (31 December 2008: EURO4,362,000), JPY280,000,000 in aggregate (31 December 2008: JPY622,000,000) and ZAR78,000 in aggregate (31 December 2008: ZAR100,000), which were denominated in foreign currencies, all other borrowings were in Renminbi.

Finance Costs

Finance costs for the first half of 2009 were RMB16 million (1H08: RMB29 million).

Pledged Assets

As at 30 June 2009, the Group's bank deposits of RMB1,002 million in aggregate (31 December 2008: RMB1,403 million) were pledged to a bank. In addition, certain land use rights, buildings and machinery of the Group were pledged as the securities for certain bank facilities of the Group. As at 30 June 2009, the net carrying value of its pledged assets amounted to RMB56 million (31 December 2008: RMB59 million). Except for the abovementioned assets, the Group had not pledged any other assets in the first half of 2009.

Gearing Ratio

As at 30 June 2009, the gearing ratio of the Group, which represented the ratio of interest-bearing bank and other borrowings and bonds to total equity plus interest-bearing bank and other borrowings and bonds, was 9.7%, representing a decrease of 0.5 percentage point when compared with that of the beginning of this year.

Contingent Liabilities

Please refer to Note 15 to the Unaudited Interim Condensed Consolidated Financial Statements for details.

Capital Commitments

Please refer to Note 17 to the Unaudited Interim Condensed Consolidated Financial Statements for details.

Capital Expenditure

Total capital expenditure of the Group for the period was approximately RMB946 million (1H08: RMB1,598 million), principally applied to the upgrading of production technologies and production equipment.

Risk of Foreign Exchange Fluctuations

During the period under review, the Group exported certain products as well as imported equipment, spare parts and materials. The Group has adopted measures to mitigate the risk exposure after the offsetting of the exports and imports, including the establishment of foreign exchange cash pool within the Company and arrangement for foreign exchange forward contracts.

Employees

As at 30 June 2009, the Group had approximately 27,200 employees (31 December 2008: 31,323). The Company has short term and long term incentive programs to encourage employee performance and a series of training programs for the development of its staff.

Other Information

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital
A shares		
-Subject to lock-up restrictions	8,918,736,000	71.306%
-Not subject to lock-up restrictions	616,038,405	4.925%
H shares	2,972,912,000	23.769%
Total	12,507,686,405	100.000%

Disclosure of Interests

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 June 2009, the following persons (other than the Directors, Supervisors and chief executives of Shanghai Electric Group Company Limited ("the Company")) had interests or short positions in the shares and underlying shares of the Company which have rights to exercise or control the exercise of 5% or more of voting power at any general meeting of the Company, as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"):

Name of Substantial Shareholder	H/A Share	Capacity	Notes	No. of A/H Shares	Nature of Interest	Percentage of total number of A/H Shares in issue (%)	Percentage of total number of Shares in issue (%)
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	7,409,088,498	Long position	77.71	59.24
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporation	1	7,898,980,620	Long position	82.84	63.15
Shenzhen Fengchi Investment Co., Ltd.	A	Beneficial owner	2	917,778,942	Long position	9.63	7.34
Shanghai Depeng Investment Co., Ltd	A	Interest of controlled corporation	2	917,778,942	Long position	9.63	7.34
Guangdong Zhujiang Investment Holding Group Co., Ltd	A	Interest of controlled corporation	2	917,778,942	Long position	9.63	7.34
Guangdong Hanjiang Asset Management Co., Ltd.	A	Interest of controlled corporation	2	917,778,942	Long position	9.63	7.34
Guangdong Hanjiang Building and Installation Co., Ltd	A	Interest of controlled corporation	2	917,778,942	Long position	9.63	7.34
Zhu Qingyi	A	Interest of controlled corporation	2	917,778,942	Long position	9.63	7.34
Shenergy Group Company Limited	A	Beneficial owner	1	489,892,122	Long position	5.14	3.92
Templeton Investment Counsel, LLC	H	Investment manager		239,362,914	Long position	8.05	1.91
Mirae Asset Global Investments (Hong Kong) Limited	H	Investment manager		205,518,000	Long position	6.91	1.64
Templeton Global Advisors Limited	H	Investment manager		182,410,919	Long position	6.14	1.46
Deutsche Bank Aktiengesellschaft	H	Beneficial owner		7,608,474	Long position	0.26	0.06
		Investment manager	3	128,486,000	Long position	4.32	1.03
		Person having a security interest in shares		13,663,470	Long position	0.46	0.11
		Total long position		**149,757,944**		**5.04**	1.20

Name of Substantial Shareholder	H/A Share	Capacity	Notes	No. of A/H Shares	Nature of Interest	Percentage of total number of A/H Shares in issue (%)	Percentage of total number of Shares in issue (%)
Deutsche Bank Aktiengesellschaft	H	Beneficial owner		932,814	Short position	0.03	0.01
		Person having a security interest in shares		11,061,000	Short position	0.37	0.09
		Total short position		**11,993,814**		**0.40**	**0.10**
Government of Singapore Investment Corporation Pte Ltd	H	Investment manager		148,787,999	Long position	5.00	1.19
Siemens International Holding B.V.	H	Beneficial owner	4	148,646,000	Long position	5.00	1.19
Siemens Beteiligungsverwaltung GmbH & Co. OHG	H	Interest of controlled corporation	4	148,646,000	Long position	5.00	1.19
Siemens Beteiligungen Management GmbH	H	Interest of controlled corporation	4	148,646,000	Long position	5.00	1.19
Siemens Aktiengesellschaft	H	Interest of controlled corporation	4	148,646,000	Long position	5.00	1.19

Notes

(1) Shanghai Electric (Group) Corporation and Shenergy Group were wholly owned by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and their interests in 7,409,088,498 shares and 489,892,122 shares of the Company, were deemed to be the interests of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

(2) Shenzhen Fengchi Investment Co., Ltd. holding 917,778,942 shares of the Company, was owned as to 90% by Shanghai Depeng Investment Co., Ltd which in turn was wholly owned by Guangdong Zhujiang Investment Holding Group Co., Ltd ("Guangdong Zhujiang"). Guangdong Zhujiang was owned as to 75% by Guangdong Hanjiang Asset Management Co,. Ltd which in turn was owned as to 80% by Guangdong Hanjiang Building and Installation Co., Ltd ("Guangdong Hanjiang"). Guangdong Hanjiang was owned as to 90% by Zhu Qingyi. The interest in 917,778,942 shares relates to the same block of shares in the Company.

(3) Deutsche Bank Aktiengesellschaft was interested in 128,486,000 shares of the Company by virtue of its control over the following corporations which held direct interests in the Company:

Name of controlled corporation	Percentage of ownership in controlled corporation (%)	No. of shares
Deutsche Asset Management International GmbH	100	5,692,000
Deutsche Asset Management Investmentgesellschaft mbH	100	95,000
DWS Investment GmbH	100	115,000,000
DWS Investment S.A., Luxemburg	100	5,949,000
Deutsche Bank Trust Company Americas	100	488,000
Tilney Investment Management	100	92,000
Deutsche Bank (Suisse) S.A.	100	114,000
Deutsche Bank AG Singapore Branch	100	1,056,000

Among the entire interest of Deutsche Bank Aktiengesellschaft in the Company, a long position in 160,000 and a short position in 764,000 shares were held through cash settled unlisted derivative interests.

Other Information (continued)

Notes (continued)

(4) Siemens International Holding B.V., holding 148,646,000 shares of the Company, was wholly owned by Siemens Beteiligungsverwaltung GmbH & Co. OHG, which in turn was owned as to 99.99% and 0.01% by Siemens Aktiengesellschaft and Siemens Beteiligungen Management GmbH. The interest in 148,646,000 shares relates to the same block of shares in the Company.

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Company, there was no other person who, as at 30 June 2009, had an interest or short positions in the shares and underlying shares of the Company.

Directors' and Supervisors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2009, none of the Directors, Supervisors or chief executives of the Company and their respective associates held or was deemed to hold interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified by the Directors, Supervisors or chief executives to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the"Listing Rules"). As at 30 June 2009, none of the Directors, Supervisors or chief executives of the Company or their respective associates was granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

Model Code for Securities Transactions by Directors

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

Corporate Governance

For the first half of 2009, the Board 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 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 2009, the duties of the Chief Executive Officer and the Chairman of the Board have been carried out by Mr. Xu Jianguo. However, Mr. Huang Dinan, an Executive Director and the President, is fully responsible for the day-to-day operations of the Company and execution of instructions from the Board 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 (appointed on 6 January 2009), Mr. Lei Huai Chin and Ms. Yao Minfang, has reviewed the accounting policies adopted by the Group, and credit limits of its connected transactions, with the management and the Company's external auditors, and discussed on matters concerning internal control and financial reporting of the Group, including review and approval of the unaudited interim condensed consolidated financial statements for the period under review.

Remuneration Committee

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

Purchase, Sale or Redemption of the Company's 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

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

Disclosure of Information on the Stock Exchange's Website

All information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (http://www.hkexnews.hk) in due course.

Disclosure of Information and Investor Relations

The Company recognises the importance of good communications with its investors. Requests for meetings and factory visits from investors have been handled with great care by our investor relations team. To facilitate investors' further understanding of the Company's various strategies and plans for future development, we attend investor conferences and carry out non-deal road shows at regular intervals. The Company will continue to put great efforts on investor relations and further enhance transparency of the Group.

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, China
14 August 2009

Unaudited Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2009

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

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

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

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2009

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

Unaudited Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2009

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

Director Mr. Xu Jianguo Director Mr. Yu Yingui

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Attributable to equity holders of the parent										
	Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Declared final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	12,507,686	3,342,672	(2,819,703)	2,237,928	92,668	14,743	4,759,346	1,463,399	21,598,739	6,558,342	28,157,081
Profit for the period	-	-	-	-	-	-	1,369,510	-	1,369,510	554,307	1,923,817
Other comprehensive income/ (loss)	-	-	-	-	37,944	(18,916)	-	-	19,028	6,136	25,164
Total comprehensive income/ (loss)	-	-	-	-	37,944	(18,916)	1,369,510	-	1,388,538	560,443	1,948,981
Appropriation to surplus reserves	-	-	-	64,287	-	-	(64,287)	-	-	-	-
The absorption merger of a subsidiary	-	-	-	(248,750)	-	-	248,750	-	-	-	-
Final dividend declared	-	-	-	-	-	-	-	(1,463,399)	(1,463,399)	-	(1,463,399)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(622,534)	(622,534)
Others	-	3,073	-	-	-	-	23,022	-	26,095	-	26,095
As at 30 June 2009 (Unaudited)	12,507,686	3,345,745*	(2,819,703)*	2,053,465*	130,612*	(4,173)*	6,336,341*	-	21,549,973	6,496,251	28,046,224

* *These reserve accounts comprise the consolidated reserves of RMB9,042,287,000 (31 December 2008: RMB7,627,654,000) in the unaudited interim condensed consolidated statement of financial position*

Unaudited Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2009

(Restated)

	Attributable to equity holders of the parent									
	Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2008	11,891,648	3,932,918	(3,487,636)	2,058,537	1,135,333	(18,845)	4,157,341	19,669,296	7,841,754	27,511,050
Profit for the period	-	-	-	-	-	-	1,546,710	1,546,710	712,237	2,258,947
Other comprehensive loss	-	-	-	-	(1,041,698)	(1,053)	-	(1,042,751)	(270,941)	(1,313,692)
Total comprehensive income/ (loss)	-	-	-	-	(1,041,698)	(1,053)	1,546,710	503,959	441,296	945,255
Disposal of subsidiaries	-	(4,749)	-	(9,785)	-	-	9,785	(4,749)	(114,101)	(118,850)
Transfer to capital reserve	-	4,137	-	-	-	-	(4,137)	-	-	-
Appropriation to surplus reserves	-	-	-	83,142	-	-	(83,142)	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(675,882)	(675,882)
Others	-	10,305	-	2,125	-	-	-	12,430	-	12,430
As at 30 June 2008 (Unaudited)	11,891,648	3,942,611	(3,487,636)	2,134,019	93,635	(19,898)	5,626,557	20,180,936	7,493,067	27,674,003

Unaudited Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
NET CASH INTFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	2,981,955	(777,734)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,446,215)	(1,340,239)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(1,199,822)	(120,896)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	335,918	(2,238,869)
Cash and cash equivalents at beginning of period	10,451,673	10,771,302
Effect of foreign exchange rate changes, net	3,496	(11,826)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,791,087	8,520,607
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents in the unaudited interim condensed consolidated statement of financial position	15,542,678	10,849,639
Less: Non-restricted time deposits with original maturity of over three months when acquired	(4,751,591)	(2,329,032)
	10,791,087	8,520,607

Notes to Unaudited Interim Condensed Consolidated Financial Statements

30 June 2009

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS7 Amendments	*Financial Instruments: Disclosure*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 10	*Events after the Balance Sheet Date*
HKAS 18	*Revenue*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS39 Amendments	*Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

2. SEGMENT INFORMATION

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

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

2. SEGMENT INFORMATION (continued)

Business segments

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

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

2. SEGMENT INFORMATION (continued)

Business segments (continued)

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

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

2. SEGMENT INFORMATION (continued)

Geographical segments

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

	Six months ended 30 June 2009 (Unaudited)			Six months ended 30 June 2008 (Unaudited, Restated)		
	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	23,073,977	4,724,348	27,798,325	23,971,138	4,660,289	28,631,427

3. REVENUE, OTHER INCOME AND GAINS

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

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

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

3. REVENUE, OTHER INCOME AND GAINS (continued)

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

4. PROFIT BEFORE TAX

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

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

4. PROFIT BEFORE TAX (continued)

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

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

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

5. TAX

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% for the six months ended 30 June 2009 (for the six months ended 30 June 2008: 25%) under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 20% as they were subject to the transitional income tax rate in the current year under the Corporate Income Tax Law;

- certain subsidiaries are subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law for the successive three years from 2008; and

- certain subsidiaries are subject to a corporate income tax rate of 12.5% as it was granted a transitional 50% reduction tax holiday in the current year under the Corporate Income Tax Law.

5. TAX (continued)

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

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

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

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

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

6. DIVIDEND

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2009, the Group acquired property, plant and equipment with a cost of RMB935,049,000; the Group disposed of property, plant and equipment with a net book value of RMB122,283,000, including those through disposal of subsidiaries and a jointly-controlled entity.

As at 30 June 2009, the Group had not obtained real estate certificates for buildings with a total gross area of approximately 128 (31 December 2008: 134) thousand m^2 and a net book value of RMB296,746,000 (31 December 2008: RMB294,302,000), and for 2 (31 December 2008: 2) parcels of land with a total gross area of approximately 132 (31 December 2008: 165) thousand m^2 and a net book value of RMB35,358,000 (31 December 2008: RMB44,699,000).

Included in the above amounts, the Group is in the process of applying for the real estate certificates for buildings with a gross area of approximately 69 thousand m^2 and a net book value of approximately RMB264,505,000 as at 30 June 2009, and for 2 parcels of land with a gross area of approximately 132 thousand m^2 as at 30 June 2009.

9. 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:

9. TRADE RECEIVABLES (continued)

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

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

For the sale of other products, the Group's trading terms with customers are mainly on credit except for new customers, where payment in advance or cash on delivery is normally required. The credit period is generally three months and may extend to six months for key customers.

10. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

The Group's cash and cash equivalents and restricted deposits are denominated in RMB at each balance sheet date, except for the followings:

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	Foreign currency in'000	RMB equivalent RMB'000	Foreign currency in'000	RMB equivalent RMB'000
Cash and bank balances:				
United States Dollars ("USD")	9,970	68,117	10,244	70,014
Japan Yen ("JPY")	615,869	43,799	628,743	47,564
Hong Kong Dollars ("HKD")	10,978	9,678	16,452	14,509
Euro ("EUR")	10,447	100,718	11,217	108,343
South Africa Rand ("ZAR")	647	562	4,060	2,971
Ethiopia Birr ("ETB")	200,295	137,511	200,296	138,204

10. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS (continued)

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	Foreign currency in'000	RMB equivalent RMB'000	Foreign currency in'000	RMB equivalent RMB'000
Time deposits:				
USD	1,500	10,248	1,500	10,252
JPY	20,096	1,429	20,096	1,520
HKD	12,036	10,610	7,015	6,187
EUR	-	-	5,000	48,295

11. TRADE PAYABLES

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

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

12. SHARE CAPITAL

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Registered, issued and fully paid:		
A shares of RMB1.00 each, restricted		
- state-owned shares	7,949,969	7,949,969
- other legal person shares	968,767	968,767
A shares of RMB1.00 each, unrestricted	616,038	616,038
H shares of RMB1.00 each	2,972,912	2,972,912
Total	12,507,686	12,507,686

12. SHARE CAPITAL (continued)

The shareholders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Shanghai Power Transmission and Distribution Co., Ltd. ("Shanghai Power Transmission") was previously an 83.75%-owned listed subsidiary of the Company. In 2008, the Company issued 616,038,405 A shares by way of a share exchange with the non-controlling interests of Shanghai Power Transmission at the exchange ratio of 7.32 A shares of the Company for one Shanghai Power Transmission share to implement the merger with Shanghai Power Transmission, which was delisted from the Shanghai Stock Exchange on 26 November 2008 after the share exchange and deregistered on 21 May 2009. As at 30 June 2009, the Company completed the updates of its industrial and commercial registration, and Shanghai Power Transmission's assets and liabilities were carried onto the Company's books.

As at 31 December 2008, in connection with the A share issue, the existing 8,918,736,000 domestic shares have become A shares and tradable on the Shanghai Stock Exchange on the same conditions in all respects as those of the A shares converted from Shanghai Power Transmission shares, save for the lock-up restrictions ranging from one to three years.

13. THE ULTIMATE HOLDING COMPANY

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

14. BUSINESS COMBINATIONS

Acquisition of a subsidiary

On 22 February 2009, the Group acquired a 100% equity interest in Shanghai Institute of Machine Building Technology Co., Ltd. ("Machine Technology Institute"), which is mainly engaged in the research and development of techniques, materials and equipment in machinery manufacturing, from SE Corporation at a cash consideration of RMB156,368,000.

The aggregate fair values of the identifiable assets and liabilities of Machine Technology Institute as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

14. BUSINESS COMBINATIONS (continued)

Acquisition of a subsidiary (continued)

	Fair value recognised on acquisition RMB'000	Carrying amount RMB'000
Property, plant and equipment	115,310	99,448
Prepaid land lease payments	58,046	58,046
Non-current other investments	1,109	1,109
Inventories	3,610	3,610
Trade receivables	14,353	14,353
Prepayment, deposits and other receivables	1,420	1,420
Bills receivable	2,972	2,972
Cash and bank balances	52,236	52,236
Trade payables	(14,528)	(14,528)
Other payables and accruals	(39,528)	(39,528)
Government grants	(6,113)	(6,113)
Deferred tax liabilities	(32,519)	(32,519)
	156,368	140,506
Satisfied by:		
Cash	156,368	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(156,368)
Cash and bank balances acquired	52,236
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(104,132)

Since the acquisition, the newly acquired subsidiary contributed RMB32,530,000 to the Group's turnover and a loss of RMB1,354,000 to the consolidated profit for the six months ended 30 June 2009.

Had the combination taken place at the beginning of the six months ended 30 June 2009, the revenue and the profit of the Group for the year would have been RMB27,807,637,000 and RMB1,923,572,000, respectively.

15. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Guarantees given to banks in connection with facilities granted to:		
- associates	140,264	164,764
- jointly-controlled entities	-	27,000
	140,264	191,764
In which,		
guarantees given to banks in connection with facilities utilised by:		
- associates	93,504	79,139
- jointly-controlled entities	-	27,000
	93,504	106,139
Non-financial guarantee letters issued on behalf of:		
- associates	3,296	5,217
- SEC group companies*	3,275	3,441
- third parties	70,300	31,612
	76,871	40,270

** SEC group companies are defined as the Group's related companies over which SE Corporation is able to exert control.*

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out certain of its properties and plant and machinery under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 20 years and those for plant and machinery are negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

16. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor (continued)

At 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within one year	30,419	38,059
In the second to fifth years, inclusive	78,551	84,517
After five years	144,573	214,842
	253,543	337,418

(b) As lessee

The Group leases certain of its properties, plant and machinery and motor vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 50 years, while those for plant and machinery and motor vehicles are for terms ranging from 1 to 20 years.

At 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Within one year	65,747	56,925
In the second to fifth years, inclusive	181,123	136,431
After five years	121,315	161,748
	368,185	355,104

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16(b) above, the Group had the following capital commitments at the balance sheet date:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Contracted, but not provided for		
In respect of the acquisition of:		
- land and buildings	251,519	478,837
- plant and machinery	619,991	341,971
- intangible assets	86,767	92,726
In respect of capital contribution to:		
- associates	183,521	186,321
- companies to be established/acquired	104,850	263,960
	1,246,648	1,363,815
Authorised, but not contracted for		
In respect of the acquisition of:		
- land and buildings	40,026	197,622
- plant and machinery	193,596	543,997
- intangible assets	-	19,625
In respect of capital contribution to:		
- associates	5,000	5,000
	238,622	766,244
	1,485,270	2,130,059

18. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the Period:

	Notes	For the six months ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000 (Restated)
Purchase of materials from:	(i)		
Jointly-controlled entities		12,312	20,836
Associates		320,761	407,330
SEC group companies		492,371	506,471
Other related companies		153,755	738,611
		979,199	1,673,248
Sales of goods to:	(i)		
The ultimate holding company		6,896	12,130
Jointly-controlled entities		14,063	13,308
Associates		109,180	115,981
SEC group companies		188,552	338,060
Other related companies		21,716	112,594
		340,407	592,073
Construction contract from:	(i)		
Other related company		702,776	709,995
Sales of scraps and spare parts to:	(i)		
Associates		-	341
Purchase of services from:	(i)		
Jointly-controlled entities		-	2,360
Associates		-	3,036
SEC group companies		9,277	2,718
Other related companies		89,852	108,421
		99,129	116,535

18. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the Period (continued):

	Notes	For the six months ended 30 June 2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000 (Restated)
Provision of services to:	(i)		
The ultimate holding company		-	4,273
Associates		33,387	38,040
SEC group companies		94	687
Other related companies		1,115	1,039
		34,596	44,039
Rental income from:	(ii)		
Associates		4,900	10,246
Rental fee to:	(ii)		
The ultimate holding company		12,491	11,362
Associate		990	990
SEC group companies		2,021	6,498
Other related companies		421	-
		15,923	18,850

Notes:

(i) Sales and purchases were conducted in accordance with mutually agreed terms.

(ii) Rental income and rental fee were based on mutually agreed terms with reference to the market rates.

18. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

i) Pursuant to the approval of the directors, the Company and SE Corporation entered into equity transferring agreement in September 2007, in which the Company acquired a 100% equity interest in Machine Technology Institute from SE Corporation for a cash consideration of RMB156,368,000, which was determined with reference to a valuation carried out by independent professional qualified valuers in Mainland China. The Group acquired a 100% equity interest in Machine Technology Institute after the equity transferring was completed in February 2009 (note 14);

(ii) The Company and SE Corporation entered into entrusted agreements, according to which the Company entrusted SE Corporation to negotiate with Vietnam Quang Ninh Thermal Power Joint-Stock Company ("Vietnam Quang Ninh") and respective suppliers as well as constructors regarding the construction of Phase I and Phase II of coal-fired power plant (the "Project"). SE Corporation acted as an entrusted party to sign the contracts on behalf of the Company. SE Corporation would not charge any fee in relation to the entrusted agreements apart from a reimbursement of reasonable costs actually incurred.

Sales regarding the Project of RMB721,566,000 was recognised during the Period. In addition, purchases of RMB27,560,000 and agent fee of RMB22,845,000 were incurred through SE Corporation during the Period.

(c) Guarantees provided to/by related parties of the Group

As at 30 June 2009, the Group has provided corporate guarantees in connection with facilities totalling RMB140,264,000 (31 December 2008: RMB191,764,000) to related parties, of which RMB93,504,000 (31 December 2008: RMB106,139,000) had been utilised. And Finance Company had issued non-financial guarantee letters on behalf of related parties totalling RMB6,571,000 (31 December 2008: RMB8,658,000) (note 15).

18. RELATED PARTY TRANSACTIONS (continued)

(c) Guarantees provided to/by related parties of the Group (continued)

The Group's related companies have provided corporate guarantees, in connection with bank borrowings and guarantee letters, to the Group as follows:

	30 June 2009 (Unaudited) RMB'000	31 December 2008 (Audited) RMB'000
Guarantees provided to the Group by:		
The ultimate holding company	240	240
Other related companies	-	2,100
	240	2,340

As at 30 June 2009, SE Corporation has provided an unconditional and irrevocable joint liability guarantee in respect of the five-year floating rate bonds with a nominal value of RMB1 billion issued by Finance Company.

(d) Interest on deposit and loan services provided to related parties by Finance Company

	For the six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000 (Restated)
Interest expenses on customer deposits:		
The ultimate holding company	1,361	5,117
Jointly-controlled entities	158	193
Associates	44	508
SEC group companies	1,314	360
Other related companies	12	690
	2,889	6,868

18. RELATED PARTY TRANSACTIONS (continued)

(d) Interest on deposit and loan services provided to related parties by Finance Company (continued)

	For the six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000 (Restated)
Interest income on loans and bills discounting:		
The ultimate holding company	7,314	607
Jointly-controlled entities	3,503	5,990
Associates	1,276	3,096
SEC group companies	14,942	2,847
Other related companies	1,291	1,305
	28,326	13,845

Interest on customer deposits, loans and bills discounting were based on mutually agreed terms with reference to the market rates.

(e) Compensation of the key management personnel of the Group

	For the six months ended 30 June	
	2009 (Unaudited) RMB'000	2008 (Unaudited) RMB'000
Fees	375	325
Salaries and other allowances	695	499
Employee benefits	57	49
Post-employment benefits	61	53
	1,188	926

18. RELATED PARTY TRANSACTIONS (continued)

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

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

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

20. COMPARATIVE AMOUNTS

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

21. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 14 August 2009.