上海电气
SHANGHAI ELECTRIC

2010
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, Charles, J.P. 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

Website: http: //www.shanghai-electric.com
Email address: ir@shanghai-electric.com
Telephone: +86 (21) 52082266
Fax: +86 (21) 52082103

Performance Highlights

- Revenue for the first half of 2010 reached RMB30,339 million, representing an increase of 9.1% over the corresponding period last year

- Profit attributable to equity holders of the parent for the first half of 2010 was RMB1,401 million, representing an increase of 1.7% over the corresponding period last year

- Basic earnings per share were RMB11.15 cents, representing an increase of 1.2% over the corresponding period last year

Chairman's Statement

Dear shareholders,

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

In the field of new energy:

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

In the field of highly efficient and clean energy:

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

In the field of industrial equipment:

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

In the field of modern services:

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

Outlook

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

"Innovation, Environmental Protection and Win-Win Situation" are our persistent pursuits. Through adhering to the principle of "bearing our shareholders' interests in mind and building on our foundation in technology innovation and equipment production", we will endeavor to create value for our Shareholders, returns for our partners and benefits for our staff. We will also strive to provide more efficient, greener and more economical energy and living environment for our nation and the world.

The 2010 World Expo with the theme of "Better City, Better Life" is being held in Shanghai. Shanghai Electric is committed to building a better city and better life and promoting the city image and development with our persistent efforts.

Creating a green future—Shanghai Electric.

Xu Jianguo
Chairman of the board
Shanghai, PRC
20 August 2010

Major Financial Data and Indicators

Major accounting data and financial indicators (in accordance with the HK Reporting Standards)

Unit:'000 Currency: RMB

	As at the end of current reporting period	As at the end of the last year	Increase/decrease as at the end of the current reporting period as compared to the end of the last year (%)
Total assets	95,162,450	89,626,082	6.18
Owner's equity (or shareholders' equity)	32,578,725	29,063,619	12.09
Equity attributable to equity holders of the parent	25,969,224	22,474,844	15.55
Net assets per share attributable to shareholders of the listed company (RMB/share)	2.03	1.80	12.78

	The reporting period (January to June)	The corresponding period of the last year	Increase/decrease for the current reporting period as compared to the corresponding period of the last year (%)
Operating profit	1,959,854	1,909,218	2.65
Total profit	2,288,085	2,201,524	3.93
Net profit attributable to shareholders of the listed company	1,400,744	1,377,919	1.66
Basic earnings per share (RMB)	0.1115	0.1102	1.18
Weighted average net assets return rate (%)	5.96%	6.35%	decrease 0.39 percentage points
Net cash flow generated from operating activities	578,141	2,981,955	-80.61
Net cash flow per share generated from operating activities (RMB)	0.05	0.24	-79.17

Differences between domestic and overseas accounting principles

Differences between net profit and net assets disclosed in the financial report in accordance with the overseas accounting principles and the PRC GAAP

Unit:'000 Currency: RMB

	Net profit		Net assets	
	Current period	Previous period	At the end of the period	At the beginning of the period
In accordance with the PRC GAAP	1,419,713	1,409,590	25,969,224	22,474,844
Adjustments to items and amounts according to the overseas accounting principles:				
Staff bonus and welfare fund	-18,969	-31,671		
In accordance with the overseas accounting principles	1,400,744	1,377,919	25,969,224	22,474,844

Management Discussion and Analysis

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

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

Regarding the highly efficient and clean energy division, the Company continued its effort in upgrading the products and enhancing the competitiveness of the core products. During the reporting period, the Company was committed to developing the highly efficient and clean thermal power equipment products, among which the ultra super-critical was the most outstanding product. The Company fully commenced its research and development of the 1,200 MW thermal power technology. The manufacturing of equipment for the first IGCC project in China has commenced. Meanwhile, the Company has made significant progress in developing the technology of the 1.7 metres last stage long blade for our steam turbines. It also completed the projects such as the low pressure pneumatic design and strong structure design for the third generation AP1000 Taohuajiang Project. Benefited from the construction of the national power grid, the power transmission and distribution equipment business of the Company achieved satisfactory development during the reporting period with revenue generated increased by 16.6% when compared with that of the same period last year. In the first half of 2010, the sales revenue generated from the highly efficient and clean energy division amounted to RMB12,664 million, which represents a year-on-year growth of 2.1%. The gross profit margin was 18.3%, representing a year-on-year increase of 3.6 percentage points, which was primarily due to higher proportion of sales of higher gross margin products in the first half of the year from that in the same period last year, as well as the effect of the cost control measures adopted by the Company. The operating profit amounted to 916 million. It increased 2.1% when compared with the same period last year, which was primarily due to improvement in the gross profit margin.

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

Regarding the modern services division, the Company's service business has been working based upon the solid foundation provided by our equipment manufacturing business while on the other hand the development of the service business further enhanced the development of the Company's equipment manufacturing business. Supported by new technology and new equipment, the Company's service business currently demonstrated solid growth. At the end of the reporting period, the value of the Company's orders in hand for the power station engineering projects exceeded RMB66,000 million, of which RMB59.5 billion are from overseas. The Company has over 2,000 staff working on overseas projects. The Company is continuously expanding the business to markets of more developed foreign countries. In the area of financial services, the finance company of the Group continues to play its role as a functional and professional platform, providing comprehensive financial support for the business development of the Group. In the first half of 2010, the sales revenue generated from the modern service division amounted to RMB5,443 million, which represents a year-on-year decrease of 4.8%. The gross profit margin was 7.6%, representing a year-on-year increase of 2.3 percentage points, which was primarily due to the increased proportion of higher margin projects in the Group's sales mix during the period. The operating profit amounted to RMB292 million, representing a year-on-year growth of 15.7%, which was primarily due to the increase in gross profit margin.

Principal activities and operation review of the Company

1. Review of the principal activities by industries and products

(in RMB million)

January to June 2010	Sales Revenue	Costs of Sales	Gross Profit Margin	Year-on-year Change of Sales Revenue	Year-on-year Change of Costs of Sales	Year-on-year Change of Gross Profit Margin
New energy	3,498	2,999	14.3%	8.0%	7.7%	0.3 percentage points
Highly efficient and clean energy	12,664	10,344	18.3%	2.1%	-2.2%	3.6 percentage points
Industrial equipment	9,202	7,435	19.2%	21.7%	21.6%	0.0 percentage points
Modern service	5,443	5,029	7.6%	-4.8%	-7.2%	2.3 percentage points
Other businesses	1,386	1,245	10.2%	-18.6%	-21.3%	3.0 percentage points
Elimination	-1,854	-1,842				
Total	30,339	25,210	16.9%	9.1%	6.8%	1.8 percentage points

2. Review of the principal activities by geographical areas

(in RMB million)

Geographical Areas	Sales Revenue	Year-on-year Change of Sales Revenue
Domestic	24,900	7.9%
Overseas	5,439	15.1%
Total	30,339	9.1%

3. Challenges and difficulties in operation

3.1 Risks from periodic macro-economic fluctuation and investment fluctuation in the power industry on the equipment manufacturing industry

Solution: On one hand, by upgrading product structure and strengthening internal corporate management, the Company will focus on the development of large equipment for new energy, highly efficient and clean energy, facilitating the Company to capture the high end market on time, maintain its growth momentum in sales and further expand the room for profit margin growth. On the other hand, the Company will explore new international market and continue to expand its service business, maintain stable growth in India and the southeastern Asian countries such as Vietnam and Indonesia, African and Middle East markets and actively opening up other new markets, so as to mitigate the adverse influence brought by the periodic macro-economic fluctuation and investment fluctuation in the power industry on the Company.

3.2 Risks from rising costs of production on the Company's profitability

Solution: The Company will establish its business in the area of low-carbon economy and grow into a leading corporation in the equipment industry in China. It will strengthen its edge in the industry and reinforce its leading position in the areas of thermal power equipment, nuclear power equipment, large-scale forging and casting pieces, elevator, electric motor and grinding machine. By continuously enhancing its capability and eliminating factors of changes, the Company will reverse the transmission of pressure for easing monetary condition and change the development direction. It will keep on enhancing its overall competitiveness as much as possible to mitigate the influence of the rising costs of production on the Company.

3.3 Risks from exchange rate fluctuation on the overseas operation of the Company

Solution: In this regard, the Company has already taken various measures to reduce exchange rate risks, such as limiting exchange rate risks by forward rate contracts; appropriately raising the proportion of payment in foreign currencies in purchases under the principle of cost efficiency to reduce the foreign currency exposure; and promoting the cross border Renminbi settlement for overseas businesses. The Company completed its first cross border Renminbi settlement transaction in July 2009.

3.4 Risks relating to purchases of key raw materials and components

Solution: The Company is now actively engaged in the development of wind power, nuclear power and thermal power generation units of high capacity and parameters which are related to the new energy and the highly efficient and clean energy. However, there is a serious shortage of the relevant key raw materials and components in both domestic and overseas markets, making the purchases difficult and increasing the costs. While the Company is stepping up its effort in the research and development of certain key components, aiming to produce them on its own, it is also seeking to build strategic cooperation relationships with major suppliers, in order to secure the strategic resources.

Major items on financial statements and Analysis of Changes

1. Income Statement

(in RMB million)

	January to June 2010	January to June 2009	Year-on-year Change
Sales revenue	30,339	27,798	9.1%
Selling and distribution costs	769	602	27.7%
Management expenses	1,733	1,526	13.6%
Other expenses	929	446	108.3%
Share of profits and losses of jointly controlled entities and associates	370	308	20.1%
Profit before tax	2,288	2,202	3.9%
Net profit	1,970	1,935	1.8%
Net profit attributable to equity holders of the parent	1,401	1,378	1.7%

1.1 Selling costs rose by 27.7% compared with that of the same period last year, which was in line with the increase of sales revenue, in particular the increase in large scale projects which led to an increase in market expansion expenses.

1.2 Other expenses increased by 108.3% compared with that of the same period last year, primarily due to the consistent stepping up of the Company's effort in the research and development of key products and components in the first half of year, as well as the bad debt provision made for the trade receivables in accordance with related accounting policy as a result of the expansion of sales scale and the tightening of the monetary policy of China.

2. Balance Sheet

(in RMB million)

	End of Period	Proportion in Total Assets	Beginning of Period	Proportion in Total Assets
Assets				
Cash and cash equivalents	19,158	20.1%	14,810	16.5%
Trade receivables	16,478	17.3%	13,614	15.2%
Prepayments, deposits and other receivables	10,460	11.0%	10,039	11.2%
Inventories and construction contracts	19,305	20.3%	20,193	22.5%
Liabilities				
Short-term interest-bearing bank and other borrowings	336	0.4%	901	1.0%
Trade payables	15,506	16.3%	12,818	14.3%
Other payables and accruals	38,366	40.3%	39,038	43.6%
Debentures	1,000	1.1%	1,000	1.1%
Long-term interest-bearing bank and other borrowings	1,317	1.4%	1,342	1.5%
Total liabilities	62,583	65.8%	60,562	67.6%
Total equity of owners	32,579	34.2%	29,064	32.4%
Total assets	95,162	100.0%	89,626	100.0%

2.1 Increase in cash and cash equivalents: primarily due to the completion of non-public issue of shares of the Company in the first half of year, which raised proceeds of RMB2,200 million. In addition, the Company disposed part of its financial investments during the first half of 2010.

2.2 Increase in trade receivables was on one hand due to increase of deposit for quality assurance resulting from the expansion of sales scale and on the other hand due to the extension of collection of debts resulting from the tightened monetary policy of China.

2.3 Increase in trade payables was primarily due to the increase of purchases resulted from the expansion of production scale of the Company.

2.4 The year-on-year increase in equity of owners was primarily due to the completion of non-public issue of shares of the Company in the first half of the year and the increase in undistributed profits.

3. Items in the statement of cash flows

Unit: million Currency: RMB

Items	January to June 2010	January to June 2009	year-on-year change
Cash and cash equivalents at beginning of year	12,605	10,452	2,153
Net cash flow from operating activities	578	2,982	-2,404
Net cash flow from investing activities	1,052	355	697
Net cash flow from financing activities	2,483	-1,200	3,683
Net increase in cash and cash equivalents	4,113	2,137	1,976
Effect of foreign exchange rate changes	-44	3	-47
Cash and cash equivalents at end of year	16,674	12,592	4,082

3.1 Net cash flow from operating activities decreased by RMB2,404 million compared with that of the same period last year, primarily due to the slowdown of collection of debts resulted from the tightened monetary policy of China. In addition, the related tax paid in the first half of the year increased compared with that of the same period of last year.

3.2 Net cash flow from investment activities increased by RMB697 million compared with that of the same period last year, primarily due to the increase of proceeds from disposal of certain financial investments in the first half of the year.

3.3 Net cash flow from financing activities increased by RMB3,683 million compared with that of the same period last year, primarily due to the completion of non-public issue of shares of the Company in the first half of the year, which raised proceeds of RMB2,200 million.

4. Source of Funding and Indebtedness

As at 30 June 2010, the Group had aggregate bank and other borrowings and bonds of RMB2,756 million (31 December 2009: RMB3,244 million), a decrease of RMB488 million from the beginning of the year. Borrowings repayable within one year amounted to RMB363 million, representing a decrease of RMB538 million compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB2,393 million, which represented an increase of RMB51 million compared with that of the beginning of the year.

As of 30 June 2010, the bank and other borrowings of the Group, excluding unsecured bank borrowings were USD0 (31 December 2009: USD833,000), HKD52,000,000 (31 December 2009: HKD52,000,000), EURO0 (31 December 2009: EURO1,839,000), JPY80,000,000 (31 December 2009: JPY6,288,000,000) and ZAR0 in aggregate (31 December 2009: ZAR59,000), all other borrowings were in Renminbi.

5. Pledged Assets

As at 30 June 2010, the Group's bank deposits of RMB732 million in aggregate (31 December 2009: RMB867 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 2010, the net carrying value of its pledged assets amounted to RMB88 million (31 December 2009: RMB15 million). Except for the abovementioned assets, the Group had not pledged any other assets in the first half of 2010.

6. Gearing Ratio

As at 30 June 2010, 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 7.54%, representing a decrease of 2.46 percentage points when compared with that of the beginning of this year.

7. Contingent Liabilities

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

8. Capital Commitments

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

9. Capital Expenditure

Total capital expenditure of the Group for the period was approximately RMB929 million (1H09: RMB946 million), principally applied to the upgrading of production technologies and production equipment.

Other Information

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital
A shares		
- Subject to lock-up restrictions	7,725,028,753	60.24%
- Not subject to lock-up restrictions	2,125,685,907	16.58%
H shares	2,972,912,000	23.18%
Total	12,823,626,660	100.00%

Disclosure of Interests

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

As at 30 June 2010, 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 give 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	A/H 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	75.21	57.78
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporation	1	7,898,980,620	Long position	80.19	61.60
Shenzhen Fengchi Investment Co., Ltd.	A	Beneficial owner	2	907,778,942	Long position	9.22	7.08
Shanghai Depeng Investment Co., Ltd	A	Interest of controlled corporation	2	907,778,942	Long position	9.22	7.08
Guangdong Zhujiang Investment Holding Group Co., Ltd	A	Interest of controlled corporation	2	907,778,942	Long position	9.22	7.08
Guangdong Hanjiang Asset Management Co., Ltd.	A	Interest of controlled corporation	2	907,778,942	Long position	9.22	7.08
Guangdong Hanjiang Building and Installation Co., Ltd	A	Interest of controlled corporation	2	907,778,942	Long position	9.22	7.08
Zhu Qingyi	A	Interest of controlled corporation	2	907,778,942	Long position	9.22	7.08
Shenergy Group Company Limited	A	Beneficial owner	1	489,892,122	Long position	4.97	3.82
Templeton Investment Counsel, LLC	H	Investment manager		327,133,810	Long position	11.00	2.55

Name of Substantial Shareholder	A/H 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		5,773,514	Long position	0.19	0.05
		Investment manager	3	201,405,800	Long position	6.77	1.57
		Person having a security interest in shares		28,358,000	Long position	0.95	0.22
		Total long position		**235,537,314**		**7.91**	**1.84**
		Beneficial owner		1,635,291	Short position	0.06	0.01
		Person having a security interest in shares		1,058,000	Short position	0.04	0.01
		Total short position		**2,693,291**		**0.10**	**0.02**
Mirae Asset Global Investments (Hong Kong) Limited	H	Investment manager		208,866,000	Long position	7.03	1.63
Templeton Global Advisors Limited	H	Investment manager		149,112,919	Long position	5.02	1.16
Siemens International Holding B.V.	H	Beneficial owner	4	148,646,000	Long position	5.00	1.16
Siemens Beteiligungsverwaltung GmbH & Co. OHG	H	Interest of controlled corporation	4	148,646,000	Long position	5.00	1.16
Siemens Beteiligungen Management GmbH	H	Interest of controlled corporation	4	148,646,000	Long position	5.00	1.16
Siemens Aktiengesellschaft	H	Interest of controlled corporation	4	148,646,000	Long position	5.00	1.16

Notes

(1) Shanghai Electric (Group) Corporation and Shenergy Group Company Limited 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 907,778,942 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 201,405,800 shares of the Compny 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	443,000
Deutsche Asset Management Investmentgesellschaft mbH	100	711,000
DWS Investment GmbH	100	194,600,000
DWS Investment S.A., Luxembourg	100	4,280,000
Tilney Investment Management	100	92,000
Deutsche Asset Management (Korea) Company Limited	100	1,279,800

Among the entire interest of Deutsche Bank Aktiengesellschaft in the Company, a long position in 1,512,000 shares and a short position in 3,200 shares were held through cash settled unlisted derivative interests.

(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 2010, had an interest or short positions in the shares and underlying shares of the Company.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2010, 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 2010, 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 provisions as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited(the "Listing Rules") as its model code for securities transactions by directors of the Company(the "Director"). Further to the Company's enquiry, all Directors confirmed that they had complied with the Model Code and the relevant provisions as set out in Appendix 10 of the Listing Rules during the period from 1 January 2010 to 30 June 2010.

Corporate Governance

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

Pursuant to code provision A.2.1 of the Code, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2010, the duties of the Chairman of the Board and the Chief Executive Officer have been carried out by Mr. Xu Jianguo. However, Mr. Huang Dinan, an Executive Director and the President, is fully responsible for the day-to-day operations of the Company and execution of instructions from the Board of Directors. The Company is of the opinion that segregation of duties and responsibilities between the Board of Directors and the senior management has been well maintained and there exists no problem of over-centralization of management power.

Audit Committee

Our audit committee, comprising Dr. Cheung Wai Bun, Mr. Zhu Sendi, Mr. Lei Huai Chin and Ms. Yao Minfang, has reviewed the accounting policies adopted by the Group, and credit limits of its connected transactions, with the management and the Company's external auditors, and discussed on matters concerning internal control and financial reporting of the Group, including review and approval of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010.

Remuneration Committee

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

Purchase, Sale or Redemption of the Company's Securities

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities. (the term "securities" has the meaning ascribed to it under the Listing Rules)

Interim Dividend

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

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

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 as well as the organization of reverse road shows 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 actively attend investor conferences and carry out overseas road shows at regular intervals. The Company will continue to put great efforts on investor relations and further enhance transparency of the Group.

Employees

On 30 June 2010, the Group had approximately 25,600 employees (30 June 2009: approximately 27,200). The Group has short term and long term incentive programs to encourage employee performance and a series of training programs for the development of its staff.

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, Mr. Zhou Changsheng and Ms. Sun Wenzhu.

By order of the Board
Xu Jianguo
Chairman of the board
Shanghai, PRC
20 August 2010

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	12,204,464	12,279,471
Investment properties		137,573	141,539
Prepaid land lease payments	8	1,422,959	1,516,286
Goodwill		77,068	77,068
Other intangible assets		647,777	670,126
Investments in jointly-controlled entities		513,507	635,137
Investments in associates		2,255,330	2,204,848
Loans receivable		601,635	521,690
Other investments		374,713	490,843
Other non-current assets		396,473	72,720
Deferred tax assets		900,872	908,286
Total non-current assets		19,532,371	19,518,014
CURRENT ASSETS			
Inventories		18,732,414	19,532,300
Construction contracts		572,140	660,698
Trade receivables	9	16,478,460	13,613,954
Loans receivable		363,409	1,160,715
Discounted bills receivable		82,961	42,263
Bills receivable		2,209,035	2,041,120
Prepayments, deposits and other receivables		10,460,285	10,039,377
Investments		4,457,686	5,452,907
Derivative financial instruments		87,463	84,910
Due from the Central Bank		2,176,643	1,803,003
Restricted deposits	10	851,203	866,588
Cash and cash equivalents	10	19,158,380	14,810,233
Total current assets		75,630,079	70,108,068
CURRENT LIABILITIES			
Trade payables	11	15,506,016	12,818,416
Bills payable		1,174,140	1,580,267
Other payables and accruals		38,366,215	39,037,752
Derivative financial instruments		34,752	9,443
Customer deposits		1,555,105	766,704

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 JUNE 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 200t9 (Audited) RMB'000
Interest-bearing bank and other borrowings		335,940	901,407
Tax payable		820,637	980,617
Provisions		1,434,335	1,230,118
Total current liabilities		59,227,140	57,324,724
NET CURRENT ASSETS		16,402,939	12,783,344
TOTAL ASSETS LESS CURRENT LIABILITIES		35,935,310	32,301,358
NON-CURRENT LIABILITIES			
Bonds		1,000,000	1,000,000
Interest-bearing bank and other borrowings		1,317,218	1,342,404
Provisions		143,017	165,281
Government grants		359,340	119,263
Other non-current liabilities		200,653	147,354
Deferred tax liabilities		336,357	463,437
Total non-current liabilities		3,356,585	3,237,739
Net assets		32,578,725	29,063,619
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	12	12,823,627	12,507,686
Reserves		12,390,285	9,967,158
Proposed interim dividend		755,312	-
		25,969,224	22,474,844
Non-controlling interests		6,609,501	6,588,775
Total equity		32,578,725	29,063,619

Director

Director

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	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	Proposed interim dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	12,507,686	2,905,378	(2,352,526)	2,429,293	195,766	(25,841)	6,815,088	-	22,474,844	6,588,775	29,063,619
Profit for the period	-	-	-	-	-	-	1,400,744	-	1,400,744	569,118	1,969,862
Other comprehensive income	-	-	-	-	(101,429)	15,853	-	-	(85,576)	(43,558)	(129,134)
Total comprehensive income	-	-	-	-	(101,429)	15,853	1,400,744	-	1,315,168	525,560	1,840,728
Issue of A shares	315,941	1,860,906	-	-	-	-	-	-	2,176,847	-	2,176,847
Appropriation to surplus reserves	-	-	-	38,087	-	-	(38,087)	-	-	-	-
Proposed interim 2010 dividend	-	-	-	-	-	-	(755,312)	755,312	-	-	-
Absorption merger of a subsidiary	-	4,928	-	(4,928)	-	-	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(507,469)	(507,469)
Others	-	2,365	-	-	-	-	-	-	2,365	2,635	5,000
As at 30 June 2010 (Unaudited)	12,823,627	4,773,577*	(2,352,526)*	2,462,452*	94,337*	(9,988)*	7,422,433*	755,312	25,969,224	6,609,501	32,578,725

* These reserve accounts comprise the consolidated reserves of RMB12,390,285,000 (31 December 2009: RMB9,967,158,000) 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 2010

	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
Acquisition of SIMBT	-	161,495	-	-	-	-	(20,817)	-	140,678	-	140,678
Effect of adopting AG 5	-	(96,556)	-	-	-	(32,697)	(147,817)	-	(277,070)	(44,658)	(321,728)
As restated	12,507,686	3,407,611	(2,819,703)	2,237,928	92,668	(17,954)	4,590,712	1,463,399	21,462,347	6,513,684	27,976,031
Profit for the period	-	-	-	-	-	-	1,377,919	-	1,377,919	556,953	1,934,872
Other comprehensive income	-	-	-	-	37,944	(18,916)	-	-	19,028	6,136	25,164
Total comprehensive income	-	-	-	-	37,944	(18,916)	1,377,919	-	1,396,947	563,089	1,960,036
Appropriation to surplus reserves	-	-	-	64,287	-	-	(64,287)	-	-	-	-
Absorption merger of a subsidiary	-	-	-	(248,750)	-	-	248,750	-	-	-	-
Acquisition of SIMBT	-	(156,368)	-	-	-	-	-	-	(156,368)	-	(156,368)
Final 2007 and 2008 dividends declared	-	-	-	-	-	-	-	(1,463,399)	(1,463,399)	-	(1,463,399)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(622,534)	(622,534)
Others	-	5,183	-	-	-	-	21,606	-	26,789	-	26,789
As at 30 June 2009 (Unaudited)	12,507,686	3,256,426	(2,819,703)	2,053,465	130,612	(36,870)	6,174,700	-	21,266,316	6,454,239	27,720,555

UNAUDITED INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	578,141	2,981,955
NET CASH INFLOW FROM INVESTING ACTIVITIES	1,052,587	354,986
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	2,482,858	(1,199,822)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,113,586	2,137,119
Cash and cash equivalents at beginning of period	12,604,880	10,451,673
Effect of foreign exchange rate changes, net	(44,134)	3,496
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16,674,332	12,592,288
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents in the unaudited interim condensed consolidated statement of financial position	19,158,380	15,542,678
Less: Non-restricted time deposits with original maturity of over three months when acquired	(2,484,048)	(2,950,390)
	16,674,332	12,592,288

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements:

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

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

Impacts of adopting new and amended HKFRSs are as follows:

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of those amendments are expected to have a significant financial impact on the Group.

2. SEGMENT INFORMATION

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

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

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

Detailed descriptions of business segments are as follow:

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

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

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

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

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

2. SEGMENT INFORMATION (Continued)

Business segments

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2010 (the "Period"):

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

2. SEGMENT INFORMATION (Continued)

Business segments (Continued)

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

Six months ended 30 June 2009 (Unaudited/Restated)	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipments RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	2,712,864	10,777,862	7,312,848	5,513,659	1,481,092	-	27,798,325
Intersegment sales	525,129	1,630,793	250,717	205,904	222,755	(2,835,298)	-
Total	3,237,993	12,408,655	7,563,565	5,719,563	1,703,847	(2,835,298)	27,798,325
Operating profit/(loss)	225,675	897,348	659,231	252,738	(41,355)	(84,419)	1,909,218
Finance costs							(16,334)
Share of profits and losses of jointly-controlled entities	-	-	1,726	20,554	-	-	22,280
Share of profits and losses of associates	-	173,581	128,619	272	(16,112)	-	286,360
Profit before tax							2,201,524
Tax							(266,652)
Profit for the period							1,934,872

2. SEGMENT INFORMATION (Continued)

Geographical segments

The following table presents revenue information on the Group's geographical segments for the six months ended 30 June 2010 and 30 June 2009:

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

3. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Revenue		
Turnover		
Sales of goods	24,232,529	21,115,921
Construction contracts	4,449,021	5,344,052
Rendering of services	1,081,131	823,319
	29,762,681	27,283,292

3. REVENUE, OTHER INCOME AND GAINS (Continued)

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

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

3. REVENUE, OTHER INCOME AND GAINS (Continued)

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

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

4. PROFIT BEFORE TAX

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

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

4. PROFIT BEFORE TAX (Continued)

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

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Impairment on items of property, plant and equipment*	21,401	-
Impairment on other investments*	1,854	8,627
Product warranty provisions:		
Additional provisions	60,892	78,153
Reversal of unutilised provisions	(11,073)	(15,664)
Onerous contract provisions:		
Additional provisions	196,106	46,315
Late delivery provisions:		
Additional provisions	-	70,000

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

5. TAX

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% for the six months ended 30 June 2010 (for the six months ended 30 June 2009: 25%) under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 22% as they were subject to the transitional income tax rate in the current year under the Corporate Income Tax Law;
- certain subsidiaries are subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law for the successive three years from 2008; and
- certain subsidiaries are subject to a corporate income tax rate of 12.5% as it was granted a transitional 50% reduction tax holiday in the current period under the Corporate Income Tax Law.

5. TAX (Continued)

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

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

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Group:		
Current – Mainland China		
Charge for the period	487,629	408,713
Overprovision in prior years	(97,066)	(60,084)
Current – Elsewhere		
Charge for the period	7,609	(351)
Deferred	(79,949)	(81,626)
Total tax charge for the period	318,223	266,652

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

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

6. DIVIDEND

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

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,400,744,000 (six months ended 30 June 2009: RMB1,377,919,000) and the weighted average number of 12,560,343,114 ordinary shares in issue during the Period (six months ended 30 June 2009: 12,507,686,405 ordinary shares).

No diluted earnings per share amounts have been presented for the six months ended 30 June 2010 and 30 June 2009 as no diluting events occurred during these periods.

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

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of RMB895,646,000; the Group disposed of property, plant and equipment with a net book value of RMB461,189,000.

As at 30 June 2010, the Group had not obtained real estate certificates for buildings with a total gross area of approximately 119 (31 December 2009: 121) thousand square meters and a net book value of RMB280,006,000 (31 December 2009: RMB288,326,000), and for 1 (31 December 2009: 1) parcel of land with a total gross area of approximately 34 (31 December 2009: 124) thousand square meters and a net book value of RMB11,610,000 (31 December 2009: RMB32,847,000).

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 71 thousand square meters and a net book value of approximately RMB252,095,000 as at 30 June 2010, and for 1 parcel of land with a gross area of approximately 34 thousand square meters as at 30 June 2010.

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:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Undue	10,637,749	8,441,455
Within 3 months	2,803,421	2,281,832
Over 3 months but within 6 months	1,297,430	1,444,940
Over 6 months but within 1 year	1,222,280	1,046,196
Over 1 year but within 2 years	463,544	318,396
Over 2 years but within 3 years	52,825	59,430
Over 3 years	1,211	21,705
	16,478,460	13,613,954

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

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

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 2010 (Unaudited)		31 December 2009 (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")	128,420	872,090	120,180	820,610
Euro ("EUR")	18,542	153,358	33,484	328,062
Japanese Yen ("JPY")	1,277,896	97,997	2,185,543	163,369
Hong Kong Dollars ("HKD")	25,518	22,262	28,138	24,775
South African Rand ("ZAR")	-	-	249	227
Ethiopian Birr ("ETB")	-	-	8,086	4,325
Indian Rupee ("INR")	-	-	21,660	3,017
Indonesian Rupiah ("IDR")	-	-	10,264,985	7,456
Great Britain Pounds ("GBP")	-	3	-	-
Time deposits:				
USD	1,939	13,170	1,931	13,183
JPY	20,193	1,548	20,193	1,482
HKD	2,036	1,776	2,035	1,792

11. TRADE PAYABLES

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

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

12. SHARE CAPITAL

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Registered, issued and fully paid:		
A shares of RMB1.00 each, restricted		
- state-owned shares	7,409,088	7,409,088
- state-owned corporate shares	264,732	-
- other domestic shares	51,209	-
A shares of RMB1.00 each, unrestricted	2,125,686	2,125,686
H shares of RMB1.00 each	2,972,912	2,972,912
Total	12,823,627	12,507,686

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.

On 13 May 2010, the Company issued through the private offering 315,940,255 ordinary A shares of RMB1.00 each, which will become tradable on the Shanghai Stock Exchange after the statutory and committed lock-up restriction period. The share capital of the Company increased to 12,823,626,660 shares after the completion of the private offering.

12. SHARE CAPITAL (Continued)

As at 30 June 2010, out of 907,778,942 unrestricted A shares of the Company held by Shenzhen Fengchi Investment Co., Ltd., 903,140,000 shares are pledged to China Credit Trust Co., Ltd., Beijing International Trust Co., Ltd., Guangdong Finance Trust Co., Ltd. and Huaneng Guicheng Trust Co., Ltd.. The pledged shares account for 7.04% of the Company's total share capital.

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. DISPOSAL OF A SUBSIDIARY

In June 2010, the Group transferred its 100% equity interest in CHISA Welding Consumables (Proprietary) Ltd. to Shanghai Jingmeng Welding Consumables Co., Ltd. for a cash consideration of RMB6,757,000. As at 30 June 2010, the equity transfer was completed.

The carrying amounts of the assets and liabilities of the above company as at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	959
Inventories	1,806
Trade receivables	2,636
Cash and bank balances	503
Trade payables	(602)
Other payables and accrued expenses	(45)
	5,257
Effect of change in:	
Exchange fluctuation reserve	14,091
Loss on disposal of a subsidiary	(12,591)
	6,757
Satisfied by:	
Cash	6,757

15. CONTINGENT LIABILITIES

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Guarantees given to banks in connection with facilities granted to:		
- associates	154,630	153,128
In which, guarantees given to banks in connection with facilities utilised by:		
- associates	91,712	91,354
Non-financial guarantee letters issued on behalf of:		
- associates	2,772	3,931
- SEC group companies*	1,345	1,345
	4,117	5,276

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

(b) As of 30 June 2010, performance guarantees issued by financial institutions for contracts awarded to the Group amounted to RMB21,798,555,000 (31 December 2009: RMB19,186,085,000).

(c) The Company was engaged in a power plant construction project in Indonesia with an aggregate contract amount of USD108,000,000, and the performance guarantee for the project amounted to USD13,500,000. In 2009, the owner unilaterally terminated the contract. The Company has appealed for arbitration in Singapore. Up to the date of approval of the financial statements, the arbitration is still in progress.

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 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	42,896	51,386
In the second to fifth years, inclusive	152,450	133,895
After five years	116,549	97,337
	311,895	282,618

(b) As lessee

The Group leases certain 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 are for terms ranging from 1 to 20 years and those for motor vehicles are for a period of one year.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	25,107	57,880
In the second to fifth years, inclusive	85,973	99,134
After five years	75,193	83,885
	186,273	240,899

17. COMMITMENTS

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Contracted, but not provided for		
In respect of the acquisition of:		
- land and buildings	75,641	91,045
- plant and machinery	866,899	774,782
- intangible assets	52,904	52,904
In respect of capital contribution to:		
- associates	157,149	186,145
- companies to be established/acquired	-	70,000
	1,152,593	1,174,876
Authorised, but not contracted for		
In respect of the acquisition of:		
- land and buildings	288,053	285,685
- plant and machinery	539,428	726,898
	827,481	1,012,583
	1,980,074	2,187,459

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 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Purchase of materials from:	(i)		
Jointly-controlled entities		10,494	12,312
Associates		634,027	320,761
SEC group companies		493,631	492,371
Other related companies		329,334	374,900
		1,467,486	1,200,344
Sales of goods to:	(i)		
The ultimate holding company		-	6,896
Jointly-controlled entities		-	14,063
Associates		84,689	109,180
SEC group companies		243,402	188,552
Other related companies		198,706	146,298
		526,797	464,989
Construction contract from:	(i)		
Other related company		188,997	702,776
Purchase of services from:	(i)		
Associates		76	-
SEC group companies		9,376	9,277
Other related companies		29,192	89,852
		38,644	99,129
Provision of services to:	(i)		
The ultimate holding company		1,926	-
Associates		42,544	33,387
SEC group companies		1,015	94
Other related companies		148	1,115
		45,633	34,596

18. RELATED PARTY TRANSACTIONS (Continued)

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

		For the six months ended 30 June	
	Notes	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Rental income from:	(ii)		
Associates		7,170	4,900
Rental fee to:	(ii)		
The ultimate holding company		12,626	12,491
Associate		990	990
SEC group companies		308	2,021
Other related companies		1,150	421
		15,074	15,923

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.

(b) Other transactions with related parties

(i) On 23 October 2009, the SE Corporation, Shanghai Electric International Economic & Trading Co., Ltd. ("SEIET"), a wholly-owned subsidiary of the Company, Shanghai Electric Group Printing & Packing Machinery Co., Ltd. ("SEGPPM"), a subsidiary of the Company, and Akiyama International Corporation ("AIC"), entered into an agreement, pursuant to which, SE Corporation agreed to make capital contribution to AIC with an amount of JPY2.7 billion. Upon completion of the capital injection, the registered capital of AIC is increased from JPY1.05 billion to JPY3.75 billion, whereby 90% equity interest is held by SE Corporation, 5% equity interest by SEGPPM, and 5% equity interest by SEIET. On 31 May 2010, the capital injection was completed.

(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 RMB332,809,000 was recognised during the Period. In addition, purchases of RMB3,389,000 were incurred through SE Corporation during the period.

18. RELATED PARTY TRANSACTIONS (Continued)

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

As at 30 June 2010, the Group has provided corporate guarantees in connection with facilities totalling RMB154,630,000 (31 December 2009: RMB153,128,000) to related parties, of which RMB91,712,000 (31 December 2009: RMB91,354,000) had been utilised. And Finance Company had issued non-financial guarantee letters on behalf of related parties totalling RMB4,117,000 (31 December 2009: RMB3,964,000) (note 15).

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Guarantees provided to the Group by:		
The ultimate holding company	-	473,814

As at 30 June 2010, 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	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Interest expenses on customer deposits:		
The ultimate holding company	1,760	1,361
Jointly-controlled entities	2	158
Associates	89	44
SEC group companies	3,665	1,314
Other related companies	22	12
	5,538	2,889

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	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Interest income on loans and bills discounting:		
The ultimate holding company	11,287	7,314
Jointly-controlled entities	320	3,503
Associates	766	1,276
SEC group companies	20,552	14,942
Other related companies	-	1,291
	32,925	28,326

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	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000 (Restated)
Fees	375	375
Salaries and other allowances	786	695
Employee benefits	79	57
Post-employment benefits	81	61
	1,321	1,188

19. EVENTS AFTER THE REPORTING PERIOD

(1) On 3 February 2010, the Company and SE Corporation entered into an equity transfer agreement to dispose of the Company's 100% equity interest in Shanghai Crane & Conveyor Works Co., Ltd. to SE Corporation at a mutually agreed consideration of RMB300,086,000 in cash. On 2 July 2010, the equity transfer was completed.

(2) On 23 October 2009, Shanghai Magine Machine Tool Co., Ltd. ("SMMT"), a wholly-owned subsidiary of the Group, and SE Corporation entered into various agreements, pursuant to which, SMMT would dispose its 100% equity interest in Shanghai No.3 Machine Tools Plant and 100% equity interest in Shanghai Meter Machine Tools Plant to SE Corporation at cash considerations of RMB94,326,000 and RMB8,030,000, respectively. On 31 July 2010, the equity transfers were completed.

(3) On 20 August 2010, the 38th Session of 2nd Board of Directors Meeting resolved to approve the 2010 interim dividend proposal. Details are contained in note 6.

20. OTHER SIGNIFICANT MATTERS

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

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

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

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

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

21. COMPARATIVE AMOUNTS

Due to the change in accounting policy for business combination under common control in 2009 and the adoption of new and revised HKFRSs, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, prior period adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

22. 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 20 August 2010.