



The cover features a large, stylized green circular graphic on the left side, resembling a brushstroke or a globe. Scattered green leaves are floating in the air. On the right, there are line-art illustrations of industrial structures: three power transmission towers, a wind turbine, a large industrial building with a cooling tower, and a tall chimney stack.

2012

INTERIM REPORT

Shanghai Electric Group
Company Limited

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

www.shanghai-electric.com

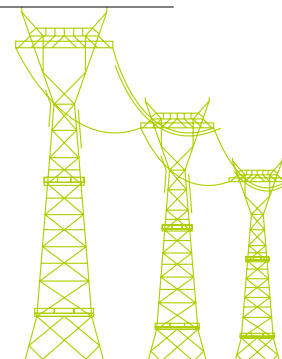


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Corporate Information

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:	Room 3509, 35th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong
Company Secretary:	Leung Ka Lok (FCCA, CPA, MBA)
Authorized Representatives:	Xu Jianguo, Huang Dinan
Alternate Authorized Representatives:	Cheung Wai Bun, Charles, J.P.
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
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 Law Firm (Shanghai)
Legal Advisers as to Hong Kong Law	Clifford Chance
Legal Advisers as to Japanese Law	Anderson Mori & Tomotsune
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Performance Highlights

- ▶ Revenue for the first half of 2012 reached RMB**36,003** million, representing an increase of **7.2%** over the corresponding period last year
- ▶ Profit attributable to owners of the parent for the first half of 2012 was RMB**1,927** million, representing an increase of **17.7%** over the corresponding period last year
- ▶ Basic earnings per share were RMB**15.03** cents, representing an increase of **17.7%** over the corresponding period last year



Chairman's Statement

In the first half year of 2012, the world economy was headed for a "double dip" under fierce volatility in economic environment. A strong pressure of economic decline was under brewing due to the shrink in external market demand. During the reporting period, in face of such a complicated economic environment, the Group adhered to its principle of "innovation driven and transformative development" and placed much emphasis on improving its management capability, competitiveness, profitability and sustainability. The Group has progressed with steady pace during the first half year and reached its goals in terms of different key economic indices set out early this year.

Enhancing operational efficiency through better management

With 2012 being a "year of management" of the Company, based on the vision that "good management is a non-replicable competitive edge", we actively carried out financial and information management in the first half year and made progress in the current stage, which further lifted the Group's overall operational efficiency. In respect of financial management, in order to enhance profit management, profitability, budget planning and financial analysis, a "Management Cockpit" was formed in the information system to enable full mastering of the economic and operation conditions by the management of the Group and become a strong support to their financial decision. Besides, capital management was meliorated for the setting up of an "Accelerated Receivables Management System" (ARMS project). This system consummates management measures, focuses on the monitoring of trade receivables and adopts "centralized, networking management" model. As such, the Group was able to enhance its capital utilization rate. In terms of information management, visualization and digitalization controls were carried out in our production base at Lingang, which closely combined information management with technical, quality and cost controls to strengthen the "soft power" of the equipment manufacturing business. Relied on the advices regarding strategic procurement management provided by Roland Berger, a strategy consulting company, we implemented differentiated procurement tactics in the production plants under Shanghai Electric Power Generation Group; and through cooperation with the consultancy firm, iCognitive, we improved supply chain management in the turbine plant and power station.

Strengthening Core Competitiveness by driving technical advancement

During the reporting period, we further advanced our level of technical innovation and reinforced our effort on technology research and development. With our pioneering technology,

the Group upgraded our industrial chain to high-end and by adjusting product structure and enhancing our product capability and market competitiveness. Regarding thermal power equipment, we joined force with various companies namely China Guodian Corporation and China Power Engineering Consulting Group Corporation for the self-development of the "1,000MW two-stage reheat power generation unit". It is anticipated that consumption of thermal coal will reduce fall to 256.28 g/kWh, which is 6g lower than that of the most advanced thermal power generation unit around the world under the same boundary conditions, which is significant to China in respect of energy saving and emission reduction in the future. In respect of nuclear power development, we pushed forward the industrialization of the new nuclear power technology. For example, we promoted our own intelligent property rights with our core technical products like welded rotors and long blades, and became self-reliance of key parts of nuclear power plants. We achieved breakthrough in the development of our third-generation nuclear power technology as our "large forging components for AP1000 Nuclear Island equipment" and "large forging components for high temperature gas-cooled reactor used in nuclear island equipment" which passed the state's technology testing. Besides, domestic manufacturing of primary pump for nuclear power plant was started and series of nuclear power products, e.g. the second generation, the second generation plus and the third generation nuclear power equipments, had been developing with full force. Shanghai Mitsubishi Elevator Co., Limited under the Group launched NexWay, a new energy saving, environment-friendly, middle-to-high speed passenger elevator. Such product was evolved from the technique introduced before by applying world class, state-of-the-art elevator technologies such as the technology to enable micro computer network to control electricity conversion, transformation, frequency variation and speed adjustment, energy recycling technology and permanent magnet synchronous traction technique, which not only uplifted the self-innovation capability of the domestic elevator

manufacturers, but also coped with the domestic market demand of middle-to-high speed elevators. Upon its launching, the new product received high recognition from users and was installed in various landmarks in China, namely the buildings of China Central Television (CCTV) and Tianjin World Financial Center.

Speeding up market expansion by responding to market positively resisting difficult environment

In face of the downturn of both domestic and overseas markets and intensified competition, we reacted cautiously and strengthened our sales and marketing effort so as to gain additional market share. During the reporting period, we secured new orders of gas turbines of RMB 3 billion, summing up an aggregate value of orders on hand of RMB 9 billion. Our first overseas gas turbine engineering (EPC) project – the gas turbine project in Sylhet, Bangladesh had entered into the stage of quality guarantee, demonstrating our ability to contract overseas EPC projects regarding domestic and overseas gas turbine and also paving a solid foundation for further expansion to the overseas gas turbine market. During the reporting period, our wind power business obtained new orders of exceeding RMB 2 billion, and our cooperation with Siemens regarding wind power operation, in particularly, off-shore wind power, will be commenced soon. Moreover, during the reporting period, we strived to take up significant projects from sizeable companies in the elevator operations. The elevators orders intake during the reporting period maintained persistent growth and marked a new record high in the growth rate. Adhering to our goal of gaining market share by offering satisfactory services, our power station service segment secured new orders of RMB 1.1 billion during the reporting period. In pursuit of financial innovation, we made significant progress in various projects by combining industrial capitals with financial capitals in order to foster business development and enhance market competitiveness.

Maintaining sustainable development by innovation-driven approach

Business innovation continued to be our strategy during the reporting period to appropriately plan for further expansion of the Group. Upon cooperation with Shanghai Municipal Electric Power Company in the field of power transmission and distribution, we recorded more than 50% growth in sales revenue from power transmission and distribution for the first half year over the corresponding period last year. During the reporting period, our seawater desalination business won new orders for two domestic and overseas projects, which were the project regarding water feeding system for boiler in Wasit, Iraq (2x2,400 tonnes/day) and

the project regarding MED seawater desalination for the third phase of a power station at Huang Hua City, Hebei (1x25,000 tonnes/ day). Targeting to become a technology pioneer in the air cooling industry, Shanghai Electric-SPX Engineering & Technologies Co., Ltd, a joint venture between USA SPX and the Company, strengthens the Group's competitive edge in terms of core technology for air cooling island and moisture separator reheater (MSR) products through technology introduction and innovation. The SPX joint venture secured new orders of more than RMB 400 million and is currently the only supplier among the three biggest power station equipment manufacturers in China which is capable of providing the overall design and good supply in respect of electric furnaces and air cooling islands. During the reporting period, we established joint ventures with Carrier from the US, Mitsubishi from Japan and Schneider from France respectively to offer comprehensive, quality services to customer in the areas of energy-saving central air conditioning, visualized and intelligent plant management, and restructuring of the existing buildings for energy saving. These new segments, after being consolidated and expanded, will provide strong support to the sustainable development of the Company.

Outlook

Looking ahead, we will remain open-minded and operate in line with the industrial trend so as to enrich our product portfolio, to perfect sales model, to integrate technical resources and change the way of investment. In compliance with the State's policies, we will focus on the growth of our core businesses, maintain competitive edge and strengthen our industrial position in order to upgrade our business to high-end level. In terms of development of new business segment, we will make much effort on business innovation and provide strong support to the emerging industries. We will continue to enhance our ability in merger and acquisition. To maintain the sustainable development of Shanghai Electric, we have to grow through innovation, transform during development and upgrade upon transformation.

The Group and its staff will act in concert to ride out all difficulties for further advancement.

Yours faithfully
Xu Jianguo
Chairman
24 August 2012

Major Financial Data and Indicators

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

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	110,823,133	106,715,059	3.85
Equity attributable to owners of the parent	30,398,533	29,257,192	3.90
Net assets per share attributable to shareholders of the listed company (RMB/share)	2.37	2.28	3.95
	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	2,881,113	2,368,812	21.63
Total profit	3,215,022	2,729,519	17.79
Net profit attributable to shareholders of the listed company	1,927,188	1,637,044	17.72
Basic earnings per share (RMB)	0.1503	0.1277	17.70
Weighted average net assets return rate (%)	6.39	5.92	+0.47percentage point
Net cash flow generated from operating activities	(980,634)	(3,362,299)	N/A
Net cash flow per share generated from operating activities (RMB)	(0.08)	(0.26)	N/A

Management Discussion and Analysis

Review of Operating Results

During the reporting period, turnover of the Group amounted to RMB36,003 million, representing an increase of 7.2% over the corresponding period last year, and its net profit attributable to owners of the parent amounted to RMB1,927 million, up 17.7% over the corresponding period last year.

New Energy Equipment

During the reporting period, the new energy equipment recorded sales revenue of RMB3,229 million, representing growth of 10.2% over the corresponding period last year. Among which, revenue generated from nuclear island equipments was RMB1,477 million, amounting to an increase of 37.8% over the corresponding period last year. Both gross profit margin and operating margin of the new energy equipment had variously dropped, which were mainly due to the drop of market price of wind power products caused by intensified competition in the wind power product industry and the decline in profit as a result.

High Efficiency and Clean Energy Equipment

The high efficiency and clean energy equipment recorded sales revenue of RMB18,806 million during the reporting period, which was 20.4% higher than that of the corresponding period last year, and the gross profit margin of the high efficiency and clean energy equipment was 19.2%, representing a rise of 0.7 percentage point over the corresponding period last year. Operating margin of the high efficiency and clean energy equipment was 8.9%, up 0.7 percentage point as compared to that of the corresponding period last year. The increase was primarily due to the increase in sales of thermal power equipment of the Company and resulting rise in profit, as well

as the growth in the operating profits of the power transmission and distribution equipment business during the reporting period.

Industrial Equipment

During the reporting period, the industrial equipment achieved sales revenue of RMB9,609 million, representing a decline of 3.3% over the corresponding period last year, which was mainly caused by the divestment from the engineering machinery business. However, sales revenue generated from the elevator business increased 9.9% over the corresponding period last year. Gross profit margin of the industrial equipment business was 18.8%, which was 0.4 percentage point lower than that of the corresponding period last year. The operating margin generated from the industrial equipment was 9.4%, up 1.5 percentage points over the corresponding period last year, mainly due to the increase in profit as driven by the gain from disposal of a subsidiary during the reporting period.

Modern Services

During the reporting period, the modern services recorded sales revenue of RMB8,614 million, representing growth of 32.9% over the corresponding period last year, which was primarily boosted by the rise in sales of the power plant EPC projects and the power plant services. Gross profit margin and the operating profit of the modern services business amounted to 10.0% and 4.5% respectively, representing respectively increases of 2.5 percentage points and 0.2 percentage point over the corresponding period last year. The increase was caused by the increase in profits generated from the general contracting of power plant engineering project.

Principal activities and operation review of the Company

Table showing principal activities by business segments

Unit: million Currency: RMB

By business segments	Revenue	Cost of Sales	Gross Profit Margin	Year-on-year % Change in Revenue	Year-on-year % Change in Costs of Sales	Year-on-year Change in Gross Profit Margin
New Energy Equipment	3,229	2,866	11.2%	10.2%	12.6%	-2.0 percentage points
High Efficiency and Clean Energy Equipment	18,806	15,194	19.2%	20.4%	19.5%	+ 0.7 percentage points
Industrial Equipment	9,609	7,798	18.8%	(3.3%)	(2.9%)	- 0.4 percentage points
Modern Services	8,614	7,755	10.0%	32.9%	29.4%	+ 2.5 percentage points
Other business	636	499	21.5%	(13.7%)	(20.9%)	+ 7.1 percentage points
Elimination	(4,891)	(4,849)				
Total	36,003	29,263	18.7%	7.2%	5.3%	+ 1.4 percentage points

Review of the principal activities by geographical areas

Unit: million Currency: RMB

Geographical Areas	Revenue	Year-on-year Change in Revenue
Mainland China	28,146	2.8%
Elsewhere	7,857	26.6%
Total	36,003	7.2%

Challenges and difficulties in its operations

1. Risk arising from unfavorable macroeconomic environment

Solution: In face of the ever-changing and complicated global economic situation and the slowdown in the development of the domestic economy, the Company will formulate different measures on time in order to ride over the problems, while at the same time actively tackle all challenges arising from the changes of both domestic and international markets by strengthening management and operating efficiency.

2. Risk arising from diminishing demand of thermal power equipment

Solution: As the industry of the power generation units in China is heading towards the directions of energy saving, environmental protection and high effectiveness, the proportion of the thermal power equipment to the total installed capacity of power generation units will gradually decrease. The Company will explore power plant engineering project (EPC) and contracting of a complete set of power station equipment (BTG) markets overseas through different measures, and will strive to enter into markets of the developed countries by forming strategic alliance with leaders in the international energy market such as Alstom and Siemens. It will also seek to develop emerging industries so as to eliminate the effect caused by the drop of demand of the domestic thermal power equipment market.

Major financial reporting items and Analysis of Changes

Items in the income statement

Unit: million Currency: RMB

	January to June 2012	January to June 2011	Year-on-year Change
Revenue	36,003	33,583	7.2%
Selling and distribution costs	859	803	7.0%
Administrative expenses	2,190	1,909	14.7%
Other expenses	1,309	1,041	25.7%
Share of profit and loss of jointly controlled entities and associates	395	402	(1.7%)
Profit before tax	3,215	2,730	17.8%
Net Profit for the period	2,740	2,373	15.5%
Net Profit attributable to owners of the parent	1,927	1,637	17.7%

- Administrative expenses increased by 14.7% year on year, mainly due to the increase in costs of staff.
- Other expenses increased by 25.7% year on year mainly due to the increase in the research and development expenses as well as the rise in provision resulting from the increase in trade receivables of the Company.

Items in the statement of financial position

Unit: million Currency: RMB

	End of the Period	Beginning of the Period	Proportion to Total Assets at the end of the Period	Proportion to Total Assets at the beginning of the Period	Changes in Proportion to Total Assets
Assets					
Cash and cash equivalents	17,042	19,088	15.4%	17.9%	(2.5%)
Trade receivables	22,408	18,365	20.2%	17.2%	3.0%
Prepayments, deposits and other receivables	11,341	10,449	10.2%	9.8%	0.4%
Inventories and construction contracts	21,713	21,175	19.6%	19.8%	(0.2%)
Property, plant and equipment	14,226	13,618	12.8%	12.8%	0.0%
Liabilities					
Short-term interest-bearing bank and other borrowings	1,764	685	1.6%	0.6%	1.0%
Trade payables	22,019	20,657	19.9%	19.4%	0.5%
Other payables and accruals	38,226	37,011	34.5%	34.7%	(0.2%)
Bonds	1,000	1,000	0.9%	0.9%	0.0%
Long-term interest-bearing bank and other borrowings	728	701	0.7%	0.7%	0.0%
Total liabilities	70,856	69,059	63.9%	64.7%	(0.8%)
Total equity	39,967	37,656	36.1%	35.3%	0.8%
Total assets	110,823	106,715	100.0%	100.0%	0.0%

- Decrease in cash and cash equivalents was primarily due to an increase in material procurement expenditure of the Company, and the prolonged collection period of receivables of the Company as affected by the macroeconomic environment of China.
- Increase in trade receivables was primarily a result of the prolonged collection periods of receivables of the Company as affected by the macroeconomic environment of China.
- Increase in short-term interest-bearing bank borrowings and other borrowings was mainly due to the relatively higher external loans raised by a newly acquired company.
- Increase in trade payables was primarily due to the increase in material procurement volume along with the growth of sales coverage of the Company.

Items in the statement of cash flows

Unit: million Currency: RMB

Items	January to June 2012	January to June 2011	Year-on-year Change
Cash and cash equivalents at the beginning of the Period	15,311	15,372	(61)
Net cash flows from operating activities	(981)	(3,362)	2,381
Net cash flows from investing activities	258	526	(268)
Net cash flows from financing activities	(706)	(408)	(298)
Net increase in cash and cash equivalents	(1,429)	(3,244)	1,815
Effect of foreign exchange rate changes on cash	(5)	(18)	13
Cash and cash equivalents at the end of the Period	13,877	12,110	1,767

1. Net cash outflow from operating activities amounted to RMB981 million, representing a decrease of RMB2,381 million over the corresponding period last year, which was mainly due to faster inventories turnover rate and the increase in profits.
2. Net cash inflow from investing activities amounted to RMB258 million, representing a decrease of RMB268 million as compared to that of the corresponding period last year, which was mainly attributable to cash inflow of divestment as a result of the downscale of investments of our finance company under the Group.
3. Net cash outflow from financing activities amounted to RMB706 million, representing an increase of RMB298 million over the corresponding period last year; which was primarily due to the increase in cash outflow as a result of less monetary deposits from associated companies placed in the finance company of the Group.

Source of Funding and Indebtedness

As at 30 June 2012, the Group had aggregate bank and other borrowings and bonds of RMB3,481 million (31 December 2011: RMB2,386 million), representing an increase of RMB1,095 million from that as at the beginning of the year. Borrowings repayable within one year amounted to RMB2,757 million, representing an increase of RMB1,072 million over that as at the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB724 million, representing an increase RMB23 million as compared with that as at the beginning of the year.

As at 30 June 2012, the bank and other borrowings of the Group, excluding nil in HK dollar-denominated unsecured bank loans (31 December 2011: HKD52,000,000) and Japanese Yen-denominated loans of JPY80,000,000 (31 December 2011: JPY 80,000,000) in aggregate, and all other borrowings were denominated in Renminbi.

Pledge of Assets

As at 30 June 2012, the bank deposits of the Group of RMB626 million (31 December 2011: RMB629 million) were pledged with banks to secure bank loans or credit facilities. In addition, certain land use rights, buildings and machineries of the Group, with the net carrying value amounting to RMB249 million as at 30 June 2012 (31 December 2011: RMB914,000), were pledged as the securities for certain bank loans of the Group. Except for

the abovementioned assets, the Group had not pledged and secured any other assets in the first half of 2012.

Gearing Ratio

As at 30 June 2012, the gearing ratio of the Group, represented by dividing the sum of interest-bearing bank and other borrowings and bonds to the sum of total equity plus interest-bearing bank and other borrowings and bonds, was 8.03%, representing an increase of 2.07 percentage points over that as at the beginning of this year.

Contingent Liabilities

Please refer to Note 13 of the Unaudited Interim Condensed Consolidated Financial Statements for details.

Capital Commitments

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

Capital Expenditure

Total capital expenditure of the Group for the reporting period was approximately RMB957 million (1H2011: RMB1,038 million), which was principally applied to upgrade production technologies and production equipment.

Use of Proceeds

1. Use of proceeds

Unit: 100 million Currency: RMB

Year of Fund Raising	Way of Fund Raising	Total fund Raised	Total amount of fund used during the reporting period	Accumulated total amount of funds used	Total Amount of Unused Fund	Use and allocation of the unused fund
2010	Private offering	21.77	1.09	17.99	3.78	The fund will be used to finance fund raising projects.

In May 2010, as based on the approval (ZHENG JIAN XUKE (2010) No. 497) issued by the China Securities Regulatory Commission, the Company successfully issued 315,940,255 A shares of the Company to 5 specific investors at a price of RMB7.03 per share under private placing (the "Placement") in A Share market. The aggregate proceeds raised from the Placement approximately amounted to RMB2,221,060,000, and the net proceeds after deducting sponsor underwriting fees and remaining offering expenses approximately amounted to RMB2,176,846,000. As at the end of the reporting period, interests earned from the proceeds amounted to RMB10 million.

2. Committed use of the proceeds

As at the end of 30 June 2012, those proceeds were used in accordance with the committed use set out in the prospectus of the Placement as follows:

Unit: 100 million Currency: RMB

Name of committed projects	Proposed investment amount from proceeds raised	Actual proceeds used	Used Proceeds As at 30 June 2012
Production capacity expansion and technology enhancement project of nuclear power plant reactor vessel internals and control rods drive mechanisms of 1,000MW (Phase II) units	3.7	2.58	1.12
Technology enhancement project of 450 tonnes electroslag furnace	1.1	0.88	0.22
Production capacity expansion and enhancement project of nuclear power nuclear island major equipment integrated production (with the approved name of "Phase II of capacity expansion and technology enhancement project of nuclear power nuclear island major equipment")	3.02	2.67	0.35
Technology enhancement project of heavy nuclear power condenser assembly plant	0.6	0.35	0.25
Phase I of development project of new wind power equipment plant at Lingang base (with the approved name of "Development project of wind power equipment production plant at Lingang base")	3.14	2.21	0.93
Introduction and training project for the use of design and analysis software of wind power equipment	1.1	0.98	0.12
Research and production project of wind power equipment of 2MW and 3.6MW	2.79	2.25	0.54
Development project of research centre of wind power technology	0.5	0.27	0.23
Enhancement project of machines tool products and production capability (with the approved name of "Technology enhancement project of large CNC precision grinding products")	1.5	1.48	0.02
Supplement to working capital	4.32	4.32	0
Total	21.77	17.99	3.78

Other Information

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital
A shares	9,850,714,660	76.82%
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 2012, the following persons (other than the Directors, Supervisors and chief executives (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Hong Kong Listing Rules") 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 right 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 (Chapter 571 of the Laws of Hong Kong) ("SFO") and to the knowledge of the Directors of the Company:-

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 (%)
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporation	1	7,900,960,620	Long position	80.21	61.61
	H	Interest of controlled corporation	1	30,258,000	Long position	1.02	0.24
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	7,411,068,498	Long position	75.23	57.79
	H	Beneficial owner	1	30,258,000	Long position	1.02	0.24
Fengchi Investment Co., Ltd.	A	Beneficial owner	2	910,986,654	Long position	9.25	7.10
Shenergy Group Company Limited	A	Beneficial owner	1	489,892,122	Long position	4.97	3.82
Templeton Investment Counsel, LLC	H	Investment manager		332,844,736	Long position	11.20	2.60
Government of Singapore Investment Corporation Pte Ltd	H	Investment manager		149,984,699	Long position	5.05	1.17
Siemens International Holding B.V.	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16

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 (%)
Siemens Beteiligungsverwaltung GmbH & Co. OHG	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16
Siemens Beteiligungen Management GmbH	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16
Siemens Aktiengesellschaft	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16
JPMorgan Chase & Co.	H	Beneficial owner	4	11,853,366	Long position	0.40	0.09
	H	Investment manager	4	88,000	Long position	0.00	0.00
	H	Custodian corporation	4	285,465,692	Long position	9.60	2.23
		Total long position	4	297,407,058		10.00	2.32
	H	Beneficial owner	4	2,551,826	Short position	0.09	0.02
BlackRock, Inc.	H	Interest of controlled corporation	5	219,047,940	Long position	7.37	1.71
	H	Interest of controlled corporation	5	7,685,382	Short position	0.26	0.06

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 7,441,326,498 shares (Long position) and 489,892,122 shares (Long position) of the Company, were deemed to be the interests of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.
- (2) Fengchi Investment Co., Ltd. holding 910,986,654 shares (Long position) 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 95% by Shenzhen Weijie Investment Company Limited which was owned as to 100% by Zhu Weihang. The interest in 910,986,654 shares (Long position) relates to the same block of shares in the Company.
- (3) Siemens International Holding B.V., holding 148,646,000 shares (Long position) 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 (Long position) relates to the same block of shares in the Company.

- (4) JPMorgan Chase & Co. held interests in a total of 297,407,058 shares (Long position) and 2,551,826 shares (Short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:-
- (4.1) JPMorgan Chase Bank, N.A. held 285,465,692 shares (Long position) in the Company. JPMorgan Chase Bank, N.A. was a wholly-owned subsidiary of JPMorgan Chase & Co.
 - (4.2) J.P. Morgan Whitefriars Inc. held 10,223,366 shares (Long position) and 950,000 shares (Short position) in the Company. J.P. Morgan Whitefriars Inc. was a wholly-owned subsidiary of J.P. Morgan Overseas Capital Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, which in turn was a wholly-owned subsidiary of J.P. Morgan International Inc. JPMorgan Chase Bank, N.A., referred to in (4.1) above, owned 100% interest in J.P. Morgan International Inc.
 - (4.3) J.P. Morgan Securities Ltd. held 1,630,000 shares (Long position) and 1,601,826 shares (Short position) in the Company. J.P. Morgan Securities Ltd. was owned as to 98.95% by J.P. Morgan Chase International Holdings, which in turn was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by J.P. Morgan International Finance Limited, referred to in (4.2) above.
 - (4.4) J.P. Morgan Investment Management Inc. held 88,000 shares (Long position) in the Company. J.P. Morgan Investment Management Inc. was wholly-owned by JPMorgan Asset Management Holdings Inc. JPMorgan Asset Management Holdings Inc. was wholly-owned by JPMorgan Chase & Co.
 - (4.5) The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 285,465,692 shares (Long position) and 950,000 shares (Short position) were held through cash settled listed derivatives.
- (5) BlackRock, Inc. held interest in a total of 219,047,940 shares (Long position) and 7,685,382 shares (Short position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:-
- (5.1) BlackRock Investment Management, LLC. held 10,964,138 shares (Long position) in the Company. BlackRock Investment Management, LLC. was a wholly-owned subsidiary of Trident Merger, LLC, which in turn was a wholly-owned subsidiary of Blackrock, Inc.
 - (5.2) BlackRock Fund Advisors held 16,510,000 shares (Long position) in the Company. BlackRock Fund Advisors was wholly-owned by BlackRock Institutional Trust Company, N.A., the latter was deemed to hold interest in the said 16,510,000 shares (Long position). BlackRock Institutional Trust Company, N.A. held 28,618,114 shares (Long position) and 2,126,000 shares (Short position) in the Company. BlackRock Institutional Trust Company, N.A. was a wholly-owned subsidiary of BlackRock Delaware Holdings, Inc., which in turn was wholly-owned by BlackRock Holdco 6 LLC. BlackRock Holdco 6 LLC was wholly-owned by BlackRock Holdco 4 LLC, which in turn was wholly-owned by BlackRock Financial Management, Inc. BlackRock Financial Management, Inc. held 2,132,694 shares (Long position) in the Company. BlackRock Financial Management, Inc. was a wholly-owned subsidiary of BlackRock Holdco 2 Inc., which in turn was wholly-owned by Blackrock, Inc.
 - (5.3) BlackRock Advisors, LLC. held 71,550,091 shares (Long position) in the Company. BlackRock Advisors, LLC. was wholly-owned by BlackRock Capital Holdings, Inc., the latter was a wholly-owned subsidiary of BlackRock Advisors Holdings Inc. BlackRock Advisors Holdings Inc. was a wholly-owned subsidiary of BlackRock Financial Management, Inc., referred to in (5.2) above.
 - (5.4) BlackRock International Holdings Inc. was deemed to hold interest in 89,272,903 shares (Long position) and 5,559,382 shares (Short position) in the Company. BlackRock International Holdings Inc. was wholly-owned by BlackRock Advisors Holdings Inc., referred to in (5.3) above.
 - (5.5) BlackRock Asset Management Canada Limited held 248,000 shares (Long position) in the Company. BlackRock Asset Management Canada Limited was wholly-owned by BlackRock Holdings Canada Limited. BlackRock Holdings Canada Limited was a wholly-owned subsidiary of BlackRock (Institutional) Canada Ltd, and the latter was a wholly-owned subsidiary of BR Jersey International LP. BR Jersey International LP was a wholly-owned subsidiary of BlackRock International Holdings Inc., referred to in (5.4) above.

- (5.6) BlackRock Asset Management Japan Limited held 40,000 shares (Long position) in the Company. BlackRock Asset Management Japan Limited was wholly-owned by BlackRock Japan Holdings GK. BlackRock Japan Holdings GK was a wholly-owned subsidiary of BlackRock Trident Holding Company Limited, which in turn was wholly-owned by BlackRock Cayco Ltd., the latter was a wholly-owned subsidiary of BR Jersey International LP, referred to in (5.5) above.
- (5.7) BlackRock Investment Management (Australia) Limited held 747,300 shares (Long position) in the Company. BlackRock Investment Management (Australia) Limited was wholly-owned by BlackRock Australia Holdco Pty Ltd, the latter was a wholly-owned subsidiary of BR Jersey International LP, referred to in (5.5) above.
- (5.8) BlackRock Asset Management Australia Limited held 78,000 shares (Long position) in the Company. BlackRock Asset Management Australia Limited was wholly-owned by BlackRock Australia Holdco Pty Ltd, referred to in (5.7) above.
- (5.9) BlackRock Asset Management North Asia Limited held 5,089,000 shares (Long position) and 3,796,000 shares (Short position) in the Company. BlackRock Asset Management North Asia Limited was wholly-owned by BlackRock HK Holdco Limited, the latter was wholly-owned by BR Jersey International LP, referred to in (5.5) above.
- (5.10) BlackRock Advisors (UK) Limited held 6,421,382 shares (Long position) and 1,763,382 shares (Short position) in the Company. BlackRock (Netherlands) B.V. held 62,000 shares (Long position) in the Company. BlackRock International Limited held 1,796,000 shares (Long position) in the Company. All the three corporations were wholly-owned by BlackRock Group Limited, the latter was wholly-owned by BR Jersey International LP, referred to in (5.5) above.
- (5.11) BlackRock (Luxembourg) S.A. held 46,327,954 shares (Long position) in the Company. BlackRock (Luxembourg) S.A. was wholly-owned by BlackRock Luxembourg Holdco S.a.r.l., the latter was a wholly-owned subsidiary of BlackRock Group Limited, referred to in (5.10) above.
- (5.12) BlackRock Asset Management Ireland Limited held 17,639,100 shares (Long position) in the Company. BlackRock Asset Management Ireland Limited was wholly-owned by BlackRock Investment Management Ireland Holdings Ltd, the latter was a wholly-owned subsidiary of BlackRock Luxembourg Holdco S.a.r.l., referred to in (5.11) above.
- (5.13) BlackRock Investment Management (Korea) Limited held 398,000 shares (Long position). BlackRock Investment Management (Korea) Limited was wholly-owned by BlackRock Fund Managers Limited, the latter was deemed to hold interest in the aforesaid 398,000 shares (Long position). BlackRock Fund Managers Limited held 6,081,598 shares (Long position) in the Company. BlackRock Fund Managers Limited was wholly-owned by BlackRock Investment Management (UK) Limited, the latter was deemed to hold interest in 6,479,598 shares (Long position). BlackRock Investment Management (UK) Limited held 4,344,569 shares (Long position) in the Company. BlackRock Investment Management (UK) Limited was wholly owned by BlackRock Group Limited, referred to in (5.10) above.

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 2012, 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 Underlying Debentures of the Company

As at 30 June 2012, 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 by the Company 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 "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. As at 30 June 2012, none of the directors, supervisors or chief executives of the Company and their respective associates were 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 (the "Directors"), supervisors (the "Supervisors") and relevant employees of the Company. Further to the Company's enquiry, all Directors and Supervisors 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 2012 to 30 June 2012. No violation of the Model code of relevant employees has been found by the Company.

Corporate Governance

For the first half of 2012, the Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code (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 2012, 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. The Company is of the opinion that segregation of duties and responsibilities between the Board and the senior management has been well maintained and there exists no problem of over-centralization of management power.

Strategy Committee

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

Nomination Committee

The nomination committee comprises Mr. Zhu Sendi, Mr. Huang Dinan and Dr. Cheung Wai Bun. The nomination committee is primarily responsible for studying the criteria, procedures and methods for selecting candidates for directors and making recommendations to the Board on the selection and appointment of directors of the Company.

Audit Committee

Our audit committee, comprising Dr. Cheung Wai Bun, Mr. Zhu Sendi, Dr. Lui Sun Wing and Ms. Yao Minfang, has reviewed the accounting policies adopted by the Group, and credit limits of its connected transactions, with the management and the Company's external auditors, and discussed on matters concerning internal control and financial reporting of the Group, including review and approval of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012.

Remuneration Committee

The remuneration committee, which comprises Dr. Lui Sun Wing, Mr. Huang Dinan and Mr. Zhu Sendi, is mainly responsible for providing recommendations to the Board in respect of the remuneration policy and structure of the Directors, Supervisors and operating team of the Company, and determining applicable and transparent procedures.

Purchase, Sale or Redemption of the Company's Securities

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

Interim Dividend

The Board of Directors did not recommend interim dividend during the reporting period.

Disclosure of Information and Investor Relations

The Company recognizes the importance of good communications with its investors. Our team under Investor Relations Department arranges meetings, site visits and reverse roadshows for investors. The team has also attended investors forum actively and conducted non-deal roadshows in China and overseas markets

regularly to help investors gain a better understanding of the Company's operating results and its strategies and plans for future development. The Company will continue to make great efforts in its investor relations work to further enhance its transparency.

Employees

On 30 June 2012, the Group had approximately 27,607 employees (30 June 2011: approximately 28,128). 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 executive directors of the Company are Mr. XU Jianguo, Mr. HUANG Dinan and Mr. YU Yingui; the non-executive directors of the Company are Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Mr. ZHU Sendi, Dr. CHEUNG Wai Bun and Dr. LUI Sun Wing.

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

By order of the Board

Xu Jianguo

Chairman of the board
Shanghai, PRC

24 August 2012

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	For the six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
REVENUE	3	36,002,873	33,583,075
Cost of sales		(29,263,115)	(27,788,280)
GROSS PROFIT		6,739,758	5,794,795
Other income and gains	3	499,185	326,804
Selling and distribution costs		(859,056)	(802,993)
Administrative expenses		(2,190,115)	(1,908,977)
Other expenses		(1,308,659)	(1,040,817)
Finance costs		(60,692)	(40,816)
Share of profits and losses of:			
Jointly-controlled entities		75,156	54,848
Associates		319,445	346,675
PROFIT BEFORE TAX	4	3,215,022	2,729,519
Income tax expense	5	(475,079)	(356,497)
PROFIT FOR THE PERIOD		2,739,943	2,373,022
ATTRIBUTABLE TO:			
Owners of the parent		1,927,188	1,637,044
Non-controlling interests		812,755	735,978
		2,739,943	2,373,022
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic and diluted			
- For profit for the period (RMB)		15.03 cents	12.77 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	2,739,943	2,373,022
Changes in fair value and disposal of available-for-sale investments net of income tax	180,942	(100,356)
Effective portion of changes in fair value of hedging instruments net of income tax	(71,764)	30,295
Exchange realignment	(11,072)	27
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	98,106	(70,034)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,838,049	2,302,988
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	2,006,427	1,587,109
Non-controlling interests	831,622	715,879
	2,838,049	2,302,988

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	14,225,737	13,617,950
Investment properties		126,516	129,368
Prepaid land lease payments		1,680,557	1,461,977
Goodwill		158,494	12,483
Other intangible assets		932,444	773,629
Investments in jointly-controlled entities		348,964	319,887
Investments in associates		3,937,785	2,991,706
Loans receivable		1,015,449	978,288
Other investments		1,225,128	680,576
Derivative financial instruments		32,768	74,346
Other non-current assets		246,920	229,790
Deferred tax assets		1,589,293	1,502,589
Total non-current assets		25,520,055	22,772,589
CURRENT ASSETS			
Inventories		21,243,845	20,885,190
Construction contracts		468,760	290,134
Trade receivables	8	22,407,538	18,364,867
Loans receivable		1,488,930	953,191
Discounted bills receivable		607,631	903,144
Bills receivable		4,065,422	4,450,924
Prepayments, deposits and other receivables		11,340,756	10,448,561
Investments		3,373,647	4,141,267
Derivative financial instruments		74,875	106,184
Due from the Central Bank		2,564,013	2,950,785
Restricted deposits	9	625,774	629,398
Cash and cash equivalents	9	17,041,887	19,088,481
		85,303,078	83,212,126
Assets of a disposal group classified as held for sale		-	730,344
Total current assets		85,303,078	83,942,470
CURRENT LIABILITIES			
Trade payables	10	22,019,210	20,656,571
Bills payable		1,799,167	1,993,882
Bonds		1,000,000	1,000,000
Other payables and accruals		38,226,018	37,011,191
Derivative financial instruments		20,153	2,243

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 JUNE 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
CURRENT LIABILITIES (continued)			
Customer deposits		1,614,754	2,784,445
Interest-bearing bank and other borrowings		1,763,972	684,991
Tax payable		630,721	1,120,304
Provisions		1,931,456	1,902,686
		<u>69,005,451</u>	<u>67,156,313</u>
Liabilities directly associated with the assets classified as held for sale		-	228,428
Total current liabilities		<u>69,005,451</u>	<u>67,384,741</u>
NET CURRENT ASSETS		<u>16,297,627</u>	<u>16,557,729</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>41,817,682</u>	<u>39,330,318</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		727,554	700,552
Provisions		82,195	45,907
Government grants		365,433	368,686
Derivative financial instruments		185,043	180,215
Other non-current liabilities		49,375	42,256
Deferred tax liabilities		440,666	336,924
Total non-current liabilities		<u>1,850,266</u>	<u>1,674,540</u>
Net assets		<u>39,967,416</u>	<u>37,655,778</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	11	12,823,627	12,823,627
Reserves		17,574,906	15,453,840
Proposed dividend		-	979,725
		<u>30,398,533</u>	<u>29,257,192</u>
Non-controlling interests		<u>9,568,883</u>	<u>8,398,586</u>
Total equity		<u>39,967,416</u>	<u>37,655,778</u>

Director Mr. Xu Jianguo

Director Mr. Yu Yingui

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the parent											
	Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Hedging revaluation reserves RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	12,823,627	5,090,027	(2,352,526)	3,130,749	(1,614)	(14,235)	6,805	9,594,634	979,725	29,257,192	8,398,586	37,655,778
Profit for the period	-	-	-	-	-	-	-	1,927,188	-	1,927,188	812,755	2,739,943
Other comprehensive income	-	-	-	-	(71,764)	162,075	(11,072)	-	-	79,239	18,867	98,106
Total comprehensive income	-	-	-	-	(71,764)	162,075	(11,072)	1,927,188	-	2,006,427	831,622	2,838,049
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	426,813	426,813
Acquisition of non-controlling shares	-	658	-	42	-	-	-	(64)	-	636	(4,436)	(3,800)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	633,398	633,398
Disposal of subsidiaries	-	(715)	-	(7,081)	-	-	-	7,081	-	(715)	(798)	(1,513)
Declared final 2011 dividend	-	-	-	-	-	-	-	-	(979,725)	(979,725)	-	(979,725)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(601,584)	(601,584)
Others	-	114,718	-	-	-	-	-	-	-	114,718	(114,718)	-
As at 30 June 2012 (Unaudited)	12,823,627	5,204,688*	(2,352,526)*	3,123,710*	(73,378)*	147,840*	(4,267)*	11,528,839*	-	30,398,533	9,568,883	39,967,416

* These reserve accounts comprise the consolidated reserves of RMB17,574,906,000 (31 December 2011: RMB15,453,840,000) 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 2012

	Attributable to owners of the parent											Total equity RMB'000
	Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Hedging revaluation reserves RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2011	12,823,627	5,041,039	(2,352,526)	2,806,815	68,837	137,460	11,336	7,631,043	834,818	27,002,449	7,500,016	34,502,465
Profit for the period	-	-	-	-	-	-	-	1,637,044	-	1,637,044	735,978	2,373,022
Other comprehensive income	-	-	-	-	30,295	(80,257)	27	-	-	(49,935)	(20,099)	(70,034)
Total comprehensive income	-	-	-	-	30,295	(80,257)	27	1,637,044	-	1,587,109	715,879	2,302,988
Appropriation to surplus reserves	-	-	-	2,142	-	-	-	(2,142)	-	-	-	-
Declared final 2010 dividend	-	-	-	-	-	-	-	-	(834,818)	(834,818)	-	(834,818)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(450,999)	(450,999)
Others	-	10,242	-	-	-	-	-	-	-	10,242	(10,242)	-
As at 30 June 2011 (Unaudited)	12,823,627	5,051,281*	(2,352,526)*	2,808,957*	99,132*	57,203*	11,363*	9,265,945*	-	27,764,982	7,754,654	35,519,636

* These reserve accounts comprise the consolidated reserves of RMB14,941,355,000 (31 December 2010: RMB13,344,004,000) in the unaudited interim condensed consolidated statement of financial position.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(980,634)	(3,362,299)
NET CASH INFLOW FROM INVESTING ACTIVITIES	258,025	526,226
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(705,949)	(408,287)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,428,558)	(3,244,360)
Cash and cash equivalents at beginning of period	15,311,210	15,372,071
Effect of foreign exchange rate changes, net	(5,545)	(17,659)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,877,107	12,110,052
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents in the unaudited interim condensed consolidated statement of financial position	17,041,887	15,425,876
Less: Non-restricted time deposits with original maturity of over three months when acquired	(3,164,780)	(3,315,824)
	13,877,107	12,110,052

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012

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 2011, 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 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosure - Transfers of Financial Assets</i>
HKAS 12 Amendments	<i>Amendments to HKAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets</i>

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2. SEGMENT INFORMATION

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

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

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;
- (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 and other electromechanical equipment products;

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

2. SEGMENT INFORMATION (continued)

- (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 includes components such as the central research institute.

Business segments

The following tables present revenue and profit/(loss) of the Group’s business segments for the six months ended 30 June 2012 (the “Period”):

Six months ended 30 June 2012 (Unaudited)	New energy RMB’000	High efficiency and clean energy RMB’000	Industrial equipment RMB’000	Modern services RMB’000	Others RMB’000	Elimination RMB’000	Total RMB’000
Segment revenue:							
Sales to external customers	3,012,337	14,833,480	9,300,674	8,338,274	518,108	-	36,002,873
Intersegment sales	216,182	3,972,514	307,827	276,110	117,956	(4,890,589)	-
Total	3,228,519	18,805,994	9,608,501	8,614,384	636,064	(4,890,589)	36,002,873
Operating profit/(loss)	53,649	1,675,932	903,855	386,519	(8,246)	(130,596)	2,881,113
Finance costs							(60,692)
Share of profits and losses of jointly-controlled entities	-	-	504	74,652	-	-	75,156
Share of profits and losses of associates	-	146,288	163,660	6,710	2,787	-	319,445
Profit before tax							3,215,022
Income tax expense							(475,079)
Profit for the period							2,739,943

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

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 2011:

Six months ended 30 June 2011 (Unaudited)	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue							
Sales to external customers	2,698,572	14,476,921	9,542,576	6,284,105	580,901	-	33,583,075
Intersegment sales	232,786	1,136,783	397,392	198,965	155,969	(2,121,895)	-
Total	2,931,358	15,613,704	9,939,968	6,483,070	736,870	(2,121,895)	33,583,075
Operating profit/(loss)	160,802	1,279,423	789,734	281,622	(80,512)	(62,257)	2,368,812
Finance costs							(40,816)
Share of profits and losses of jointly-controlled entities	-	-	1,548	53,300	-	-	54,848
Share of profits and losses of associates	-	147,834	200,669	4,780	(6,608)	-	346,675
Profit before tax							2,729,519
Income tax expense							(356,497)
Profit for the period							2,373,022

Geographical segments

The following table presents revenue information on the Group's geographical segments for the six months ended 30 June 2012 and 30 June 2011:

	Six months ended 30 June 2012 (Unaudited)			Six months ended 30 June 2011 (Unaudited)		
	Mainland		Total	Mainland		Total
	China RMB'000	Elsewhere RMB'000		China RMB'000	Elsewhere RMB'000	
Segment revenue						
Sales to external customers	28,145,700	7,857,173	36,002,873	27,374,795	6,208,280	33,583,075

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

3. REVENUE, OTHER INCOME AND GAINS

Revenue includes turnover and other revenue that arise from the ordinary course of business of the Group. 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 and 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	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue		
<i>Turnover</i>		
Sales of goods	27,011,727	26,453,997
Construction contracts	6,875,064	5,285,023
Rendering of services	1,280,250	1,085,050
	35,167,041	32,824,070
<i>Other revenue</i>		
Sales of raw materials, spare parts and semi-finished goods	365,145	384,133
Gross rental income	59,044	49,447
Shanghai Electric Group Finance Company ("Finance Company"):		
Interest income from banks and other financial institutions	164,284	135,990
Interest income on loans receivable and discounted bills receivable	90,720	74,332
Others	156,639	115,103
	835,832	759,005
	36,002,873	33,583,075
Other income		
Interest income on bank balances and time deposits	101,023	70,508
Interest income on debt investments	-	1,936
	101,023	72,444
Dividend income from equity investments and investment funds	2,728	32,823
Subsidy income	137,843	45,960
Others	36,672	16,242
	278,266	167,469

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

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	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
<u>Gains</u>		
Gain on disposal of items of property, plant and equipment	7,720	7,548
Gain on disposal of subsidiaries	156,024	-
Investments at fair value through profit or loss:		
Unrealised fair value gains, net	941	1,571
Realised fair value gains, net	4,425	5,935
Derivative financial instruments- transactions not qualifying as hedges:		
Unrealised fair value gains/(losses), net	1,800	(14,957)
Realised fair value gains, net	-	44,233
Realised gain on available-for-sale investments (transfer from equity)	22,288	42,290
Gain on disposal of unquoted equity investments stated at cost	-	61,796
Exchange (losses)/gains, net	(17,119)	10,919
Others	44,840	-
	<u>220,919</u>	<u>159,335</u>
	<u>499,185</u>	<u>326,804</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Cost of inventories sold	22,070,142	20,923,345
Cost of construction contracts	5,634,069	4,804,042
Cost of services provided	1,120,003	940,605
Finance Company:		
Interest expense due to banks and other financial institutions	8,575	4,081
Interest expense on customer deposits	15,149	13,422
Interest expense on bonds	24,000	19,200
	<u>47,724</u>	<u>36,703</u>
Depreciation of property, plant and equipment	587,445	536,126
Depreciation of investment properties	2,852	3,119
Recognition of prepaid land lease payments*	15,801	14,918
Amortisation of patents and licences	11,098	8,798
Amortisation of concession intangible assets	10,137	8,970
Amortisation of other intangible assets	6,936	4,559
Research and development costs:*		
Amortisation of technology know-how	11,337	20,659
Current period expenditure	687,433	566,407
	<u>698,770</u>	<u>587,066</u>
Minimum lease payments under operating leases:		
Land and buildings	83,694	80,536
Plant, machinery and motor vehicles	49,409	42,481
Staff costs	2,863,018	2,340,951
Write-down of inventories to net realisable value	95,729	124,260
Impairment on trade receivables and other receivables*	598,907	405,317
Addition/(reversal) of impairment of loans receivable*	1,226	(6,795)
Impairment on discounted bills receivable*	7,889	8,300

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

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	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Impairment of goodwill*	-	3,627
Product warranty provision:		
Additional provision	98,597	61,980
Reversal of unutilised provision	-	(2,959)
Onerous contract provision:		
Additional provision	227,820	392,566
Late delivery provision:		
Reversal of provision	-	(24,000)

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

5. INCOME TAX

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% for the period of the six months ended 30 June 2012 under the income tax rules and regulations of the PRC, except that:

- 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 2011.

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

5. INCOME TAX (continued)

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Group:		
Current – Mainland China		
Charge for the period	607,939	552,958
Overprovision in prior years	(25,097)	(10,984)
Current – Elsewhere		
Charge for the period	4,868	10,768
Underprovision in prior years	643	-
Deferred	(113,274)	(196,245)
Total tax charge for the period	475,079	356,497

6. 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 RMB1,927,188,000 (the six months ended 30 June 2011: RMB1,637,044,000) and the weighted average number of 12,823,626,660 ordinary shares in issue during the Period (for the period of six months ended 30 June 2011: 12,823,626,660 ordinary shares).

No diluted earnings per share amounts have been presented for the six months ended 30 June 2012 and 30 June 2011 as no diluting events occurred during these periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of RMB930,422,000; the Group disposed of property, plant and equipment with a cost of RMB120,244,000.

As at 30 June 2012, the Group had not obtained real estate certificates for buildings with a net carrying amount of RMB367,569,000. Included in the above amounts, the Group is in the process of applying for the real estate certificates for buildings with a net carrying amount of approximately RMB343,818,000 as at 30 June 2012.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

8. TRADE RECEIVABLES

An ageing analysis of trade receivables, based on the due date, and net of provision for bad and doubtful debts, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Undue	13,292,929	12,049,667
Within 3 months	2,871,913	2,085,445
Over 3 months but within 6 months	3,099,666	1,495,822
Over 6 months but within 1 year	1,549,852	1,549,520
Over 1 year but within 2 years	1,293,806	828,933
Over 2 years but within 3 years	260,099	338,624
Over 3 years	39,273	16,856
	22,407,538	18,364,867

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

9. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

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

	30 June 2012 (Unaudited)		31 December 2011 (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")	150,345	950,918	176,820	1,112,452
Euro ("EUR")	13,164	103,611	15,616	127,472
Japan Yen ("JPY")	1,799,736	143,345	1,334,813	108,257
Great Britain Pound ("GBP")	-	-	1	11
Hong Kong Dollars ("HKD")	10,177	8,296	23,700	19,214
Vietnam Dong ("VND")	49,198,647	16,739	34,061,068	10,516
Indian Rupee ("INR")	486,796	54,732	499,534	65,166
Indonesian Rupiah ("IDR")	98,975,946	66,035	80,275,485	55,779
Bangladesh Taka ("BDT")	36,183	2,801	32,413	2,493
Ethiopian Birr ("ETB")	246	87	847	307
Time deposits:				
USD	2,500	15,812	2,015	12,692
JPY	-	-	40,000	3,244
HKD	30,000	24,471	19	15

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

10. TRADE PAYABLES

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 3 months	11,550,196	12,895,492
Over 3 months but within 6 months	3,264,102	2,696,856
Over 6 months but within 1 year	3,960,992	2,364,021
Over 1 year but within 2 years	2,073,920	1,607,005
Over 2 years but within 3 years	509,198	724,901
Over 3 years	660,802	368,296
	22,019,210	20,656,571

11. SHARE CAPITAL

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Registered, issued and fully paid:		
A shares of RMB1.00 each, unrestricted	9,850,715	9,850,715
H shares of RMB1.00 each	2,972,912	2,972,912
Total	12,823,627	12,823,627

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

12. 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

13. CONTINGENT LIABILITIES

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Guarantees given to banks in connection with facilities granted to:		
- associates	98,752	121,253
In which,		
guarantees given to banks in connection with facilities utilised by:		
- associates	95,701	98,752
Non-financial guarantee letters issued by Finance Company on behalf of:		
- associates	14,891	17,800
- SEC group companies*	-	324
	14,891	18,124
Discounting bills receivable issued by subsidiaries to:		
- associates	1,500	8,600
- SEC group companies*	40,852	54,849
	42,352	63,449

* 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 2012, no financial guarantees issued by financial institutions for contracts awarded to the Group (31 December 2011: RMB44,589,000), non-financial guarantees issued by financial institutions for contracts awarded to the Group amounted to RMB22,231,264,000 (31 December 2011: RMB26,010,229,000), respectively.
- (c) As of 30 June 2012, contingent liabilities derived from pending lawsuits and arbitration amounted to RMB3,710,000 (31 December 2011: RMB4,352,000).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

13. CONTINGENT LIABILITIES (continued)

- (d) The Company was engaged in a construction project in Indonesia with an aggregate amount of USD108,000,000 and a performance guarantee letter of USD13,500,000. During 2009, the owner unilaterally terminated the contract. In 2010, the owner enforced the guarantee letter for advance payment and performance guarantee letter, amounting to USD10,800,000 and USD13,500,000, respectively. The Company has appealed for arbitration in Singapore. Up to the date of approval of the financial statements, the arbitration has not been administered. The directors are of the opinion that, apart from the recorded costs and provision, no additional provision is considered necessary as at 30 June 2012.

14. 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.

As at 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	66,299	88,967
In the second to fifth years, inclusive	173,481	171,614
After five years	144,372	143,524
	<u>384,152</u>	<u>404,105</u>

- (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 term of one year.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

14. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee (Continued)

As at 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	62,822	59,495
In the second to fifth years, inclusive	162,769	113,969
After five years	85,515	80,015
	<u>311,106</u>	<u>253,479</u>

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the end of reporting date:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Contracted, but not provided for		
In respect of the acquisition of:		
- land and buildings	95,439	347,594
- plant and machinery	411,145	611,409
- intangible assets	140,665	86,706
In respect of capital contribution to:		
- companies to be established/acquired	1,486,652	811,319
	<u>2,133,901</u>	<u>1,857,028</u>
Authorised, but not contracted for		
In respect of the acquisition of:		
- land and buildings	14,516	11,681
- plant and machinery	349,875	368,489
In respect of capital contribution to:		
- companies to be established/acquired	-	575,809
- non-controlling interests to be acquired	-	21,847
	<u>364,391</u>	<u>977,826</u>
	<u>2,498,292</u>	<u>2,834,854</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

16. 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	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Purchase of materials from:	(i)		
Associates		839,332	676,441
SEC group companies		550,977	620,057
Other related companies		898,798	590,282
		<u>2,289,107</u>	<u>1,886,780</u>
Sales of goods to:	(i)		
Associates		255,783	117,604
SEC group companies		301,853	354,457
Other related companies		168,932	156,309
		<u>726,568</u>	<u>628,370</u>
Purchase of services from:	(i)		
SEC group companies		11,956	18,265
Other related companies		5,430	7,240
		<u>17,386</u>	<u>25,505</u>
Provision of services to:	(i)		
The ultimate holding company		385	-
Associates		77,708	43,806
SEC group companies		2,074	265
Other related companies		1,533	-
		<u>81,700</u>	<u>44,071</u>
Purchases of equipment from:	(i)		
SEC group companies		2,619	7,876

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

16. 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	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Rental income from:			
Associates	(ii)	5,653	6,422
Rental fee to:			
The ultimate holding company	(ii)	20,350	12,626
Associates		-	990
SEC group companies		3,033	3,416
		23,383	17,032

Notes:

- (i) Sales and purchases, and services 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 material transactions with related parties

- (i) 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 RMB509,713,000 were recognised during the Period. In addition, purchases of RMB12,421,000 were incurred through SE Corporation during the period.

- (ii) In February 2012, the company acquired a 20% equity interest in KSB Shanghai Pump Co., Ltd. from Shanghai General Machinery (Group) Co., Ltd., a wholly-owned subsidiary of SE Corporation, for a cash consideration of RMB125,134,000.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

16. RELATED PARTY TRANSACTIONS (continued)

(b) Other material transactions with related parties (continued):

(iii) In February 2012, Shanghai Mechanical & Electrical Industry Co., Ltd. ("SME"), a subsidiary of the Company, disposed of its 100% equity interest in Shanghai Refrigerating Machine Works to Shanghai Highly Special Refrigeration Equipment Co., Ltd., a subsidiary of SE Corporation, the price was RMB8,356,000 based on the assessed value, Shanghai Highly Special Refrigeration Equipment Co., Ltd. has paid the proceeds from the disposal. The gain on the disposal of the equity interest amounted to RMB1,617,000.

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

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Interest expenses for customer deposits:		
The ultimate holding company	2,364	3,396
Jointly-controlled entities	20	2
Associates	1,908	2,402
SEC group companies	10,225	7,135
Other related companies	1	9
	<u>14,518</u>	<u>12,944</u>
Interest income for loans and bills discounting:		
The ultimate holding company	9,158	8,285
Jointly-controlled entities	1,411	850
Associates	1,064	570
SEC group companies	78,914	43,594
	<u>90,547</u>	<u>53,299</u>

Interest rates for customer deposits, loans and bills discounting were determined with reference to the interest rates adopted by financial institutions as regulated by the People's Bank of China.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

16. RELATED PARTY TRANSACTIONS (continued)

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

As at 30 June 2012, the Group has provided corporate guarantees in connection with facilities totalling RMB98,752,000 (31 December 2011: RMB121,253,000) to related parties, out of which RMB95,701,000 (31 December 2011: RMB98,752,000) has been utilised; and Finance Company has issued non-financial guarantee letters on behalf of related parties totalling RMB14,891,000 (31 December 2011: RMB18,124,000).

As at 30 June 2012, SE Corporation has provided an unconditional and irrevocable joint liability guarantee in respect of the Bonds of RMB1 billion.

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

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Fees	375	354
Salaries and other allowances	1,108	1,021
Employee benefits	146	68
Post-employment benefits	130	74
	1,759	1,517

17. OTHER SIGNIFICANT MATTERS

- (1) On 20 April 2011, the Company signed the letter of intent to form a joint venture with Alstom Holdings in Shanghai, each party holding a 50% equity interest in the joint venture. The joint venture will engage in the business of power station boilers and auxiliary products. Up to the end of the reporting period, the joint venture agreement and other related matters are still under negotiation.
- (2) On 8 December 2011, the Company entered into a joint venture agreement with Siemens Ltd., China to form a joint venture, namely Shanghai Electric Wind Energy Co., Ltd. ("Wind Energy"), engaged in the sales of wind power equipment, and to inject capital to Siemens Wind Power Turbines (Shanghai) Co., Ltd. ("SWPT"), engaged in the research and production of wind power equipment. The Company will make capital injections to Wind Energy and SWPT amounting to EUR 53,043,000 and EUR31,022,000, respectively. Upon the completion of transactions, the Company will hold a 51% equity interest in each of the joint ventures. Up to the end of the reporting period, the procedures of capital injection into Wind Energy and SWPT are still in process.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 JUNE 2012

18. EVENTS AFTER THE REPORTING PERIOD

- (1) On 8 February 2012, SME entered into an equity transfer agreement to acquire a 100% equity interest in Goss International Corporation ("Goss") from SE Corporation for a cash consideration of RMB571,060,000. The consideration for the equity transfer was determined with reference to the appraised total share value of Goss. The equity has been transferred through Shanghai United Assets and Equity Exchange on 2 July 2012, while the approval procedures by the relevant authorities are still in process.
- (2) On 27 July 2012, the board of directors of the Company agreed to purchase the 100% equity interest in Shanghai Electric Leasing Co., Ltd. ("SEL") from SE Corporation for a consideration of RMB 551,811,000, based on the net assets of SEL evaluated as at 31 March 2012. The acquisition plan is subject to the approval of the Company's shareholders meeting.
- (3) On 27 July 2012, the board of directors of the Company agreed to purchase the 100% equity interest in Shanghai Electric Insurance Company Brokerage Co.,Ltd. ("SEICB") from SE Corporation for a consideration of RMB 12,343,000, based on the net assets of SEICB evaluated as at 31 March 2012. The acquisition plan is subject to the approval of the Company's shareholders meeting.

19. 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 24 August 2012.