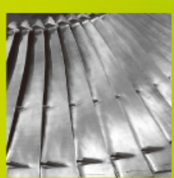
上海集优
SHANGHAI PRIME

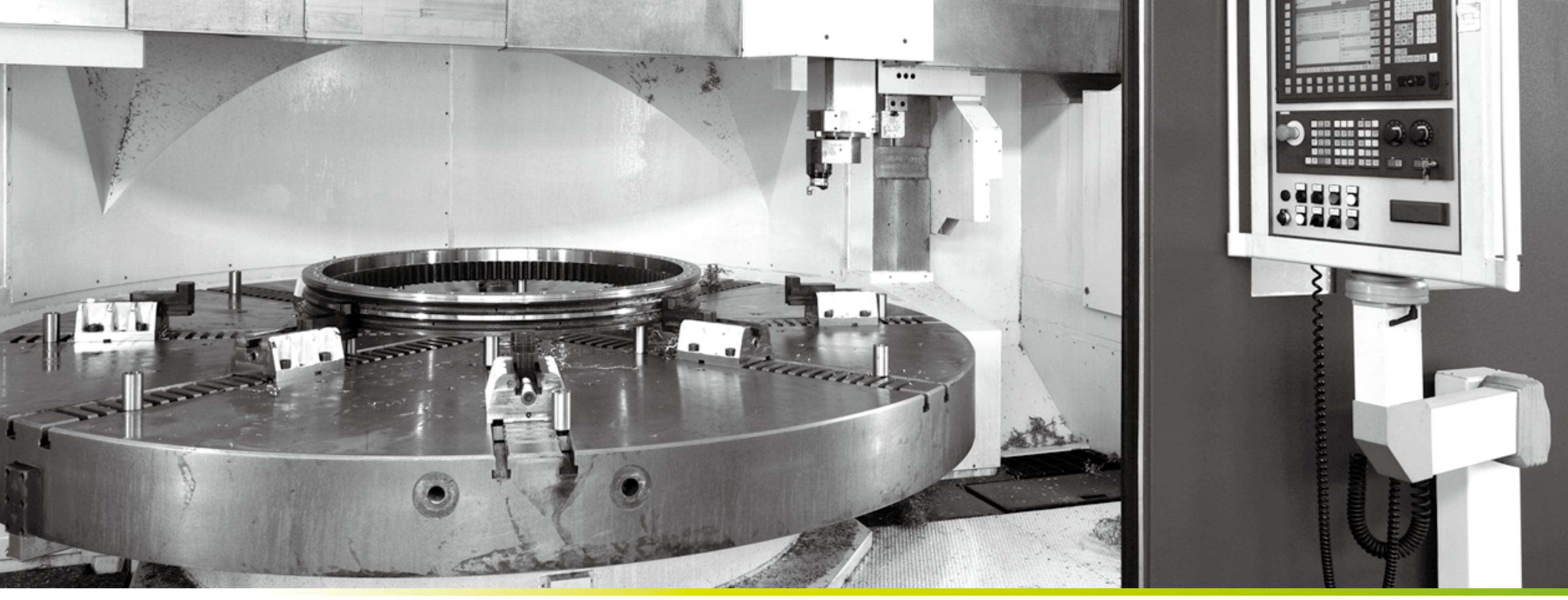
2013



SHANGHAI PRIME MACHINERY COMPANY LIMITED

INTERIM REPORT

(A joint stock limited company incorporated in the People's Republic of China with limited liability) **(Stock Code: 02345)**



CONTENTS

CORPORATE INFORMATION

Statutory Chinese Name
上海集優機械股份有限公司

Statutory English Name
Shanghai Prime Machinery Company Limited

Registered Address
Room 1501, Jidian Edifice,
600 Heng Feng Road,
Shanghai, the People's Republic of China
Postal code: 200070

Principal Place of Business in Hong Kong
Room 2602, 26th Floor,
Tower One, Lippo Centre,
89 Queensway, Hong Kong

Legal Representative
Wang Qiang

Authorised Representatives
Zhou Zhiyan
Zhang Jianping

Alternative Authorised Representatives
Chan Chun Hong (Thomas)
Li Wai Chung

Company Secretary
Li Wai Chung (Certified Public Accountant)

Qualified Accountant
Li Wai Chung (Certified Public Accountant)

International Auditors
Ernst & Young

Legal Advisers
As to Hong Kong, New York U.S. Federal Law
Clifford Chance LLP

As to PRC Law
Jun He Law Offices

H-share Registrar and Transfer Office
Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong

Investor and Media Relations Consultant
iPR Ogilvy Ltd.

The Stock Exchange on which H shares are listed:
The Stock Exchange of Hong Kong Limited
Abbreviation of H shares: Shanghai Prime
H share stock code: 02345
Website: www.pmcsh.com
Email: pmcservice@pmcsh.com
Telephone: +86 (21) 6472 9900
Fax: +86 (21) 6472 9889

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Shanghai Prime Machinery Company Limited (the "Company"), I am pleased to announce the interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 (the "Period"). The Group's interim results have not been audited but have been reviewed by the audit committee of the Company and Ernst & Young, the international auditors of the Company.

Business Review

During the first half of 2013, with the slowdown of global economic growth, the manufacturing industry encountered a new stage of transformation upgrade under the new economic situation. The Group adhered to the strategic goals of "transformation upgrade, wisely create future", i.e. "upgrade to high-end products, transform to smart manufacturing", in order to enhance the Group's competitiveness in the midst of consolidation of manufacturing sector.

During the Period, the Group realized revenue of RMB1,691 million (1H 2012: RMB1,935 million), representing a decrease of 13% as compared with the corresponding period of last year. Profit attributable to shareholders of the Company was RMB48 million for the Period (1H 2012: RMB77 million), representing a decrease of 38% as compared with the corresponding period of last year. Total assets of the Group amounted to RMB6,111 million (31 December 2012: RMB6,034 million), representing an increase of 1% as compared with the beginning of this year.

Future Prospects

Going forward, we will likely continue to face challenges in various aspects including the rising cost of labor, excess production capacity of the medium and low-end parts and components manufacturing industry, a significant slowdown in the growth of China's economy and disorderly competition in the industry. But at the same time, we also see new demands arising from new urbanization, enormous opportunities for import substitution emerging from the upgrade of parts and components industry as well as the state's policy support for the development of a high-end core components industry.

In response to the current low concentration of the parts and components industry, the low entry barrier of the medium and low-end market and the high technology requirement of the high-end market, we will act in line with our vision of "providing quality parts and components products and efficient services for the manufacturing industry", to enhance production capacity, substitute imported goods, manufacture special and fine critical parts and components and develop the centralized distribution business mode, so as to ensure the Group's healthy growth during the period of economic adjustment and transformation.

Driving technology upgrade. The Group will integrate the resources advantages to tap into the high-end sector and drive the industralisation process of the high-end products, with an aim to materialise the leading position in the critical differentiated market. The Group also attaches a high value to technical accumulation. By measures of imported products and new technology introduction, the Group will improve the theoretical standard and ability of self-made design gradually, acquiring and mastering the key core technology of high-end products.

Innovating business models. The Group explores innovative business models, new profit mode and room for development. On one hand, the Group, by using the cutting tool business as a breakthrough, relies on the distribution network advantage and integrates social resources to build and form a tool chain business model with brand name effect. On the other hand, the Group will use the fastener business as the foundation to explore the light-asset distributor model, to transform gradually from the traditional process manufacturing into an innovative business model.

CHAIRMAN'S STATEMENT

Implementing branding strategy. The Group will carry forward the branding strategy and focus on brand building, with an aim to enhance brand management, promote the brand image and continue to increase the Group's corporate brand value and the loyalty of the customers. The Group will also strengthen the brand name maintenance and management; carry out targeted branding and marketing; so as to improve the brand premium capacity and highlight the brand differentiation.

Corporate Development Strategies

Turbine blade business: On the basis of the solid foundation of the domestic power business, the Group will further expand overseas power plant market, create the core technologies and scale advantages in respect of high-end products such as nuclear power, aviation turbine blade and large turbine blade, dedicated to become the leading domestic specialized manufacturer of top-class large turbine blades and the domestic manufacturer of state-of-art aviation components.

Bearing business: By strengthening the research and development efforts in high-end products as an alternative for imported goods, and focusing on the development of the products such as the railway cargo bearings, automobile bearings, aviation and aerospace miniature bearings, and high-end medical equipment bearings, the Group sets to create a competitive advantage in the differentiated market, in line with the goal of becoming one of the high-end bearing specialized manufacturing companies in the PRC.

Cutting tool business: The Group will continue to leverage the channel and network advantages, expand the market share of niche products such as bore machining cutting tools, thread cutting tools, etc., to drive the industrialization process of the numerically controlled tool holders. The Group will concentrate its resources, increase the research and development efforts on the high-end products, such as modern and efficient cutting tools, high performance and high speed steel cutting tools, coated cutting tools and super-hard cutting tools, and enhance the key technology standards in respect of new materials and others. By using the networking technology, the Group will provide the overall cutting technology solutions and product distribution services for the end users. With these measures, the Group will become a national-leading, world-class manufacturer of modernized metal cutting tools.

Fastener business: On top of maintaining export scale and enhancing domestic brand influence, the Group will further explore a successful business mode for the distribution business. By building the self-owned testing and development platform of the fasteners, the Group sets its sights on the high-end manufacturing business of high strength bolt product for engineering field, with an aim to become a brand distributor in the fastener industry and a high-end brand manufacturer in China.

General machinery business: By strengthening its own research and development efforts, the Group strives to expand the market share of the medium and high-end compressors with a higher profit margin, tap into the large-sized reciprocating compressor and high flow diaphragm pump market, and build the brand name of high-end compressor in China. All of these pave the way for the diversification of the Group and for expansion in the main machinery market.

Finally, I would like to take this opportunity to express my gratitude to all the shareholders for their continuous trust and long-term support to the Company, as well as to the board of directors, supervisors, senior management and all staff for their dedicated contribution and devoted hard work. Looking forward, we are confident that the Company will continue to adhere to its prudent and steady approach, leverage on favorable conditions, actively address every challenge, work diligently, develop proactively, and continue to increase the value of the Group, with an aim to reward the shareholders with excellent operating results.

Wang Qiang
Chairman
Shanghai Prime Machinery Company Limited
Shanghai, the PRC
16 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Overview of Major Business Divisions

Set out below are the revenue and segment results for each business division:

	Revenue For the six months ended 30 June		Segment Results For the six months ended 30 June	
(RMB million)	2013	2012	2013	2012
Turbine Blade	**399**	450	**24**	49
Percentage of total	**23%**	23%	**27%**	45%
Bearing	**357**	383	**16**	33
Percentage of total	**21%**	20%	**18%**	30%
Cutting Tool	**298**	357	**39**	45
Percentage of total	**18%**	18%	**43%**	41%
Fastener	**436**	504	**5**	16
Percentage of total	**26%**	26%	**6%**	15%
General Machinery	**201**	241	**5**	(34)
Percentage of total	**12%**	13%	**6%**	-31%
Total	**1,691**	1,935	**89**	109

MANAGEMENT DISCUSSION AND ANALYSIS

Turbine Blade Business

During the six months ended 30 June 2013 (the "Period"), the revenue of turbine blade business amounted to RMB399 million (1H 2012: RMB450 million), representing a decrease of 11% as compared with the corresponding period of last year. The segment results amounted to RMB24 million (1H 2012: RMB49 million), representing a decrease of 51% over the corresponding period of last year. Export sales was RMB113 million (1H 2012: RMB106 million), representing an increase of 7% as compared with the corresponding period of last year.

Bearing Business

During the Period, the revenue of the bearing business was RMB357 million (1H 2012: RMB383 million), representing a decrease of 7% over the corresponding period of last year. The segment results amounted to RMB16 million (1H 2012: RMB33 million), representing a decrease of 52% as compared with the corresponding period of last year. Export sales amounted to RMB64 million (1H 2012: RMB77 million), representing a decrease of 17% over the corresponding period of last year.

Cutting Tool Business

During the Period, the revenue of the cutting tool business was RMB298 million (1H 2012: RMB357 million), representing a decrease of 17% over the corresponding period of last year. The segment results amounted to RMB39 million (1H 2012: RMB45 million), representing a decrease of 13% over the corresponding period of last year. Export sales amounted to RMB8 million (1H 2012: RMB13 million), representing a decrease of 38% over the corresponding period of last year.

Fastener Business

During the Period, the revenue of the fastener business was RMB436 million (1H 2012: RMB504 million), representing a decrease of 13% over the corresponding period of last year. The segment results amounted to RMB5 million (1H 2012: RMB16 million), representing a decrease of 69% over the corresponding period of last year. Export sales amounted to RMB298 million (1H 2012: RMB339 million), representing a decrease of 12% over the corresponding period of last year.

General Machinery Business

During the Period, the revenue of the general machinery business was RMB201 million (1H 2012: RMB241 million), representing a decrease of 17% over the corresponding period of last year. The segment results amounted to RMB5 million (1H 2012: RMB-34 million (due to the one-off expense resulted from layoffs subsidies and losses on disposal of items of property, plant and equipment, the general machinery business have a significant loss in the first half of 2012)), representing an increase of 115% over the corresponding period of last year.

Gross Profit and Gross Profit Margin

During the Period, the gross profit and the gross profit margin of the Group were RMB355 million (1H 2012: RMB346 million) and 21% (1H 2012: 18%) respectively.

Share of Profits and Losses of Associates

During the Period, share of profits of associates of the Group was RMB3 million (1H 2012: RMB9 million).

Finance Costs

During the Period, finance costs amounted to RMB30 million (1H 2012: RMB23 million).

Profit Attributable to Shareholders of the Company

Profit attributable to shareholders of the Company was RMB48 million for the Period (1H 2012: RMB77 million). Basic earnings per share was RMB3.31 cents (1H 2012: RMB5.35 cents).

Cash Flow

As at 30 June 2013, the Group's cash and bank balances were RMB1,187 million (31 December 2012: RMB1,348 million), of which RMB80 million were restricted deposits (31 December 2012: RMB64 million). During the Period, the Group had a net cash outflow from operating activities of RMB108 million (1H 2012: net cash inflow of RMB120 million), a net cash outflow from investing activities of RMB111 million (1H 2012: net cash outflow of RMB118 million), and a net cash inflow from financing activities of RMB14 million (1H 2012: net cash outflow of RMB73 million).

Assets and Liabilities

As at 30 June 2013, the Group had total assets of RMB6,111 million (31 December 2012: RMB6,034 million), representing an increase of RMB77 million as compared with the beginning of the year. Total current assets were RMB3,716 million (31 December 2012: RMB3,526 million), accounting for 61% of the total assets and representing an increase of RMB190 million as compared with the beginning of the year. Total non-current assets were RMB2,395 million (31 December 2012: RMB2,508 million), accounting for 39% of the total assets and representing a decrease of RMB113 million as compared with the beginning of the year.

As at 30 June 2013, the Group had total liabilities of RMB2,874 million (31 December 2012: RMB2,722 million), representing an increase of RMB152 million over the beginning of the year, of which total current liabilities were RMB2,059 million (31 December 2012: RMB1,891 million), accounting for 72% of total liabilities and representing an increase of RMB168 million as compared with the beginning of the year. Total non-current liabilities were RMB815 million (31 December 2012: RMB831 million), accounting for 28% of total liabilities and representing a decrease of RMB16 million as compared with the beginning of the year.

As at 30 June 2013, the net current assets of the Group were RMB1,657 million (31 December 2012: RMB1,635 million), representing an increase of RMB22 million over the beginning of the year.

Sources of Funding and Indebtedness

As at 30 June 2013, the Group had company bonds, interest-bearing bank and other borrowings with an aggregate amount of RMB937 million (31 December 2012: RMB903 million), representing an increase of RMB34 million as compared with the beginning of the year. The Group had borrowings repayable within one year of RMB443 million (31 December 2012: RMB410 million) and the Group has no borrowing repayable after one year (31 December 2012: nil).

As at 30 June 2013, all company bonds, interest-bearing bank and other borrowings of the Group were interest-bearing at fixed rates.

Gearing Ratio

As at 30 June 2013, the gearing ratio of the Group, which represents the ratio of company bonds, interest-bearing bank and other borrowings to equity attributable to owners of the Company, was 29% (31 December 2012: 28%).

Restricted Deposits

As at 30 June 2013, among the bank deposits of the Group, RMB80 million (31 December 2012: RMB64 million) was restricted deposits.

Pledges of Assets

As at 30 June 2013, save as disclosed above, the Group has no other pledge of assets.

Contingent Liabilities

As at 30 June 2013, the Group has no contingent liabilities (31 December 2012: nil).

Capital Expenditure

The total capital expenditure of the Group during the Period was approximately RMB56 million (1H 2012: RMB73 million).

Foreign Exchange Exposure

The Group uses Renminbi ("RMB") as its reporting currency. Since the beginning of 2013, notwithstanding the mitigated appreciation trend of RMB against the U.S. Dollars, the exchange rates of RMB to other major currencies may still be strong. The appreciation of RMB will, on the one hand, increase the price of the Group's products which are exported to overseas market and may bring negative impact on the Group's export sales, while on the other hand may be favorable to the Group in respect of import of raw material, machineries and equipment from overseas.

In addition, as at 30 June 2013, the Group's bank deposits denominated in foreign currencies comprised of USD0.4 million and EUR0.8 million and JPY144 million. Save as the above, the Group was not exposed to any significant risks related to foreign exchange fluctuations.

Significant Event

The Group did not have any other significant discloseable events during the reporting period.

Employees

As at 30 June 2013, the Group had approximately 3,365 (31 December 2012: 3,727) employees. The Company has short-term and long-term incentive programs to motivate the performance of the staff as well as a series of training programs to facilitate the self-development of the staff.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISORS

The following table sets forth certain information concerning the directors and supervisors of the Company.

There are no family relationships between any director, supervisor or senior management of the Company.

Name	Age	Position
Wang Qiang (Appointed on 22 February 2013)	56	Executive director and chairman
Zheng Yuanhu (Resigned on 22 February 2013)	47	Executive director and chairman
Zhou Zhiyan (Appointed on 14 June 2013)	50	Executive director and vice chairman and chief executive officer
Zhang Jianping	56	Executive director
Xu Chao (Resigned on 14 June 2013)	57	Executive director and vice chairman
Hu Kang (Resigned on 14 June 2013)	50	Executive director and chief executive officer
Zhu Xi	49	Executive director
Sun Wei	43	Executive director
Chen Hui (Appointed on 14 June 2013)	45	Executive director
Chan Chun Hong	49	Independent non-executive director
Ling Hong	52	Independent non-executive director
Li Yin	49	Independent non-executive director
Dong Jianhua (Appointed on 14 June 2013)	48	Supervisor and chairman of the supervisory committee
Yuan Mifang (Resigned on 14 June 2013)	60	Supervisor and chairman of the supervisory committee
Yu Yun	45	Supervisor
Wei Li (Appointed on 14 June 2013)	42	Supervisor
Hu Peiming (Resigned on 14 June 2013)	55	Supervisor

Directors

Wang Qiang, aged 56, is a senior economist and senior political affair officer. He was appointed as an executive director and the chairman of the Company in February 2013. He currently serves as a director, the deputy secretary of committee of Communist Party of China and the executive vice president of Shanghai Electric (Group) Corporation ("Shanghai Electric Corporation") , the deputy secretary of committee of Communist Party of China of Shanghai Electric Group Company Limited, and the secretary of committee of Communist Party of China of Shanghai Electric Assets Management Company Limited. From June 1990 to March 2001, he worked as the deputy director of Cadres Bureau of Shanghai Industry Committee Party of Communist Party of China. From March 2001 to May 2008, he worked as the head of the Human Resources Department, head of Cadres Bureau and the head of Cadres Bureau and Human Resources Department of Shanghai Electric Corporation the deputy secretary of committee of Communist Party of China of Shanghai Electric Group Company Limited and Shanghai Electric Corporation. From May 2008 to February 2011, he worked as the deputy secretary of committee of Communist Party of China and head of Cadres Human Resources Department of Shanghai Electric Corporation, the deputy secretary of committee of Communist Party of China and head of Human Resources Department of Shanghai Electric Group Company Limited and the secretary of committee of Communist Party of China of Shanghai Electric Assets Management Company Limited. Mr. Wang Qiang obtained a postgraduate qualification from the Central Party School of the Communist Party of China majoring in politics.

Zheng Yuanhu, aged 47, is a senior engineer. He was appointed as executive director and chairman of the Company in 2009 and was re-elected and appointed as executive director and chairman of the Company in 2011. Mr. Zheng currently holds various positions including vice president of Shanghai Electric Corporation and executive director of Shanghai Electric Group Assets Operation Company Limited. He has been the vice president of Shanghai Electric Corporation since 2008. Mr. Zheng has acted as president and chairman of Pacific Mechatronic (Group) Co., Ltd. since 2002. During the period from 2003 to 2007, he also served at Shanghai Erfangji Co., Ltd. as chairman. Between 1998 and 2002, Mr. Zheng worked as deputy general manager and financial controller in Shanghai Diesel Engine Co., Ltd. Mr. Zheng graduated from Tianjin University with a bachelor degree in internal combustion engineering in 1988. He also obtained a master degree in business administration from Fudan University in 2001.

Zhou Zhiyan, aged 50, is a senior accountant. He currently serves as the chief executive officer of the Company and was appointed as an executive director and the vice chairman of the Company in June 2013. Mr. Zhou Zhiyan joined Shanghai Electric Corporation and the Company in August 1983 and September 2005 respectively. He served as the chairman of the Board and an executive director from September 2005 to October 2007. Mr. Zhou served as the chief financial officer for one of the business departments of Shanghai Electric Corporation from 1999 to 2000; the vice general accountant of Shanghai Electric Corporation from 2000 to 2003; mainly being the president of Shanghai Electric Industrial Corporation from 2003 to 2009; the head of investment management department, investment director and chief financial officer of Shanghai Electric Assets Management Company Limited from 2004 till now; mainly being the executive vice head of overseas business department and head of financial budget department of Shanghai Electric Corporation from 2009 to 2013. Mr. Zhou Zhiyan graduated from the School of Accounting of Shanghai Industry and Commerce Institute in 1988 majoring in finance and accounting and obtained a master degree in business administration from Shanghai Jiao Tong University in 1994.

Zhang Jianping, aged 56, is a political affair officer. He was appointed as a supervisor of the Company in 2008 and was re-elected and appointed as a supervisor of the Company in 2011.He resigned as a supervisor of the Company effective from December 2012 and was appointed as an executive director of the Company. He worked in Shanghai Tool Work Company Limited ("Shanghai Tool Works") from 1984 to 2003, during which he served as the chairman of the equipment automation labour union as well as the deputy head of workshop one. From 2003 to 2005, he acted as the vice chairman of the labour union of Shanghai Tool Works. He

BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISORS

has been the chairman of the labour union of Shanghai Tool Works from 2005 to 2012 and the vice chairman of the labour union of the Company from 2006 to April 2013. Mr. Zhang graduated from East China University of Political Science and Law with a major in business laws.

Xu Chao, aged 57, is a senior economist. He was appointed as a supervisor and the chairman of the supervisory committee of the Company in 2010, was re-elected and appointed as a supervisor and the chairman of the supervisory committee of the Company in 2011, and was appointed as executive director of the Company in December 2012. Mr. Xu has been the vice president and chief financial officer of Shanghai Electric Assets Management Company Limited since May 2008. He has also been serving as an executive director of Shanghai Electric Industrial Corporation since August 2009. From May 1986 to May 2010, Mr. Xu worked in Shanghai Turbine Works Company Limited and primarily held the positions of chief accountant, financial director, chief financial officer and vice president, etc. Mr. Xu obtained a master degree in business administration from Sino-European International Management Institute in 2000.

Hu Kang, aged 50, is a senior economist. He was appointed as an executive director and the chief executive officer of the Company in 2005 and was re-elected and appointed as an executive director and the chief executive officer of the Company in 2011. He joined Shanghai Electric Corporation in 1982. Since 1996, he has been the factory director of Shanghai Zhenhua Bearing Factory Company Limited, the deputy chief executive officer of Shanghai Bearing (Group) Co., Ltd., the chief executive officer of Shanghai Shangling Electric Company Ltd., and the chief executive officer of the second management department of Shanghai Electric Assets Management Company Limited (one of our promoters). Mr. Hu graduated from Shanghai University of Finance & Economics in 1988 with a degree in statistics and graduated from the Shanghai College of the Chinese Communist Party in 1998 with a major in management. In 2001, he obtained a master degree in business administration from Macau University of Science and Technology.

Zhu Xi, aged 49, is a senior accountant. She was appointed as the executive director of the Company in 2008 and was re- elected and appointed as the executive director in 2011. From 1986 to 1995, she served at the financial department of Shanghai Mechanical and Electrical Industry Administration Bureau. From 2000 to 2004, she was the deputy head of the funding and planning department of Shanghai Electric Corporation . In 2003, she was appointed as the director of Shanghai Electric (Group) Corporation Heng Lian Enterprise Development Limited. In 2004, she was the head of the budget department of Shanghai Electric Corporation . From 2004 to 2005, she served as the deputy head of the asset and finance department of Shanghai Electric Assets Management Company Limited. Ms. Zhu is now the deputy head of financial budget department of Shanghai Electric Corporation as well as the head of the asset and finance department of Shanghai Electric Assets Management Company Limited. She has been serving as the supervisor of Shanghai Automation Instrumentation Co., Ltd. since May 2008. She has been the supervisor of Shanghai Electric Industry Corporation and Shanghai Electric International Fire Protection Equipments Co., Ltd since April 2010. She was appointed as the director of asset financial department of Shanghai Electric Group Company Limited and the director of Shanghai Mechanical And Electrical Industry Co., Ltd in 2012. Ms. Zhu graduated from the department of business management of the adult education college, East China Normal University.

Sun Wei, aged 43, is a senior engineer. He was appointed as an executive director of the Company in 2011. Mr. Sun joined Shanghai Electric Corporation in 1993. From 2003 to 2005, he worked as the deputy chief executive officer of Shanghai Faiveley Transportation Equipment Company Limited. From 2005 to 2010, Mr. Sun worked as the manager of the industrial development department of Shanghai Electric Corporation and the assistant to chief executive officer in Shanghai Rail Traffic Equipment Co., Ltd. From 2006 to 2010, he was promoted to the position of deputy chief executive officer of Shanghai Rail Traffic Equipment Co., Ltd. and chief executive officer of Shanghai Rail Traffic Equipment Co., Ltd. Screen Door Engineering Company. From 2010 till now, he has been working as the deputy head of the strategic planning department of Shanghai Electric Corporation and was promoted to the position of head of strategic planning department in 2011. He has also been serving as a director of the sixth board of directors of Shanghai Highly (Group) Co., Ltd. since 2011. Mr. Sun graduated from Shanghai Jiao Tong University with a double bachelor's degree in industrial management and welding technology and equipment in 1993 and obtained a master degree in project management in 2010.

Chen Hui, aged 45, is an engineer and a senior economist. He was appointed as an executive director of the Company in 2013 and was appointed as the deputy chief executive officer and Board secretary of the Company in 2005 and has been serving as the deputy chief executive officer of the Company till now. From September 2005 to October 2008, he served as an executive director of the Company. He joined Shanghai Electric Corporation in July 1987. From 2002 to 2004, he served as the factory director and was responsible for the management of the bearing business division of Shanghai Electric Corporation before the reorganization. Mr. Chen was also the chief executive officer of Shanghai Electric Bearings Company Limited from 2004 to 2005. Mr. Chen graduated from Shanghai University with a degree in mechanical automation in October 1996 and from the Central College of the Communist Party in 2001 with a bachelor degree in management. He obtained a master degree from Macau University of Science and Technology in 2002.

Chan Chun Hong, aged 49, was appointed as an independent non-executive director of the Company in 2005 and was re-elected and appointed as an independent non-executive director of the Company in 2011. Mr. Chan holds directorships in various listed companies in Hong Kong and is currently the chairman and managing director of China Agri-Products Exchange Limited and PNG Resources Holdings Limited as well as the managing director of Wang On Group Limited and Wai Yuen Tong Medicine Holdings Limited, in which he is responsible for the overall corporate management and supervision. Mr. Chan graduated from Hong Kong Polytechnic University with a bachelor degree in accountancy and is a qualified accountant, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Ling Hong, aged 52, was appointed as an independent non-executive director of the Company in 2010 and was re-elected and appointed as an independent non-executive director of the Company in 2011. He is the head, a professor and tutor of doctoral students of the information management and information system department of the faculty of management in Fudan University. He is also an honorable guest professor of the Faculty of Business and Economics in the University of Hong Kong, an executive member of the council of China Information Economics Society (CIES) and a council member of the China Association for Information Systems, ISWorld (CNAIS). Mr. Ling has been a tutor at the faculty of management in Fudan University since 1984. From August 2001 to December 2001, he was a visiting scholar at the MIT Sloan School of Management in the United States. From August 1998 to February 1999, he was a deputy researcher of information systems at the City University of Hong Kong. Mr. Ling obtained a bachelor degree in computer science and engineering from Tsinghua University in Beijing in 1984 and a doctoral degree in management science from Fudan University in Shanghai in 2000.

Li Yin, aged 49, is a senior engineer. He was appointed as an independent non-executive director of the Company in 2011. He worked as an editor and a reporter for the Chinese Academy of Agricultural Mechanization Sciences Farm Machinery Magazine from 1984 to 1996 as well as the vice president of the Magazine from 1997 to 2001. From 2000 to 2001, Mr. Li served as the Deputy Secretary General of China Construction Machinery Association. He has been working as the head for the China Construction Machinery Magazine and the president of Beijing Green Media Co., Ltd. since 2001. Mr. Li graduated from China Agricultural University in 1984 with a bachelor degree in engineering. In 1996, he carried out further study in strategic manufacturing management for four months at the University of Warwick in Britain.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SUPERVISORS

Supervisors

Dong Jianhua, aged 48, is a senior economist. He was appointed as the chairman of the supervisory committee and a supervisor of the Company in 2013 and joined Shanghai Electric Group Company Limited in December 2010. He is currently the chairman of the supervisory committee of Shanghai Electric Group Company Limited. Mr. Dong Jianhua joined the Shanghai Electric Corporation as the chief financial officer in April 2008. Mr. Dong has extensive experience in internal audit and supervision. Prior to joining Shanghai Electric Corporation, Mr. Dong was the assistant to the head and deputy head of Infrastructure Office of Shanghai Municipal Audit Bureau, deputy head and head of Fixed Assets Investment and Audit Office, as well as head of Audit Office between 1987 and 2008. Mr. Dong has been involved in professional auditing for more than 25 years. Mr. Dong graduated from Shanghai Tongji University with a bachelor's degree in engineering. He also obtained a master degree in business administration from Shanghai Jiao Tong University.

Yuan Mifang, aged 60, is an accountant. He was appointed as an executive director of the Company in 2011, and was appointed as a supervisor of the Comapny in 2012. He joined Shanghai Electric Corporation in 1999. Mr. Yuan worked as the chief finance executive of the electricity transmission and distribution department of Shanghai Electric Corporation from 1999 to 2004 and the chief finance officer of Shanghai Electricity Transmission and Distribution Equipment Company Limited from 1999 to 2001. From 2000 to 2001, Mr. Yuan also served as the vice chairman of Chuanqi (China) Company Limited. Mr. Yuan has been working as the head of audit and inspection office of Shanghai Electric Corporation since 2004 and the head of audit department of Shanghai Electric Corporation since 2007. Since 2009, Mr. Yuan has been a supervisor of the sixth board of supervisors of Shanghai Mechanical & Electrical Industry Co., Ltd. From 2011, Mr. Yuan has also been working as a supervisor and the chairman of the sixth board of supervisors of Shanghai Highly (Group) Co., Ltd. Mr. Yuan graduated from the Evening College of Shanghai University of Finance and Economics with a major in industrial accounting in 1982.

Yu Yun, aged 45, is a political affair officer. He was appointed as a supervisor of the Company in 2012. From 1986 to 2001, he worked as the deputy head of the training division, deputy secretary of the party committee and vice chairman of the labour union of Shanghai Huatong Switch Factory. From 2003 to 2005, he worked as the director of the administration office, vice chairman of the labour union and manager of the human resources department of Shanghai Huatong Switch Co., Ltd. He has been the deputy secretary of committee of Communist Party of China, secretary of the disciplinary committee and chairman of the labour union of Shanghai Tian An Bearing Company Limited since 2005. Mr. Yu obtained a master degree in business administration from Asia International Open University (Macau) in 2007.

Wei Li, aged 42, is an engineer. She is the vice chairlady of the labor union of the Company and was appointed as a supervisor of the Company in 2013. From July 1993 to July 2001, she had been the tutor of the Workers University of Shanghai Machine Tool Works Company Ltd and the secretary of the Basic Organization of Communist Youth League. She has served as the chairlady of the labor union of the Department of the Technical Centre, the head of Information Department of the Technical Centre, the deputy head and head of Party-Masses Relationship, chairlady of the labor union and assistant to the secretary of committee of Communist Party of China of Shanghai Tool Works since July 2001. Ms. Wei Li graduated from the Shanghai Second Polytechnic University, majoring in mechatronic engineering.

Hu Peiming, aged 55, was appointed as a supervisor of the Company in 2005 and was re-elected and appointed as a supervisor of the Company in 2011. Ms. Hu was the deputy chief executive officer of Shanghai Standard Component Import and Export Company Limited and the chairlady of the company's labour union from 1988 to 2005. Ms. Hu graduated from Shanghai College of Electromechanics of the Chinese Communist Party in 1986 with a major in politics and management.

OTHER INFORMATION

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital (%)
Domestic Shares	678,576,184	47.18
H Shares	759,710,000	52.82
Total	1,438,286,184	100

Disclosure of Interests

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

As at 30 June 2013, the following persons had interests of 5% or more in the shares 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, Hong Kong ("SFO"):

Name of substantial shareholder	Class of shares	No. of shares	Notes	Capacity	Nature of interests	Percentage of the relevant class of shares in issue (%)	Percentage of all issued shares (%)
Shanghai Electric (Group) Corporation	Domestic	678,576,184	(1)	Beneficial owner	Long position	100.00	47.18
	H	33,944,000	(1)	Beneficial owner	Long position	4.47	2.36
State-owned Assetts Supervision and Administration Commission of Shanghai Municipal Government	Domestic	678,576,184	(1)	Interest of controlled corporation	Long position	100.00	47.18
	H	33,944,000	(1)	Interest of controlled corporation	Long position	4.47	2.36
Atlantis Capital Holdings Limited	H	81,004,000	(2)	Interest of controlled corporation	Long position	10.66	5.63
Liu Yang	H	81,004,000	(2)	Interest of controlled corporation	Long position	10.66	5.63
Templeton Asset Management Ltd.	H	52,304,000		Investment manager	Long position	6.88	3.64
Government of Singapore Investment Corporation Pte Ltd	H	51,682,052		Investment manager	Long position	6.80	3.59

OTHER INFORMATION

Notes:

(1) State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government was deemed to be interested in the 678,576,184 domestic shares and 33,944,000 H shares of the Company held by Shanghai Electric (Group) Corporation ("Shanghai Electric Corporation") by virtue of its 100% ownership in Shanghai Electric Corporation.

As at 30 June 2013, except for the domestic shares of the Company, Shanghai Electric Corporation has also held 33,944,000 H shares of the Company, representing 4.47% of the H share class and 2.36% of the issued shares of the Company as disclosed by the Shanghai Electric Corporation to the Company. Shanghai Electric Corporation holds 712,520,184 issued shares of the Company in aggregate, representing 49. 54% of the issued shares of the Company.

(2) Atlantis Capital Holdings Limited was wholly owned by Liu Yang. Accordingly, Liu Yang was deemed to be interested in the 81,004,000 H shares of the Company in which Atlantis Capital Holdings Limited had interest.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the shares or underlying shares of the Company as at 30 June 2013 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors', supervisors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 30 June 2013, none of the directors, supervisors or chief executives (as defined in the Rules Groverning the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified by the directors, supervisors or chief executives to the Company and 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 Listing Rules. Also, as at 30 June 2013, no right to acquire the aforementioned interests had been granted to the directors, supervisors or chief executives or their respective associates of the Company.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code. Having made specific enquiry of all directors and supervisors of the Company, the directors and supervisors of the Company have strictly complied with the required standard set out in the Model Code during the six months ended 30 June 2013 (the "Period").

Compliance with Appendix 14 of the Listing Rules

The Company is committed to high standards of corporate governance and has taken measures to comply with the provisions set out in the Corporate Governance Code and Corporate Governance Report set out in the Appendix 14 to the Listing Rules. The board of directors (the "Board") considers that from 1 January 2013 to the date of this report, the Company has complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report, and there have been no material deviations from the Corporate Governance Code.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board does not recommend the payment of interim dividend for the Period.

Audit Committee

The Audit Committee has reviewed with the management and the Company's international auditors, Ernst & Young, the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters (including the review of this Interim Report).

Board of Directors and Supervisory Committee

As at the date of this report, the Board comprises executive directors, namely Wang Qiang, Zhou Zhiyan, Zhang Jianping, Zhu Xi, Sun Wei and Chen Hui, and independent non-executive directors, namely, Chan Chun Hong (Thomas), Ling Hong and Li Yin.

As at the date of this report, the supervisory committee of the Company comprises Dong Jianhua, Yu Yun and Wei Li.

This Interim Report (in both English and Chinese versions) has been posted on the Company's website at http://www.pmcsh.com. Shareholders who have chosen to rely on copies of the Company's corporate communication (including but not limited to annual report and summary financial report (where applicable), interim report, summary interim report (where applicable)), posted on the Company's website in lieu of the printed copies thereof may request the printed copy of the Interim Report. Shareholders who have chosen to receive the corporate communication using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on the Company's website will promptly upon request be sent the Interim Report in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's Corporate Communication by notice in writing to the H Share Registrar and Transfer Office, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the shareholders of
Shanghai Prime Machinery Company Limited
(Established in the People's Republic of China as a joint stock company with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 17 to 36, which comprise the interim condensed consolidated statement of financial position of Shanghai Prime Machinery Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
16 August 2013

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTH ENDED 30 JUNE 2013

	Notes	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
REVENUE	3	1,690,760	1,934,536
Cost of sales		(1,336,182)	(1,588,348)
Gross profit		354,578	346,188
Other income and gains	3	56,265	77,858
Selling and distribution costs		(74,356)	(75,441)
Administrative expenses		(163,797)	(158,183)
Other expenses		(94,991)	(89,511)
Finance costs		(29,631)	(23,264)
Share of profits and losses of associates		2,794	9,392
PROFIT BEFORE TAX	4	50,862	87,039
Income tax expense	5	(2,231)	(9,596)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		48,631	77,443
Profit and total comprehensive income attributable to:			
Owners of the Company		47,572	76,929
Non-controlling interests		1,059	514
		48,631	77,443
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic (RMB cents)			
- For profit for the period		3.31	5.35

Details of the dividends proposed for the interim period are disclosed in note 6 to the unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2013

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,926,799	1,963,206
Prepaid land premiums/land lease payments	8	158,788	160,604
Goodwill		8,818	8,818
Other intangible assets		31,072	30,661
Investments in associates		188,386	185,592
Available-for-sale investments		872	872
Long-term prepayments		343	87,188
Deferred tax assets		79,966	70,668
Total non-current assets		2,395,044	2,507,609
CURRENT ASSETS			
Inventories		792,397	823,245
Trade receivables	9	1,066,762	885,089
Bills receivable		487,463	326,853
Prepayments, deposits and other receivables		182,440	142,875
Restricted deposits		79,683	63,909
Cash and cash equivalents	10	1,107,352	1,283,865
Total current assets		3,716,097	3,525,836
CURRENT LIABILITIES			
Trade payables	11	896,390	842,022
Bills payable		282,821	220,134
Tax payable		37,458	39,388
Other payables and accruals		399,640	379,218
Interest-bearing bank and other borrowings		443,182	410,261
Total current liabilities		2,059,491	1,891,023
NET CURRENT ASSETS		1,656,606	1,634,813
TOTAL ASSETS LESS CURRENT LIABILITIES		4,051,650	4,142,422

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 JUNE 2013

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Restated) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		4,051,650	4,142,422
NON-CURRENT LIABILITIES			
Government grants		296,448	317,805
Other long-term payables		16,479	11,785
Company bond		494,016	493,363
Deferred tax liabilities		7,708	7,818
Total non-current liabilities		814,651	830,771
Net assets		3,236,999	3,311,651
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	1,438,286	1,438,286
Reserves		1,763,595	1,805,996
Proposed final dividend		-	31,642
		3,201,881	3,275,924
Non-controlling interests		35,118	35,727
Total equity		3,236,999	3,311,651

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

For the six months ended 30 June 2013

	Attributable to owners of the Company									
	Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Safety fund surplus reserves RMB'000	Surplus reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013										
As previously reported	1,438,286	702,945	(46,202)	5,042	229,363	829,878	31,642	3,190,954	35,727	3,226,681
Acquisition of Dalong Machinery[2]	-	-	153,728	-	-	(68,758)	-	84,970	-	84,970
As restated	1,438,286	702,945	107,526	5,042	229,363	761,120	31,642	3,275,924	35,727	3,311,651
Total comprehensive income for the period	-	-	-	-	-	47,572	-	47,572	1,059	48,631
Appropriation to surplus reserves	-	-	-	1,100	-	(1,100)	-	-	-	-
Final 2012 dividends declared	-	-	-	-	-	-	(31,642)	(31,642)	(1,668)	(33,310)
Acquisition of Dalong Machinery[2]	-	-	(89,622)	-	-	-	-	(89,622)	-	(89,622)
Others	-	-	(351)	-	-	-	-	(351)	-	(351)
At 30 June 2013 (Unaudited)	1,438,286	702,945[1]	17,553[1]	6,142[1]	229,363[1]	807,592[1]	-	3,201,881	35,118	3,236,999

For the six months ended 30 June 2012 (Restated)

	Attributable to owners of the Company									
	Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Safety fund surplus reserves RMB'000	Surplus reserves RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012										
As previously reported	1,438,286	702,945	(48,783)	-	207,129	759,941	54,655	3,114,173	16,604	3,130,777
Acquisition of Dalong Machinery[2]	-	-	153,728	-	-	(42,062)	-	111,666	-	111,666
As restated	1,438,286	702,945	104,945	-	207,129	717,879	54,655	3,225,839	16,604	3,242,443
Total comprehensive income for the period	-	-	-	-	-	76,929	-	76,929	514	77,443
Final 2011 dividends declared	-	-	-	-	-	-	(54,655)	(54,655)	-	(54,655)
Others	-	-	517	-	-	-	-	517	-	517
At 30 June 2012 (Unaudited)	1,438,286	702,945	105,462	-	207,129	794,808	-	3,248,630	17,118	3,265,748

1 These reserve accounts comprise the consolidated reserves of RMB1,763,595,000 (31 December 2012: RMB1,805,996,000) in the unaudited interim condensed consolidated statement of financial position.

2 On 18 January 2013, the Group acquired 100% equity interests in Shanghai Dalong Machinery Works Company Limited ("Dalong Machinery") under common control from Shanghai Electric (Group) Corporation ("Shanghai Electric Corporation"), at cash considerations of RMB89,622,000.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	(107,782)	119,723
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(111,287)	(117,633)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	14,288	(73,498)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(204,781)	(71,408)
Cash and cash equivalents at beginning of period	1,081,439	922,935
Effect of foreign exchange rate changes, net	(1,600)	(433)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	875,058	851,094
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	397,547	386,944
Non-restricted deposits with original maturity of less than three months when acquired	477,511	464,150
Cash and cash equivalents as stated in the statement of cash flows	875,058	851,094

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2013

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and in compliance with the Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").The interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the 2012 Annual Report of Shanghai Prime Machinery Company Limited (the "Company") and its subsidiaries (the "Group").

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's 2012 Annual Report, except for the changes in accounting policies as set out in the note below.

The interim condensed consolidated financial statements comprise the interim financial statements of the Company and its subsidiaries as at and for the period ended 30 June 2013. The interim financial statements of the subsidiaries and a jointly-controlled entity are prepared for the same reporting period as the Group, using consistent accounting policies.

Changes in accounting policies and disclosures

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), which are generally effective for accounting periods beginning on or after 1 January 2013. The Group has adopted the following new and revised HKFRSs issued up to 30 June 2013 which are pertinent to its operations and relevant to these interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 *Amendments*	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ("OCI")*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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

1. BASIS OF PREPARATION SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	*Amendments to* HKFRS 10, HKFRS 12 *and* HKAS 27 (2011) – *Investment Entities*[1]
HKAS 32 Amendments	*Amendments to* HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	*Impairment of Assets – Recoverable amount disclosures for Non–financial Assets*[1]
HKAS 39 Amendments	*Amendments to HKAS 39– Novations of Derivatives and Continuation of Hedge Accounting*[1]
HK (IFRIC)-Int 21	*Levies*[1]

1 effective for annual periods beginning on or after 1 January 2014

2 effective for annual periods beginning on or after 1 January 2015

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the"Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantity the effect in conjunction with other phases, when the final standard including all phases is issued.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9, rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10 upon adoption on 1 January 2014.

1. BASIS OF PREPARATION SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of issued but not yet effective HKFRSs (continued)

HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

Subsequent to the issuance of HKFRS 13 *Fair Value Measurement*, an amendment has been made to HKAS 36 *Impairment of Assets* which requires the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal. The amendment is not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

HK(IFRIC)-Int 21 *Levies* addresses how an entity should account for liabilities to pay for levies imposed by governments, other than income taxes, in its financial statements. The principal question raised is about when the entity should recognize a liability to pay a levy. The interpretation is not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(i) the bearing segment is engaged in the production and sale of bearings;

(ii) the turbine blade segment is engaged in the production and sale of turbine blades;

(iii) the cutting tool segment is engaged in the production and sale of cutting tools;

(iv) the fastener segment is engaged in the production and sale of fasteners; and

(v) the general machinery segment is engaged in the production and sale of general machinery; and

(vi) "others" refers to investment in an associate, which is engaged in the production and sale of carbolic products, and trading activities carried out by the Company.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude corporate and other unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude corporate and other unallocated head office liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2013 (Unaudited)	Bearing RMB'000	Turbine blade RMB'000	Cutting tool RMB'000	Fastener RMB'000	General machinery RMB'000	Others RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	356,628	398,777	297,780	436,873	200,702	-	1,690,760
Segment results	15,479	23,764	39,398	5,285	5,469	-	89,395
Reconciliation:							
Interest and dividend income and unallocated gains							5,794
Corporate and other unallocated expenses							(17,490)
Finance costs							(29,631)
Share of profits and losses of associates	(1,508)	-	(969)	-	-	5,271	2,794
Profit before tax							50,862
Segment assets	1,359,880	2,542,251	649,784	994,734	449,705	826,503	6,822,857
Reconciliation:							
Elimination of intersegment receivables							(1,470,846)
Investments in associates	91,558	-	18,804	-	-	78,024	188,386
Corporate and other unallocated assets							570,744
Total assets							6,111,141
Segment liabilities	384,895	1,265,089	152,745	502,378	360,247	1,236,452	3,901,806
Reconciliation:							
Elimination of intersegment payables							(1,470,846)
Corporate and other unallocated liabilities							443,182
Total liabilities							2,874,142

2. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2012 (Unaudited) (Restated)	Bearing RMB'000	Turbine blade RMB'000	Cutting tool RMB'000	Fastener RMB'000	General machinery RMB'000	Others RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	383,158	449,864	357,352	503,422	240,740	-	1,934,536
Segment results	32,757	49,006	45,499	16,112	(34,748)	-	108,626
Reconciliation:							
Interest and dividend income and unallocated gains							9,170
Corporate and other unallocated expenses							(16,885)
Finance costs							(23,264)
Share of profits and losses of associates	2,342	-	665	-	-	6,385	9,392
Profit before tax							87,039

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the six months ended 30 June 2013 (the "Period"), net of sales taxes and surcharges.

There is no major seasonality for the Group's revenue. An analysis of the Group's revenue, other income and gains is as follows:

3. REVENUE, OTHER INCOME AND GAINS (continued)

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Revenue		
Sales of goods	1,670,319	1,916,760
Rendering of services	20,441	17,776
	1,690,760	1,934,536
Other income		
Dividend income	-	90
Interest income from loans receivable, bank balances and deposits	9,975	8,849
Gross rental income	325	166
Profit on sales of raw materials, spare parts and semi-finished goods	11,181	13,361
Government grant*	28,028	29,596
Technology service income	222	3,690
Others	4,850	3,878
	54,581	59,630
Gains		
Gain on disposal of items of property, plant and equipment	904	3,372
Gain on disposal of prepaid land premiums	-	1,991
Gain on write-off of long-aged payables	780	12,865
	1,684	18,228
Total	56,265	77,858

* Various government grants have been received during the six months ended 30 June 2013 and 2012. There are no unfulfilled conditions or contingencies relating to these grants.

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Cost of inventories sold	1,296,205	1,561,379
Cost of services provided	16,065	14,428
Depreciation	85,529	89,009
Amortisation of prepaid land premiums/land lease payments	1,822	1,979
Amortisation of other intangible assets	4,233	2,941
Write-down of inventories to net realisable value	23,912	12,541
Impairment of receivables	24,891	1,639
Impairment of property, plant and equipment	693	-
Research and development costs:		
Current period expenditure	53,886	51,153
Minimum lease payments under operating leases:		
Land and buildings	19,982	15,171
Employee benefits expenses	227,839	235,835
Loss on disposal of items of property, plant and equipment	552	3,899
Foreign exchange differences, net	4,340	269

5. TAX

The Group is subject to the statutory corporate income tax rate of 25% for the Period (six months ended 30 June 2012: 25%) under the income tax rules and regulations of the People's Republic of China (the "PRC").

Four subsidiaries of the Company, namely Shanghai United Bearing Company Limited ("United Bearing"), Shanghai Zhenhua Bearing Factory Company Limited ("Zhenghua Bearing"), Shanghai Tool Works Company Limited ("Tool Works") and Shanghai Fastener and Welding Material Technology Research Centre Company Limited ("Research Centre") were granted the High and New Technology Enterprises ("HNTEs") qualification by the relevant government authority on 20 October 2011 and accordingly are subject to a preferential corporate income tax rate of 15% for the three years ending 31 December 2013.

5. TAX (continued)

Wuxi Turbine Blade Company Limited ("Wuxi Turbine Blade") was granted the HNTEs qualification by the relevant government authority on 6 August 2012 and accordingly is subject to a preferential corporate income tax rate of 15% for the three years ending 31 December 2014.

Dalong Machinery was granted the HNTEs qualification by the relevant government authority on 23 September 2012 and accordingly is subject to a preferential corporate income tax rate of 15% for the three years ending 31 December 2014.

Shanghai Tian An Bearing Company Limited ("Tian An Bearing") was granted the HNTEs qualification by the relevant government authority on 18 November 2012 and accordingly is subject to a preferential corporate income tax rate of 15% for the three years ending 31 December 2014.

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	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Group:		
Current – the PRC/Mainland China		
Charge for the Period	17,090	29,791
Over provision in prior years	(5,451)	(5,253)
Deferred	(9,408)	(14,942)
Total tax charge for the Period	2,231	9,596

The share of tax attributable to associates amounting to RMB1,068,000 (six months ended 30 June 2012: RMB3,440,000) is included in "Share of profits and losses of associates" in the unaudited interim condensed consolidated statement of comprehensive income.

6. DIVIDENDS

The directors do not recommend the payment of interim dividend (six months ended 30 June 2012: Nil).

During the year ended 31 December 2012, the Company had proposed final dividends of RMB2.20 cents per ordinary share, which had been approved by the Company's shareholders in the annual general meeting held on 14 June 2013.

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

The calculation of basic earnings per share amounts for the Period is based on the profit for the Period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the Period.

No diluted earnings per share amounts have been presented for the six months ended 30 June 2013 and 2012 as no diluting events occurred during these periods.

The calculations of basic earnings per share are based on:

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company	47,572	76,929

	Number of shares For the six months ended 30 June	
	2013 (Unaudited) in'000	2012 (Unaudited) in'000
Shares		
Weighted average number of ordinary shares in issue during the Period	1,438,286	1,438,286

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

As at 30 June 2013, the Group had not obtained real estate certificates or building ownership certificates for certain buildings with a total net book value of approximately RMB1,794,000 (31 December 2012: RMB1,891,000).

9. TRADE RECEIVABLES

An ageing analysis of trade receivables as at the end of the reporting period, based on the invoice date, and net of provisions, is as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Restated) RMB'000
Within 3 months	681,054	617,944
Over 3 months but within 6 months	173,604	137,094
Over 6 months but within 1 year	174,409	101,527
Over 1 year but within 2 years	37,253	28,370
Over 2 years	442	154
	1,066,762	885,089

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 for a period of less than three months.

10. CASH AND CASH EQUIVALENTS

The Group's cash and bank balances are denominated in RMB at the end of each reporting period, except for the followings:

	30 June 2013 (Unaudited)		31 December 2012 (Restated)	
	Original currency in'000	RMB equivalent in'000	Original currency in'000	RMB equivalent in'000
Cash and bank balances:				
USD	442	2,732	12,842	80,718
EUR	759	6,116	101	838
JPY	143,919	9,010	4,885	357

11. TRADE PAYABLES

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

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Restated) RMB'000
Within 3 months	666,917	671,334
Over 3 months but within 6 months	107,733	77,105
Over 6 months but within 1 year	90,433	62,957
Over 1 year but within 2 years	26,145	25,590
Over 2 years	5,162	5,036
	896,390	842,022

12. ISSUED CAPITAL

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each, currently not listed				
– State-owned shares	678,576	678,576	678,576	678,576
H shares of RMB1.00 each	759,710	759,710	759,710	759,710
	1,438,286	1,438,286	1,438,286	1,438,286

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

13. ULTIMATE HOLDING COMPANY

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

14. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain land and buildings under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years.

As at 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Restated) RMB'000
Within one year	31,198	17,387
In the second to fifth years, inclusive	43,185	22,279
	74,383	39,666

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had the following commitments as at 30 June 2013:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Restated) RMB'000
Contracted, but not provided for:		
- Land and buildings	45,716	-
- Plant and machinery	95,517	114,972
	141,233	114,972

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 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Purchase of materials from:	(i)		
Associates		44	163
SEC group companies *		4,854	7,194
		4,898	7,357
Sales of goods to:	(i)		
Associates		757	1,550
SEC group companies *		146,755	259,516
		147,512	261,066
Receiving agent services from:	(i)		
SEC group companies*		-	95
Receiving of manpower services from:	(i)		
Ultimate holding company		-	9
Associates		46	67
SEC group companies *		732	1,028
		778	1,104
Rendering of manpower services to:	(i)		
Associates		-	90
Rental fee payable to:	(ii)		
Ultimate holding company		1,200	1,200
SEC group companies *		8,225	11,371
		9,425	12,571
Purchase of items of property, plant and equipment from:	(i)		
SEC group companies *		816	-
Discount of bills receivable to:	(iii)		
SEC group companies*		60,000	43,968

16. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

(i) The sales and purchases of goods and services were conducted in accordance with mutually agreed terms with reference to the market conditions.

(ii) The rental fee was based on mutually agreed terms with reference to market rates.

(iii) The discount of bills receivable was based on mutually agreed terms with reference to market rates.

* SEC group companies are defined as the Group's related companies over which Shanghai Electric Corporation is able to exert control or significant influence.

(b) Other transactions with related parties:

(i) During the Period, one of the SEC group companies leased certain properties to United Bearing for no consideration with an area of 5,560 square meters.

(ii) During the Period, the ultimate holding company leased certain properties to Tool Works and Shanghai High Strength Bolt Company Limited ("Bolt") for no consideration with total area of 34,947 square meters.

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

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Fees	233	242
Short term employee benefits	403	693
Post-employment benefits	36	65
	672	1,000

17. EVENT AFTER THE REPORTING PERIOD

The group did not have significant event after the reporting period.

18. COMPARATIVE AMOUNTS

Due to the business combination under common control, the presentation of certain items and balances in the unaudited interim condensed consolidated financial statements have been restated and presented as if the entities or businesses had been combined as at 1 January 2012. Accordingly, certain comparative amounts have been restated to conform with the current period's presentation.

19. APPROVAL OF THE 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 16 August 2013.