

2015

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)



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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

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Tower One, Lippo Centre,
89 Queensway, Hong Kong

Legal Representative

Wang Qiang

Authorised Representatives

Zhou Zhiyan
Zhang Jianping

Alternative Authorised Representatives

Chan Oi Fat
Li Wai Chung

Company Secretary

Li Wai Chung (Certified Public Accountant)

International Auditors

Deloitte Touche Tohmatsu

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
Level 22, Hopewell Centre, 183 Queen's Road East, 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

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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 (referred to collectively as the "Group") for the first six months ended 30 June 2015 (the "Period") which has been reviewed by Deloitte Touche Tohmatsu.

Business Review

In the first half of 2015, the global economy has shown a sign of periodic and mild recovery despite of some fluctuations and uncertainties. The domestic growth momentum remained weak which imposed downward pressure on China's economy. In 2015, the Group prioritized business synergy and structural adjustment and forged ahead to continually strengthen adjustment. The Group also stepped up efforts to strengthen its major businesses and strive for a new round of development.

During the Period, the Group realized a revenue of RMB3,610 million (1H 2014: RMB1,606 million), representing an increase of 125% as compared with the corresponding period of last year. Profit attributable to owners of the Company for the Period was RMB101 million (1H 2014: RMB38 million), representing an increase of 166% compared with the same period of last year. Total assets of the Group amounted to RMB8,889 million (31 December 2014: RMB9,185 million), representing a decrease of 3% as compared with the beginning of this year.

Preliminary realization of the synergy effect with Nedschroef. The Group completed its acquisition of Nedfast Investment B.V. (together with its subsidiaries, collectively referred to as "Nedschroef") in August 2014. After the post merger integration project in the wake of acquisition and implementation of integration measures in various areas including strategy and structure, operation in China, communication and personnel, and

new sales opportunities, the Group connected and interacted with Nedschroef in various aspects such as management, operation and corporate culture. As a result, Nedschroef was effectively integrated under the Group. In our business, as the strategic investor of Nedschroef, the Group attached much importance to the synergy effect of their cooperation. The fastener business of the Group before acquisition was positioned in a different application field compared with that of Nedschroef. After the acquisition, the Group and Nedschroef extended the coverage of their fastener business through mutual complementation and provide broader product portfolio in the related market. In addition, taking advantage of the geographical distribution and supply and sales channels of each other in the markets of Europe and China respectively, the Group and Nedschroef have further beefed up the market share in China and the export business in Europe in respect of the fastener business.

Strengthen adjustment and focus on main businesses.

After the acquisition of Nedschroef, positioning of the Group on manufacturing and service of basic mechanical parts and components becomes clearer. For the purpose of further concentrating our strengths on main businesses, the Group disposed 20% equity interests of Shanghai Dalong Machinery Factory Company Limited (上海大隆機器廠有限公司) ("Shanghai Dalong") and 65% equity interests of Shanghai Cyeco Environmental Technology Co., Ltd. (上海船研環保技術有限公司) ("Cyeco Environmental") which had minimal synergy with main businesses of the Group in the first half of 2015. In the meantime, to facilitate the development of our bearing sector, the Group acquired 70% of the equities of Shanghai Tianhong Miniature Bearing Co., Ltd. (上海天虹微型軸承有限公司) ("Shanghai Tianhong") in March, which further solidified our production, manufacturing, research and development capabilities in sectors such as precision bearings. Through these structural adjustment, positioning of the Group became more evident and the Group can concentrate more strengths to expand and consolidate its main businesses.

CHAIRMAN'S STATEMENT



Continue to implement the incentive program and strengthen technological innovation. On the basis of incentive programs for cornerstone management personnel in bearing and cutting tools business segments last year, the Group has further expanded the coverage of incentive program to retain core talents, build up excellent management team and further enhance management efficiency and market competitiveness in the first half of 2015. In the meantime, staff benefits were extended in line with the growth of the Group, resulting in a positive cycle of effective internal management and excellent human resources. The bearing and turbine blade business of the Group positively responded to the market demand and sought development via technological innovation. With increasing expenses on technological research and development, the Group attached importance to technical renovation and self-initiated innovation. Improvements in research and development were also made with an emphasis on high-tech products of high added value to capture larger market share and achieve better business performance.

Future Prospects

In the second half of 2015, the Group will continue its main work line to adjust its business structure and beef up synergy and seek for excellence and development. The Group will exert all efforts to develop into a manufacturing and service industrial group of advanced basic mechanical parts and components in the course of globalization.

Adjustment of structure. To achieve further development, the Group will consistently optimize and adjust the structure, which may bring about material change to its development. In the second half of 2015, the Group will follow the overall trend of management reform on state-owned asset/company, optimize the deployment of asset and improve its utilization efficiency through various effective adjustment measures to secure the steady growth of operating results.

CHAIRMAN'S STATEMENT



Strengthening of synergy. The synergy effect between Nedschroef and the Group has started to manifest. As such, in the second half of 2015, the Group will further push forward the deep exchange and cooperation with Nedschroef, accelerate the synergy effect to serve the overall development of the Group.

Acceleration of technological innovation. By taking the opportunity of building Shanghai into a technological innovation center with global influence, the Group will closely follow the customer demand, continue to expand investment on science and technology, quicken the pace of technological innovation to enhance the competitiveness of its products and facilitate a great development.

2015 is still an important year for the Group to transform its development model. By continuous adjustment of structure and beefing up of synergy, the Group will facilitate and stabilize its development with concerted efforts. It will place great emphasis on strengthening assets operation efficiency and facilitating innovation-driven development with an aim to achieving satisfactory development cycle in all aspects of the Group. Hereby I would like to extend my sincere gratitude to all shareholders for their consistent trust and long term support, and to the Board, board of supervisors, senior management and all staffs for their hard work. We firmly believe, the Group will generate more splendid results in the future through consistent efforts and struggle.

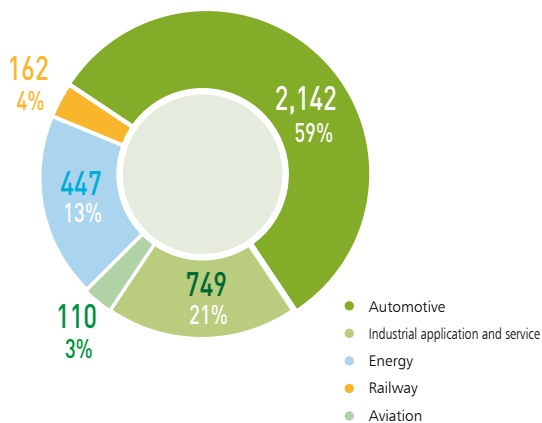
Wang Qiang
Chairman
Shanghai Prime Machinery Company Limited
Shanghai, the PRC
14 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

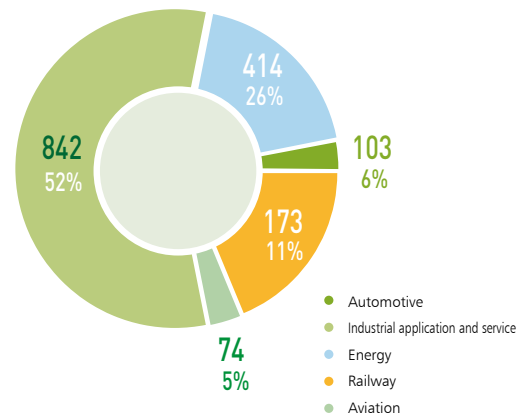
Set out below are the revenue in terms of the business segment

(RMB million)	Revenue	
	For the six months ended 30 June	
	2015	2014
Automotive	2,142	103
Percentage of total	59%	6%
Industrial application and service	749	842
Percentage of total	21%	52%
Energy	447	414
Percentage of total	13%	26%
Railway	162	173
Percentage of total	4%	11%
Aviation	110	74
Percentage of total	3%	5%
Total	3,610	1,606

2015 Revenue (RMB million)



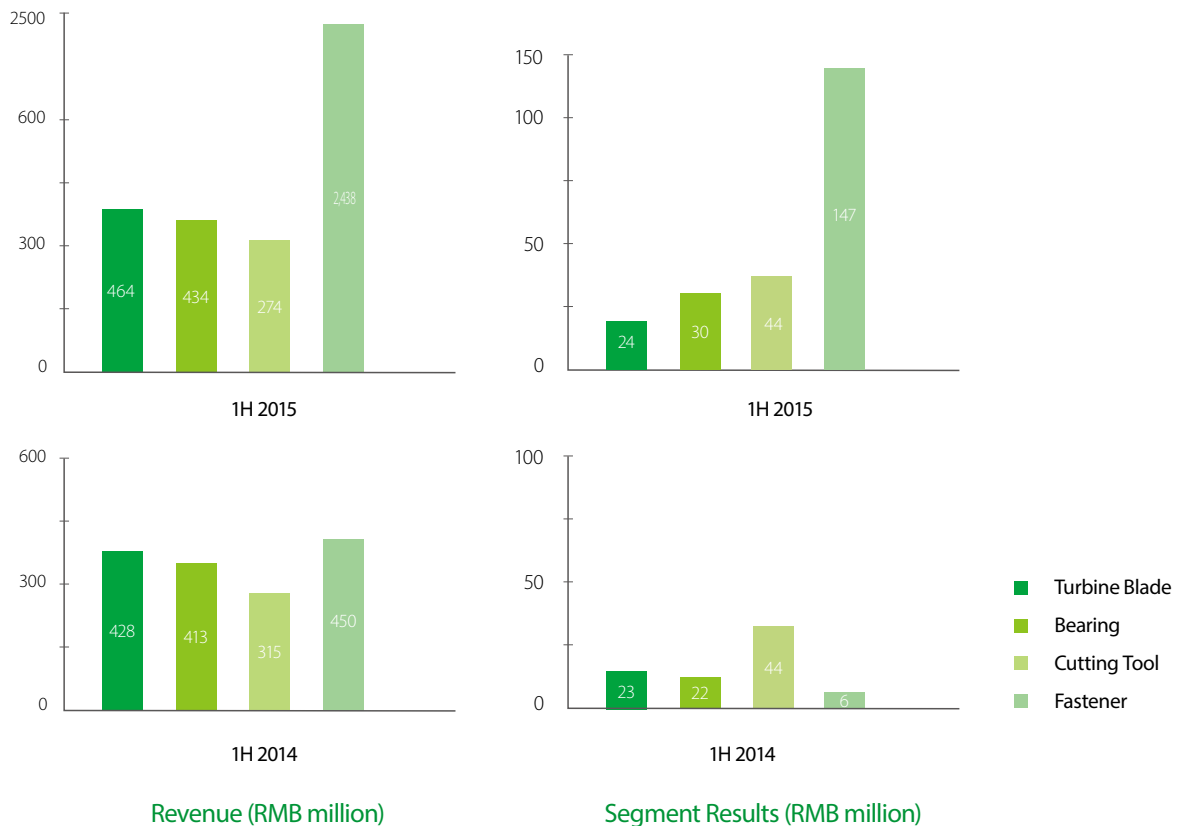
2014 Revenue (RMB million)



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ANALYSIS

Set out below are the revenue and segment results in terms of the product nature:



(RMB million)	Revenue		Segment Results	
	For the six months ended 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
Turbine Blade	464	428	24	23
Percentage of total	13%	27%	10%	24%
Bearing	434	413	30	22
Percentage of total	12%	26%	12%	23%
Cutting Tool	274	315	44	44
Percentage of total	8%	20%	18%	46%
Fastener	2,438	450	147	6
Percentage of total	67%	27%	60%	7%
Total	3,610	1,606	245	95

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING PERFORMANCE BY PRODUCT

Turbine Blade

During the Period, the revenue of the turbine blade amounted to RMB464 million (1H 2014: RMB428 million), representing an increase of 8% as compared with the corresponding period of last year. The segment results amounted to RMB24 million (1H 2014: RMB23 million), representing an increase of 4% over the corresponding period of last year. Overseas sales was RMB149 million (1H 2014: RMB112 million), which represented an increase of 33% as compared with the corresponding period of last year.

Bearing

During the Period, the revenue of the bearing was RMB434 million (1H 2014: RMB413 million), representing an increase of 5% over the corresponding period of last year. The segment results amounted to RMB30 million (1H 2014: RMB22 million), representing an increase of 36% as compared with the corresponding period of last year. Overseas sales amounted to RMB44 million (1H 2014: RMB46 million), representing a decrease of 4% over the corresponding period of last year.

Cutting Tool

During the Period, the revenue of the cutting tool was RMB274 million (1H 2014: RMB315 million), representing a decrease of 13% over the corresponding period of last year. The segment results amounted to RMB44 million (1H 2014: RMB44 million) which showed no change. Overseas sales amounted to RMB14 million (1H 2014: RMB16 million), representing a decrease of 13% over the corresponding period of last year.

Fastener

During the Period, the revenue of the fastener was RMB2,438 million (1H 2014: RMB450 million), representing an increase of 442% over the corresponding period of last year. The segment results amounted to RMB147 million (1H 2014: RMB6 million), representing an increase of 2,350% over the corresponding period of last year.

OPERATING PERFORMANCE BY BUSINESS SEGMENTS

Automotive Business

During the Period, Nedfast Investment B.V. (referred to collectively with its subsidiaries as "Nedschroef"), a supplier of many well-known automobile enterprises acquired by the Company in 2014, is the main revenue contributor to the automotive business of the Company. The revenue of automotive business was RMB2,142 million (1H 2014: RMB103 million), representing an increase of 1,980% over the corresponding period of last year, which accounted for 59% of the total sales revenue of the Company (1H 2014: 6%), representing an increase of 53 percentage points over the corresponding period of last year. The major customers of the automotive business of the Company include Mercedes-Benz, BMW, Audi, Volkswagen and other famous automobile manufacturers.

Industrial Application and Service Business

The industrial application and service business mainly refers to the provision of comprehensive solutions for the manufacturing activities of customers, including innovative products such as numerically controlled cutting tools. Meanwhile, the Company was also committed to carrying out industrial restructuring and facilitating the development of the manufacture-related service industry by leveraging innovative approaches, such as import and export business, electronic business platform, comprehensive supply chains and after-sales services. Due to the decrease of price of the materials, revenue of industrial application and service decreased by 11% to RMB749 million (1H 2014: RMB842 million), which accounted for 21% of the total sales revenue of the Company (1H 2014: 52%).

Energy Business

The energy business includes the new energy business and traditional power station business. The new energy business of the Company mainly includes nuclear power, wind power, gas turbine businesses, etc. During the Period, the revenue of energy business was RMB447 million (1H 2014: RMB414 million), representing an increase of 8% over the corresponding period of last year. The energy business accounted for 13% of the total sales revenue of the Company, among which the revenue of new energy business was RMB154 million, accounting for 34% of segment sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS



Railway Business

In line with the needs of China's railway and metro development, the products of the Company were widely used on freight trains. During the Period, the revenue of railway business was RMB162 million (1H 2014: RMB173 million), representing a decrease of 6% over the corresponding period of last year, which accounted for 4% of the total sales revenue of the Company (1H 2014: 11%).

Aviation Business

Blades, bearings, fasteners and other products of the Company are applied in the aviation area. Our turbine blade segment has become the supplier of Rolls-Royce, and Shanghai Tianhong, which was acquired by the Company in the first half of 2015, also widely produces for aviation companies. During the Period, the revenue of aviation business was RMB110 million (1H 2014: RMB74 million), representing an increase of 49% over the corresponding period of last year, which accounted for 3% of the total sales revenue of the Company (1H 2014: 5%).

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Period, the gross profit and the gross profit margin of the Group were RMB761 million (1H 2014: RMB336 million) and 21% (1H 2014: 21%) respectively.

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

During the Period, share of profits of associates of the Group was RMB10 million (1H 2014: share of losses of associates was RMB6 million).

FINANCE COSTS

During the Period, finance costs amounted to RMB80 million (1H 2014: RMB22 million).

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Period, profit attributable to the owners of the Company was RMB101 million (1H 2014: RMB38 million). Basic earnings per share was RMB7.12 cents (1H 2014: RMB2.61 cents).

CASH FLOW

As at 30 June 2015, the balance of cash and bank deposits of the Group were RMB999 million (31 December 2014: RMB1,122 million), of which RMB50 million were restricted deposits (31 December 2014: RMB87 million). During the Period, the Group had a net cash inflow from operating activities of RMB48 million

MANAGEMENT DISCUSSION AND ANALYSIS

(1H 2014: net cash inflow of RMB33 million), a net cash inflow from investing activities of RMB148 million (1H 2014: net cash inflow of RMB34 million), and a net cash outflow from financing activities of RMB147 million (1H 2014: net cash outflow of RMB61 million).

ASSETS AND LIABILITIES

As at 30 June 2015, the Group had total assets of RMB8,889 million (31 December 2014: RMB9,185 million), representing a decrease of RMB296 million as compared with the beginning of the year. Total current assets were RMB4,683 million (31 December 2014: RMB4,582 million), accounting for 53% of the total assets and representing an increase of RMB101 million as compared with the beginning of the year. Total non-current assets were RMB4,206 million (31 December 2014: RMB4,603 million), accounting for 47% of the total assets and representing a decrease of RMB397 million as compared with the beginning of the year.

As at 30 June 2015, the Group had total liabilities of RMB5,735 million (31 December 2014: RMB5,937 million), representing a decrease of RMB202 million over the beginning of the year, of which total current liabilities were RMB2,901 million (31 December 2014: RMB2,917 million), accounting for 51% of total liabilities and representing a decrease of RMB16 million as compared with the beginning of the year. Total non-current liabilities were RMB2,834 million (31 December 2014: RMB3,020 million), accounting for 49% of total liabilities and representing a decrease of RMB186 million as compared with the beginning of the year.

As at 30 June 2015, the net current assets of the Group were RMB1,782 million (31 December 2014: RMB1,665 million), representing an increase of RMB117 million over the beginning of the year.

SOURCES OF FUNDING AND INDEBTEDNESS

As at 30 June 2015, the Group had company bonds, interest-bearing bank and other borrowings with an aggregate amount of RMB3,102 million (31 December 2014: RMB3,180 million), representing a decrease of RMB78 million as compared with the beginning of the year. The Group had borrowings repayable within one year of RMB171 million (31 December 2014: RMB150 million) and the Group had borrowings repayable after one year of RMB2,931 million (31 December 2014: RMB3,030 million).

GEARING RATIO

As at 30 June 2015, 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 100% (31 December 2014: 101%).

RESTRICTED DEPOSITS

As at 30 June 2015, among the bank deposits of the Group, RMB50 million (31 December 2014: RMB87 million) was restricted deposits.

PLEDGES OF ASSETS

As at 30 June 2015, except for restricted deposit, trade receivables RMB0 million (31 December 2014: RMB16 million) and bills receivable of RMB0 million (31 December 2014: RMB124 million) of the Group and the equity interests held by the Company in certain of its subsidiaries were pledged assets.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group has no contingent liabilities (31 December 2014: nil).

CAPITAL EXPENDITURE

The total capital expenditure of the Group during the Period was approximately RMB117 million (1H 2014: RMB28 million).

FOREIGN EXCHANGE EXPOSURE

The Group uses Renminbi ("RMB") as its reporting currency. To satisfy the capital requirement for project acquisition, the Group borrowed a loan of USD300 million (as at 30 June 2015, the borrowings amounted to USD275 million) from Shanghai Electric (Group) Corporation ("SEG") with a term of 5 years at an interest rate of 3.3% per annum. Therefore, it is likely to face the USD/RMB foreign exchange risk. As the acquired assets of Nedschroef was denominated in Euro while the reporting currency of the Group is RMB, there will be potential foreign exchange risk when preparing consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS

On 6 February 2015, Wuxi Turbine Blade Company Limited (無錫透平葉片有限公司) (“WTB”, as the purchaser) and Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司) (“Shanghai Electric HK”, as the vendor) entered into a sale and purchase agreement, pursuant to which Shanghai Electric HK agreed to sell and WTB agreed to purchase relevant equipment for a cash consideration of approximately CHF1.6 million (equivalent to HK\$13.3 million) to be used for the manufacturing of turbine blades. Such agreement involved connected transaction.

On 6 March 2015, the Company entered into an investment framework agreement with existing shareholders of Shanghai Tianhong, pursuant to which 70% equity interest in Shanghai Tianhong would be acquired at a consideration of RMB20,370,000. As of the date of this announcement, such transaction has been completed.

On 15 May 2015, WTB entered into a technology development agreement with SEG, pursuant to which WTB agreed to provide research and development services to SEG in relation to the development and preparation of nuclear power giant blades and gas turbine blades and other key components for a consideration of RMB60 million. Such agreement involved connected transaction.

On 15 May 2015, the Company entered into a transfer agreement with Shanghai Electric Industrial Company Limited (上海電氣實業有限公司) (“SEI”), pursuant to which the Company agreed to sell 65% equity interests in Cyeco Environmental to SEI for a consideration of RMB198,690,000, and an equity transfer agreement with SEG, pursuant to which the Company agreed to sell 20% equity interests in Shanghai Dalong to SEG for a consideration of RMB22,270,000. Such two transactions involved connected transactions and were approved at the annual general meeting of the Company on 5 June 2015.

On 5 June 2015, the annual general meeting of the Company approved Deloitte Touche Tohmatsu to be engaged as the auditors of the Company for the year of 2015.

EMPLOYEES

As at 30 June 2015, the Group had approximately 4,301 (31 December 2014: 4,332) 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.

INCENTIVE SCHEME

On 30 June 2015, in accordance with the incentive scheme approved by resolution adopted on 17 January 2014, the Company made distribution to eligible participants based on the amounts of profits/shares extractable and actually available for distribution under the operating results of the Group for 2014.



BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning our directors, supervisors and senior management.

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

Name	Age	Position
Wang Qiang	57	Executive director and chairman
Zhou Zhiyan	52	Executive director, vice chairman and general manager
Zhang Jianping	58	Executive director
Zhu Xi	51	Executive director
Sun Wei	45	Executive director
Chen Hui	47	Executive director and deputy general manager
Chan Oi Fat	36	Independent non-executive director
Ling Hong	54	Independent non-executive director
Li Yin	51	Independent non-executive director
Dong Jianhua	50	Supervisor and chairman of the supervisory committee
Yu Yun	46	Supervisor
Wei Li	43	Supervisor
Wang Pin	41	Chief financial officer
Li Wai Chung	37	Vice president, secretary to the Board, company secretary and certified public accountant

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Wang Qiang, aged 57, is a senior economist and senior political affair officer. He was appointed as executive director and chairman of the Company in February 2013 and was re-elected and re-appointed as executive director of the Company in 2014. He currently serves as director and president of SEG, vice chairman of Shanghai Electric Group Company Limited. Mr. Wang Qiang held various positions in his career including principal staff member, deputy section level researcher and deputy director of Cadres Section of Shanghai Industry Party Committee from June 1995 to March 2001, head of Human Resources Department, head of Cadres Section and executive vice president of SEG; head of Human Resources Department, and chairman of labour union of Shanghai Electric Group Company Limited from March 2001 till today. Mr. Wang obtained a postgraduate degree from the Central School of the Communist Party of China majoring in politics.

Zhou Zhiyan, aged 52, is a senior accountant and general manager of the Company. He was appointed as executive director and vice chairman of the Company in 2013 and was re-elected and re-appointed as executive director of the Company in 2014. Mr. Zhou joined SEG in August 1983 and the Company in September 2005. From September 2005 to October 2007, he worked as chairman and executive director of the Company. Mr. Zhou served as chief financial officer for one business department of SEG from 1999 to 2000; deputy chief accountant of SEG from 2000 to 2004; mainly as president of Shanghai Electric Industrial Corporation from 2003 to 2009; head of investment management department, investment director and chief financial officer of Shanghai Electric Assets Management Company Limited from 2004 to 2013; mainly as executive deputy head of overseas business department and head of financial budget department of SEG from 2009 to 2013. Mr. Zhou graduated from the School of Accounting of Shanghai Industry and Commerce Institute in 1988 majoring in finance and accounting and obtained a MBA degree from Shanghai Jiao Tong University in 1992.

Zhang Jianping, aged 58, is a political affair officer. He was appointed as supervisor of the Company in 2008 and was re-elected and re-appointed as supervisor of the Company in 2011. He resigned from supervisor of the Company effective from December 2012 and was appointed as executive director of the Company at the same time. He worked in Shanghai Tool Works from 1984 to 2003, during which he served as chairman of the equipment & power section labour union as well as deputy head of branch one. From 2003 to 2005, he acted as vice chairman of the labour union of Shanghai Tool Works Company Limited. He served as chairman of the labour union of Shanghai Tool Works Company Limited from 2005 to December 2012 and vice chairman of the labour union of the Company from 2006 to 2013. He has been secretary of the Party Committee of the Company since September 2012 and chairman of labour union and secretary of the disciplinary committee of the Party of the Company since August 2013. Mr. Zhang graduated from East China University of Political Science and Law majoring in economic law.

Zhu Xi, aged 51, is a senior accountant. She was appointed as executive director of the Company in 2008 and was re-elected and re-appointed as executive director of the Company in 2011 and 2014. From 1986 to 1995, she served at the financial section of Shanghai Mechanical and Electrical Industry Administration Bureau. From 2000 to 2004, she was deputy head of the funding and planning department of SEG. From 2004 to 2012, she served as head of the budget section, and deputy head of financial budget department of SEG, deputy head and head of the asset and finance department of Shanghai Electric Assets Management Company Limited. From April 2012 to November 2013, she acted as executive deputy head and head of the asset and finance department of Shanghai Electric Group Company Limited. Since May 2013, she has served as director and supervisor of a number of companies. Since November 2013 to now Ms. Zhu has also been serving as the head of the audit department of Shanghai Electric Company Limited, and the head of the audit department, head of office of the supervisory committee and an employee representative supervisor of SEG, and from Feb 2014, as supervisor of Shanghai Electric Transmission & Distribution Group Co., Ltd. From July 2014, as head of the audit department and head of the office of supervisory committee of SEG. From September 2014 as director of Shanghai Electric New Century Co., Ltd. Ms. Zhu graduated from the department of business management of the adult education college, East China Normal University. She also obtained an EMBA degree from Arizona State University of America in June 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Sun Wei, aged 45, is a senior engineer. He was appointed as executive director of the Company in 2011 and was re-elected and re-appointed on that position in 2014. Mr. Sun joined SEG in 1993. From 2003 to 2005, he worked as deputy general manager of Shanghai Faiveley Transportation Equipment Company Limited. From 2005 to 2010, Mr. Sun worked as manager of the industrial development department of Shanghai Electric Group Company Limited and assistant to general manager of Shanghai Rail Traffic Equipment Co., Ltd. From 2006 to 2010, he was promoted to the position of deputy general manager of Shanghai Rail Traffic Equipment Co., Ltd. and general manager of Shielding Door Engineering Company Limited under that company. From 2010 till now, he has been working as deputy head of the strategic planning department of SEG and was promoted to the position of head of strategic planning department in 2011. He concurrently acted as head of the industrial development department of Shanghai Electric Group Company Limited since 2012. He has also been serving as director of Shanghai Highly (Group) Co., Ltd. since 2011. Mr. Sun graduated from Shanghai Jiao Tong University with double bachelor's degree in industrial management, welding technology and equipment in 1993 and obtained a master degree in project management in 2010. He also obtained an EMBA degree from Arizona State University of America in June 2012.

Chen Hui, aged 47, is an engineer and a senior economic engineer. He was appointed as executive director of the Company in 2013 and was re-elected and re-appointed on that position in 2014. In 2005 he was appointed as vice president and secretary to the board of the Company. He is currently vice president of the Company since then. From September 2005 to October 2008, he worked as executive director of the Company. He joined SEG in July 1987. From 2002 to 2004, he served as factory director responsible for management of the bearing business division of SEG before reorganization. Mr. Chen was also president of Shanghai Electric Bearings Company Limited, a holding company of our bearing subsidiaries prior to the reorganization from 2004 to 2005. Mr. Chen graduated from Shanghai University with a degree in mechanical automation in October 1996 and from the Central School of Communist Party in 2001 with a bachelor's degree in management. He obtained a master degree from Macau University of Science and Technology in 2002 and an EMBA degree from Shanghai Jiao Tong University in 2014.

Chan Oi Fat, aged 36, was appointed as an independent non-executive director of the Company in 2014. He is currently chief financial officer and company secretary of Ta Yang Group Holdings Limited (Stock code: 1991) listed on the Main Board of the Stock Exchange in Hong Kong. Mr. Chan has held position in Deloitte Touche Tohmatsu for over eight years. He graduated from The City University of Hong Kong with a bachelor in accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has extensive experience in professional accounting, auditing and corporate financial services.

Ling Hong, aged 54, was appointed as an independent non-executive director of the Company since 2010 and was re-elected and re-appointed as an independent non-executive director of the Company in 2011 and 2014. He is head, professor and tutor of doctoral students of information management and information system department of the faculty of management in Fudan University. He is also an honourable 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 is currently 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 an associate 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 51, is a senior engineer. He was appointed as an independent non-executive director of the Company since 2011 and was re-elected and re-appointed on that position in 2014. He worked as an editor and a reporter for the magazine of Agricultural Machinery of Chinese Academy of Agricultural Mechanization Research from 1984 to 1996 as well as vice chairman of that magazine from 1997 to 2001. From 2000 to 2001, Mr. Li served as deputy secretary general of China Construction Machinery Association. He has been working as head of China Construction Machinery Magazine and 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, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

Dong Jianhua, aged 50, is a senior economic engineer. He was appointed as chairman of the supervisory committee and supervisor of the Company in 2013 and was re-elected and re-appointed as supervisor of the Company in 2014. He joined Shanghai Electric Group Company Limited in 2010 and is chief supervisor of Shanghai Electric Group Company Limited currently. Mr. Dong Jianhua joined SEG as 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 assistant to the head and then deputy head of Infrastructure Office of Shanghai Municipal Audit Bureau, deputy head and then 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. From April 2013 till now, Mr. Dong served as chairman of the supervisory committee of Shanghai Highly (Group) Co., Ltd. and from September 2014 to May 2015, he acted as chairman of the board of directors of Shanghai Electric HK. Mr. Dong graduated from Shanghai Tongji University with a bachelor's degree in engineering. He also obtained a master's degree in business administration from Shanghai Jiao Tong University.

Ms. Wei Li, aged 43, is an engineer. She is vice chairlady of the labour union of the Company and was appointed as supervisor of the Company in 2013. In 2014 she was re-elected and re-appointed as supervisor of the Company. From July 1993 to July 2001, she was tutor and general secretary of the Communist Youth League of the Workers College under the Machine Tool Branch of Shanghai University of Mechanical and Electrical Technology (上海機電工業大學機床分校). She has served as technician, chairlady of the labour union and deputy secretary of the party sub-branch of the Department of the Technical Centre, head of Information Department of the Technical Centre, deputy head and head of Party-Masses Relationship department, chairlady of the labour union, assistant to secretary of the party committee and deputy secretary of the party committee of Shanghai Tool Works Company Limited since July 2001. Ms. Wei graduated from the Shanghai Second Polytechnic University, majoring in mechatronic engineering.

Mr. Yu Yun, aged 46, is a political affair officer. He was appointed as supervisor of the Company in 2012 and was re-elected and re-appointed on that position in 2014. From 1986 to 2001, he worked as deputy head of the training division, deputy secretary of the Youth League and vice chairman of the labour union of Shanghai Huatong Switch Factory. From 2003 to 2005, he worked as director of the GM office, vice chairman of the labour union and manager of the human resources department of Shanghai Huatong Switch Co., Ltd. He has been deputy secretary of Communist Party, secretary of the disciplinary committee of the Party 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.

Senior Management

Wang Pin, aged 41, is a Certified Public Accountant in PRC and a member of the Chinese Institute of Certified Public Accountants. He was appointed as chief financial officer of the Company in 2006. Mr. Wang joined Shanghai Gong Xin Zhong Nan Accounting Firm in 1996 and took the role of lead auditor in auditing annual accounts for our bearing subsidiaries in 2001. Mr. Wang graduated from Shanghai University in 1996.

Li Wai Chung, aged 37, is a member of Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. He was appointed as certified public accountant and secretary of the Company in 2006, and secretary to the board of the Company in 2013 and deputy general manager of the Company in 2014. Prior to joining the Company, Mr. Li worked as auditing manager in Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu in Hong Kong. Mr. Li graduated from the University of Hong Kong with a bachelor degree in business administration (majoring in finance and accounting), and obtained a master degree in business administration (international) from the University of Hong Kong in 2014.

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

Save as disclosed in the section headed "Directors', supervisors' and chief executives' interests and short positions in shares, underlying shares and debentures", as at 30 June 2015, 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") and as notified the Company / to the knowledge of the Company:

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	36,906,000	(2)	Interest of controlled corporation	Long position	4.86	2.57
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	Domestic	678,576,184	(1)	Interest of controlled corporation	Long position	100.00	47.18
	H	36,906,000	(1) (2)	Interest of controlled corporation	Long position	4.86	2.57
GIC Private Limited (formerly known as Government of Singapore Investment Corporation Pte Ltd)	H	44,826,887		Investment manager	Long position	5.90	3.12

Note:

- (1) State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government was deemed to be interested in the 678,576,184 domestic shares of the Company held by Shanghai Electric (Group) Corporation by virtue of its 100% ownership in Shanghai Electric (Group) Corporation.
- (2) Shanghai Electric (Group) Corporation was deemed to be interested in the 36,906,000 H Shares of the Company held by Shanghai Electric Group HONGKONG Company Limited by virtue of its 100% ownership in Shanghai Electric Group HONGKONG Company Limited.

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 2015 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

OTHER INFORMATION

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

As at 30 June 2015, the interests and short positions of the directors, supervisors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) which were required, pursuant to Section 352 of the SFO, to be registered in the register required to be kept by the Company; or (iii) which were required to be notified to the Company or the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Name of director	Class of shares	No. of shares	Note	Capacity	Nature of interests	Approximate percentage of shareholding in the relevant class of shares (%)	Approximate percentage of the total issued share capital of the Company (%)
Zhou Zhiyan	H	392,000	(1)	Beneficial owner	Long position	0.05	0.00
Zhang Jianping	H	392,000	(1)	Beneficial owner	Long position	0.05	0.00
Chen Hui	H	219,500	(1)	Beneficial owner	Long position	0.03	0.00
Wei Li	H	219,700	(1)	Beneficial owner	Long position	0.03	0.00

Note:

(1) Shares were awarded pursuant to the incentive scheme of the Company as adopted on 17 January 2014.

Save as disclosed above, none of the directors, the supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2015 as recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company or the Hong Kong Stock Exchange pursuant to the Model Code.

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 standards set out in the Model Code during the Period.

Compliance With The Corporate Governance Code And The Corporate Governance Report

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 in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of

Hong Kong Limited. The Board considers that from 1 January 2015 to the date of this announcement, the Company has complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report, and there have been no deviations from the Corporate Governance Code.

Purchase, Sale Or Redemption Of Securities Of The Company

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

Interim Dividend

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

OTHER INFORMATION

Audit Committee

The audit committee of the Company has reviewed, with the management of the Company, the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters (including the review of this interim results).

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 Oi Fat, 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 (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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the members of Shanghai Prime Machinery Company Limited

Introduction

We have reviewed the condensed consolidated financial statements of Shanghai Prime Machinery Company Limited (the 'Company') and its subsidiaries (collectively referred to as the 'Group') set out on pages 20 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain 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. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, 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 2400 'Engagements to Review Financial Statements' issued by the Hong Kong Institute of Certified Public Accountants. A review of these 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited and restated) RMB'000
Continuing operations			
Revenue	4	3,609,863	1,606,291
Cost of sales		(2,848,999)	(1,270,340)
Gross profit		760,864	335,951
Other income and other gains and losses	4	54,776	45,398
Selling and distribution expenses		(184,411)	(73,360)
Administrative expenses		(267,891)	(155,726)
Research expenditure		(133,895)	(47,055)
Other expenses		(1,028)	(17,195)
Finance costs		(79,825)	(22,044)
Share of profits (losses) of associates		9,801	(6,265)
Share of loss of a joint venture		(733)	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	157,658	59,704
Income tax expense	6	(51,947)	(10,764)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		105,711	48,940
DISCONTINUED OPERATIONS			
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	20	(4,479)	(11,075)
PROFIT FOR THE PERIOD		101,232	37,865
Profit for the period attributable to owners of the Company		103,794	47,627
– Continuing operations		(2,912)	(10,022)
– Discontinued operations		100,882	37,605
Profit for the period attributable to non-controlling interests		1,917	1,313
– Continuing operations		(1,567)	(1,053)
– Discontinued operations		350	260
		101,232	37,865

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited and restated) RMB'000
OTHER COMPREHENSIVE (EXPENSE) INCOME			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Re-measurement of defined benefit pension plans		6,352	–
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(113,003)	91
Fair value adjustment on forward contract designated as net investment hedge		(21,320)	–
Fair value adjustment on interest rate swap contracts designated as hedging instruments		807	–
Income tax relating to components of other comprehensive expense		269	–
Other comprehensive (expense) income for the period		(126,895)	91
TOTAL COMPREHENSIVE (EXPENSES) INCOME FOR THE PERIOD		(25,663)	37,956
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(26,013)	37,696
Non-controlling interests		350	260
		(25,663)	37,956
EARNINGS PER SHARE			
			8
From continuing and discontinued operation			
Basic (RMB cents)		7.12	2.61
Diluted (RMB cents)		7.12	n/a
From continuing operations			
Basic (RMB cents)		7.33	3.31
Diluted (RMB cents)		7.33	n/a

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited and restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,341,964	2,406,730
Prepaid lease payments		144,576	146,313
Goodwill	10	1,342,943	1,473,545
Intangible assets		31,409	217,052
Investments in a joint venture		2,412	1,484
Investments in associates		167,288	179,727
Available-for-sale investments		872	872
Long-term prepayments		55	572
Deferred tax assets		173,978	176,351
		4,205,497	4,602,646
CURRENT ASSETS			
Prepaid lease payments		3,474	3,474
Inventories		1,515,124	1,457,020
Trade receivables	11	1,420,709	1,268,462
Bills receivable		416,142	501,474
Tax recoverable		1,878	-
Prepayments, deposits and other receivables		327,226	230,022
Restricted deposits		50,189	86,730
Bank balances and cash		948,561	1,035,335
		4,683,303	4,582,517
CURRENT LIABILITIES			
Trade payables	12	1,340,571	1,396,870
Bills payable		289,097	325,047
Other payables and accruals		490,121	471,275
Derivative financial instruments		18,641	3,239
Tax liabilities		75,579	74,352
Government grants		18,686	-
Company bonds	14	496,842	496,117
Bank borrowings	13	171,451	150,455
		2,900,988	2,917,355

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited and restated) RMB'000
NET CURRENT ASSETS		1,782,315	1,665,162
TOTAL ASSETS LESS CURRENT LIABILITIES		5,987,812	6,267,808
NON-CURRENT LIABILITIES			
Shareholder's loan		1,748,328	1,756,735
Bank borrowings	13	685,105	777,046
Government grants		257,582	278,206
Other long-term payables		7,922	18,831
Deferred tax liabilities		36,912	85,547
Post-employment benefits		97,947	103,193
		2,833,796	3,019,558
NET ASSETS		3,154,016	3,248,250
CAPITAL AND RESERVE			
Share capital	15	1,438,286	1,438,286
Reserves		1,666,417	1,703,848
Total equity attributable to owners of the Company		3,104,703	3,142,134
Non-controlling interests		49,313	106,116
		3,154,016	3,248,250

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company													
	Issued capital	Capital reserve	Contributed surplus	Special reserves	Surplus reserves	Hedge reserves	Actuarial reserves	Retained profits	Proposed final dividend	Foreign currency translation difference	Share held for Incentive Scheme (defined in note 16)	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2015 (audited)														
As previously reported	1,438,286	702,945	16,408	-	273,117	(2,429)	11,177	833,226	20,136	(150,732)	-	3,142,134	106,116	3,248,250
Profit for the period	-	-	-	-	-	-	-	100,882	-	-	-	100,882	350	101,232
Other comprehensive income (expense) for the period	-	-	-	-	-	(20,244)	6,352	-	-	(113,003)	-	(126,895)	-	(126,895)
Total comprehensive income (expense) for the period	-	-	-	-	-	(20,244)	6,352	100,882	-	(113,003)	-	(26,013)	350	(25,663)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(2,000)	(2,000)
Final 2014 dividends declared	-	-	-	-	-	-	-	-	(20,136)	-	-	(20,136)	-	(20,136)
Acquisition of Shanghai Tianhong (defined in note 20)	-	-	-	-	-	-	-	-	-	-	-	-	9,223	9,223
Disposal of Cyeco Environmental (defined in note 18)	-	35,752	-	-	-	-	-	-	-	-	-	35,752	(64,376)	(28,624)
Disposal of Dalong Machinery (defined in note 19)	-	(318)	-	-	-	-	-	-	-	-	-	(318)	-	(318)
Purchase of shares for Incentive Scheme (defined in note 16)	-	-	-	-	-	-	-	-	-	-	(26,716)	(26,716)	-	(26,716)
Balance at 30 June 2015 (Unaudited)	1,438,286	738,379	16,408	-	273,117	(22,673)	17,529	934,108	-	(263,735)	(26,716)	3,104,703	49,313	3,154,016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2015

	Attributable to owners of the Company													
	Issued capital	Capital reserve	Contributed surplus	Special reserves	Surplus reserves	Hedge reserves	Actuarial reserves	Retained profits	Proposed final dividend	Foreign currency translation difference	Share held for Incentive Scheme (defined in note 16)	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2014 (audited)														
As previously reported	1,438,286	702,945	17,329	5,491	253,155	-	-	787,182	16,684	-	-	3,221,072	36,006	3,257,078
Profit for the period	-	-	-	-	-	-	-	37,605	-	-	-	37,605	260	37,865
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	91	-	91	-	91
Total comprehensive income for the period	-	-	-	-	-	-	-	37,605	-	91	-	37,696	260	37,956
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(200)	(200)
Final 2013 dividends declared	-	-	-	-	-	-	-	-	(16,684)	-	-	(16,684)	-	(16,684)
Transfer from retained profits	-	-	-	403	-	-	-	(403)	-	-	-	-	-	-
Acquisition of Cyeco Environmental	-	-	-	-	-	-	-	-	-	-	-	-	80,535	80,535
Disposal of Shanghai Insulating (defined in note 18)	-	-	-	(5,491)	-	-	-	5,491	-	-	-	-	-	-
Balance at 30 June 2014 (Unaudited)	1,438,286	702,945	17,329	403	253,155	-	-	829,875	-	91	-	3,242,084	116,601	3,358,685

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES		47,545	32,894
INVESTING ACTIVITIES			
Interest received		5,517	9,834
Dividend income from available-for-sale investments		-	178
Dividends received from associates		-	4,080
Purchases of items of property, plant and equipment		(117,408)	(26,198)
Proceeds from disposal of items of property, plant and equipment		7,334	6,705
Purchases of other intangible assets		(58)	(5,798)
Acquisition of subsidiaries	21	(13,455)	(119,745)
Acquisition of joint venture		(1,661)	-
Proceeds from disposal of financial product investments		31,000	-
Disposal of subsidiaries	18	59,594	32,120
Settlement in non-restricted deposits with original maturity of over three months when acquired		140,419	133,060
Withdrawal of restricted bank deposits		86,730	-
Placement of restricted bank deposits		(50,189)	-
NET CASH INFLOW FROM INVESTING ACTIVITIES		147,823	34,236
FINANCING ACTIVITIES			
Repurchase of shares for Incentive Scheme		(26,716)	-
New bank borrowings obtained		127,268	83,270
Repayment of bank borrowings		(167,825)	(135,496)
Dividends paid		(3,171)	(10)
Interest paid		(76,304)	(8,743)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(146,748)	(60,979)
NET INCREASE IN CASH AND CASH EQUIVALENTS		48,620	6,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		750,811	703,606
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		5,025	759
CASH AND CASH EQUIVALENTS AT END OF PERIOD		804,456	710,516
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		755,714	507,038
Non-restricted deposits with original maturity of less than three months		48,742	203,478
		804,456	710,516

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 30 June 2015, the Group completed its disposal of the entire 65% equity interest in a subsidiary and entire 20% equity interest in an associate which were engaged in the production and sale of general machinery (the "General Machinery Operations" or "discontinued operations") to its ultimate holding company. Since then, the Group has discontinued the General Machinery Operations and is now principally engaged in the design, production and sale of turbine blade, bearing, fastener and cutting tool and related services. The accompanying condensed consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued business separately. Details of the discontinued operations were set forth in note 20.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except for the first time adoption of accounting policy as described below for the transaction that occurred during the current period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency statements translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five 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 and processing services;
- (iv) the fastener segment is engaged in the production and sale of fasteners and testing services; and
- (v) "Others" refers to the Group's investments in one of the associates, which engages in the production and sale of carbolic products.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

However, in the prior year, the Group also has its reportable and operating segment in the General Machinery Operations, which was discontinued along with Group's disposal of its entire 65% owned subsidiary and a 20% owned associate during the current interim period. Details were set forth in note 20.

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 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 as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales are transacted at prevailing market prices.

Six months ended 30 June 2015 (Unaudited)	Bearing RMB'000	Turbine blade RMB'000	Cutting tool RMB'000	Fastener RMB'000	Others RMB'000	Total RMB'000
Continuing operations						
Segment revenue:						
Sales to external customers	433,382	463,734	274,105	2,438,642	-	3,609,863
Inter-segment sales	592	-	127	-	-	719
Subtotal	433,974	463,734	274,232	2,438,642	-	3,610,582
Segment profit	29,577	23,913	44,151	147,405	-	245,046
Interest and dividend income and unallocated gains						5,047
Corporate and other unallocated expenses						(21,678)
Finance costs						(79,825)
Share of profits of associates	4,804	214	-	-	4,783	9,805
Share of loss of a joint venture	-	-	(733)	-	-	(733)
Profit before tax from continuing operations						157,658

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2014 (Unaudited and restated)	Bearing RMB'000	Turbine blade RMB'000	Cutting tool RMB'000	Fastener RMB'000	Others RMB'000	Total RMB'000
Continuing operations						
Segment income						
Sales to external customers	413,306	428,117	315,078	449,790	-	1,606,291
Inter-segment sales	421	-	-	651	-	1,072
Subtotal	413,727	428,117	315,078	450,441	-	1,607,363
Segment profit	21,758	23,366	44,105	5,744	-	94,973
Interest and dividend income and unallocated gains						8,988
Corporate and other unallocated expenses						(15,948)
Finance costs						(22,044)
Share of profits (losses) of associates	3,893	-	(556)	-	(9,602)	(6,265)
Profit before tax from continuing operations						59,704

4. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

Revenue, which is also the Group's turnover, represents the 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 2015, 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 other gains and losses is as follows:

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited and restated) RMB'000
Revenue		
Sales of goods	3,582,775	1,586,340
Rendering of services	27,088	19,951
	3,609,863	1,606,291

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

4. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES (continued)

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited and restated) RMB'000
Other income		
Interest income from loans receivable, bank balances and deposits	5,047	8,740
Gross rental income	447	1,850
Government grant (note)	15,805	12,130
Compensation income	6,118	975
Technology service income	2,921	5,696
Others	1,517	-
	31,855	29,391
Other gains and losses		
Gain on sales of spare parts and scrap materials	20,030	9,978
Net gain on disposal of items of property, plant and equipment	1,394	1,836
(Provision for) reversal of doubtful debts	(3,662)	3,958
Impairment of property, plant and equipment	(1,109)	(1,079)
Hedge ineffectiveness in net investment hedges	4,595	-
Foreign exchange differences, net	682	811
Gain on disposal of a subsidiary	-	108
Others	991	395
	22,921	16,007
Total	54,776	45,398

Note: The government grants represent the amount received from the local government by the PRC operating entities of the Group. Government grants of approximately (a) RMB8,221,000 (six month ended 30 June 2014: RMB5,116,000) represents incentive received in relation to the unconditional government's immediate financial support for the Group's business development in certain regions in the PRC with no future related costs and (b) RMB7,584,000 (six month ended 30 June 2014: RMB7,014,000) represents subsidy on acquisition of machineries amortised to profit or loss in this period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

5. PROFIT BEFORE TAX

The Group's profit before tax from continuing operation has been arrived at after charging:

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited and restated) RMB'000
Cost of inventories recognised as an expense	2,825,704	1,253,644
Cost of services provided	23,295	16,696
Depreciation	130,930	82,218
Release of prepaid lease payments	1,737	1,737
Amortisation of intangible assets	5,914	4,628
Write-down of inventories to net realisable value (included in cost of sales)	8,649	11,130
Total staff cost (including director's remuneration, other staff cost, and other staff's retirement benefit contribution and Incentive Scheme) (defined in note 16)	622,621	246,229

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited and restated) RMB'000
Income tax expenses comprise:		
PRC enterprise income tax ('EIT')	13,899	24,069
Over provision in prior years	(2,334)	(2,154)
Other jurisdiction	43,194	-
	54,759	21,915
Deferred tax credit	(2,812)	(11,151)
	51,947	10,764

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

6. INCOME TAX EXPENSE (continued)

Certain subsidiaries of the Group obtained "High Technology Enterprise" status for 3 years that entitles them a preferential tax rate of 15%, which will be subject to renewal for another 3 years after the year ending 2016 and 2017 according to PRC Tax Law.

The remaining subsidiaries of the Company established in the PRC are subject to PRC enterprise income tax rate of 25%.

Certain subsidiaries were located in Germany, France, United Kingdom, Netherlands, Spain, Belgium and other regions, of which corporate tax rate are approximately 31%, 33.33%, 20%, 25%, 28%, 33.99% and at a tax rate ranging from 22% to 40%, respectively.

No Hong Kong Profits Tax has been provided as the Group's income neither arises in, nor is derived from Hong Kong during the period (six months ended 30 June 2014: Nil).

7. DIVIDENDS

The board of directors of the Company (the 'Board') does not recommend the payment of interim dividend (six months ended 30 June 2014: Nil) for the current interim period.

During the year ended 31 December 2014, the Company had proposed final dividends of RMB1.40 cents per ordinary share totaling RMB20,136,000, which had been approved by the Company's shareholders in the annual general meeting held on 5 June 2015.

8. EARNINGS PER SHARE

From continuing operations

The calculations of basic and diluted earnings per share attributable to owners of the Company are based on:

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited and restated) RMB'000
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company	100,882	37,605
Less: loss for the period from discontinued operations	2,912	10,022
Earnings for the purpose of calculation basic earnings per share from continuing operations	103,794	47,627

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

8. EARNINGS PER SHARE (continued)

The calculations of basic and diluted earnings per share attributable to owners of the Company are based on: (continued)

	For the six months ended 30 June	
	2015 (Unaudited) in'000	2014 (Unaudited and restated) in'000
<u>Number of shares</u>		
Weighted average number of ordinary shares (2014: number of ordinary shares) for the purposes of basic earnings per share	1,416,588	1,438,286
Effect of dilutive potential ordinary shares on shares held under the Incentive Scheme – unvested	30	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,416,618	1,438,286

The weighted average number of ordinary shares shown above has been arrived at after deducting the effect on 23,230,000 shares (30 June 2014: nil) held by TC Capital Management Limited, a trustee company for the Company's Incentive Scheme. No diluted earnings per share amounts have been presented for the six months ended 30 June 2014 as no dilutive potential ordinary shares in issue during last period.

From discontinued operations

Basic loss per share from discontinued operations in both periods is RMB0.21 cents (six months ended 30 June 2014: RMB0.70 cents) per share and diluted earnings per share from the discontinued operations is RMB0.21 cents (six months ended 30 June 2014: n/a) per share, based on the loss for the period from discontinued operations of RMB2,912,000 (six months ended 30 June 2014: RMB10,022,000) and the denominators detailed above for both basic and diluted earnings per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB5,940,000 (six month ended 30 June 2014: RMB4,869,000) for cash proceeds of RMB7,334,000 (six month ended 30 June 2014: RMB6,705,000), resulting in a gain on disposal of RMB1,394,000 (six month ended 30 June 2014: RMB1,836,000).

In addition, during the current interim period, the Group paid approximately RMB59,596,000 (six month ended 30 June 2014: RMB20,843,000) for construction costs and RMB57,812,000 (six month ended 30 June 2014: RMB5,355,000) for acquisition of plant and machinery in order to upgrade its manufacturing capabilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT (continued)

An impairment loss of RMB1,109,000 (six month ended 30 June 2014: RMB1,079,000) was recognised during the current interim period in respect of obsolete production machinery.

As at 30 June 2015, the Group had not obtained real estate title certificates or building ownership certificates for certain buildings with a total net book value of approximately RMB1,163,000 (31 December 2014: RMB381,574,000).

10. GOODWILL

	RMB'000
Cost and carrying value	
At 1 January 2014	8,818
Arising on acquisitions of subsidiaries (note 21)	16,236
At 30 June 2014	25,054
Arising on acquisitions of subsidiaries (note)	1,550,694
Exchange realignment	(102,203)
At 31 December 2014	1,473,545
Arising on acquisitions of subsidiaries (note 21)	23,133
Arising on disposal of subsidiaries	(41,966)
Exchange realignment	(111,769)
At 30 June 2015	1,342,943

Note: The goodwill was resulted from the Group's acquisition of 100% equity interest in Nedfast Investment B.V. ("Nedfast") on 28 August 2014. More details was set forth in the Company's annual report for the year ended 31 December 2014.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

11. 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	944,871	899,793
Over 3 months but within 6 months	219,590	219,461
Over 6 months but within 1 year	181,239	116,241
Over 1 year but within 2 years	28,213	12,288
Over 2 years	46,796	20,679
	1,420,709	1,268,462

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 three to six months.

12. 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	941,034	1,186,749
Over 3 months but within 6 months	193,424	109,885
Over 6 months but within 1 year	154,647	35,196
Over 1 year but within 2 years	43,597	54,065
Over 2 years	7,869	10,975
	1,340,571	1,396,870

13. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB127,268,000 (31 December 2014: RMB1,397,256,000) and repaid RMB167,825,000 (31 December 2014: RMB115,608,000). The loans carry interest at the variable market rates ranging from 3% to 5.9% (31 December 2014: 3% to 5.4%) and are repayable in instalments over a period of 5 years. The proceeds raised during the current interim period were used for general working capital purpose.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

14. COMPANY BONDS

On 31 August 2012, the Company issued a five-year company bond in the principal amount of RMB500,000,000, with an option granted to the bondholders to redeem wholly or partly at 100% of the principal amount exercisable for one time on the third anniversary since the date of issue. The bonds carry interest at a fixed rate of 5.08% per annum for the first three years, with an option granted to the Company to increase the interest rate for one time on the third anniversary since the date of issue. Interest is payable annually on 31 August. The company bond is unsecured and guaranteed by the Group's ultimate holding company.

Subsequent to the current interim period, on 31 July 2015, the Company announced that during the period for the application of redemption from 28 July 2015 to 30 July 2015, the bondholders did not exercise the redemption option, which therefore will be lapsed on 31 August 2015. The Company also announced that the interest rate will be fixed at 5.08% per annum till the end of the maturity date on 31 August 2017. The company bonds will be reclassified to non-current liabilities on 31 August 2015, accordingly.

15. SHARE CAPITAL

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
	Number of share '000	Amount RMB'000	Number of share '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 except for those held by trustee under the Incentive Scheme.

As at 30 June 2015, there was 23,230,000 (31 December 2014: nil) shares of the Company kept in the trustee for the Incentive Scheme, out of which 5,406,000 shares was granted but not yet vested to the participants. Further details are set out in note 16.

16. INCENTIVE SCHEME

On 17 January 2014, an incentive scheme (the "Incentive Scheme") was adopted by the Company. The Incentive Scheme shall be valid and effective for a period of 5 years commencing from the adoption date.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

16. INCENTIVE SCHEME (continued)

Pursuant to the Incentive Scheme, incentives will be awarded to the eligible participants in the form of (i) cash instalments; and (ii) the awarded shares. The Board shall entrust qualified agent(s) to act as trustee(s) under the Incentive Scheme, pursuant to which the shares will be purchased by the trustee(s) from the market out of cash contributed by the Group and to be held in the Trust for eligible participants.

The Incentive Scheme shall be subject to the administration of the Board or its delegated authorities, and the trustee, TC Management Co., Ltd, an independent third party in accordance with the rules governing the operation of the Incentive Scheme and the trust deed. The Board may make cash contributions to the trust as it may determine from time to time.

During the period, the Group purchased 23,230,000 (30 June 2014: nil) shares of the Company for the Incentive Scheme at weighted average price of HK\$1.456 (30 June 2014: n/a). Under the Incentive Scheme, there were total unawarded shares of 17,824,000 (2014: n/a) amounting to HK\$25,951,000 (30 June 2014: nil) held by the trustee at the end of the reporting period.

Details of the movements of shares of the Company awarded to employees and directors of the Company during the period are as follows:

	Number of shares '000
Outstanding at 1 January 2015	-
Awarded during the period	5,406
Vested during the period	-
Outstanding at 30 June 2015	<u>5,406</u>

On 30 June 2015, a total of 5,406,000 shares of the Company had been awarded to the directors of the Company and employees of the Group at no consideration. 30%, 30% and 40% of the awarded shares would be vested after the third, fourth and fifth anniversary of the date of grant if they all remain in office as employees of the Group at that date. The total fair value of the awarded shares determined at the date of grant was HK\$10,921,000 (equivalent to RMB8,612,000), which was determined by reference to the closing share price on that date. No share-based payment in respect of the award shares under Incentive Scheme was recognised as an expense for the period as they were granted on 30 June 2015.

Any dividends declared in respect of the awarded shares held by the trustee during the vesting period belongs to the participants and will be given to them after the vesting period. However, the participants do not have any voting right in respect of the awarded shares during the vesting period.

On 30 June 2015, a total of cash instalments of RMB8,326,000 had been approved to grant to the directors of the Company and employees of the Group under the Incentive Scheme. 50% of the cash instalments would be payable during the year of grant, while the remaining 30% and 20% of the cash instalments would be payable after the first and second anniversary of the date of grant if they all remain in office as employees of the Group at that date. Total staff cost in respect of cash instalments under the Incentive Scheme of RMB5,200,000 was recognised as an expense for the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2015 RMB'000	31 December 2014 RMB'000		
Foreign currency forward contracts classified as derivative financial liabilities in the condensed consolidated statement of financial position	Liability – 18,641	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial liabilities in the condensed consolidated statement of financial position	Nil	Liability – 3,239	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

18. DISPOSAL OF A SUBSIDIARY

For the six months period ended 30 June 2015

On 15 May 2015, the Company entered into a share transfer agreement with Shanghai Electric Industrial Company Limited ("SEI"), a company established in the PRC and wholly-owned by the ultimate holding company of the Company, pursuant to which the Company agreed to sell 65% equity interests in Shanghai Cyeco Technology Co., Ltd ("Cyeco Environmental") to SEI for a final cash consideration of RMB200,305,000, after accounting for certain price adjustment as mutually agreed.

The carrying amounts of the assets and liabilities of Cyeco Environmental as at the date of the disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	2,978
Goodwill	41,966
Intangible assets	171,811
Inventories	7,157
Bills receivable	4,423
Trade receivables	9,250
Prepayments, deposits and other receivables	4,640
Cash and cash equivalents	39,406
Trade payables	(1,490)
Other payables and accruals	(326)
Tax liabilities	(167)
Dividends payable	(8,337)
Deferred tax liabilities	(42,382)
	<hr/>
Net assets disposed of	228,929
	<hr/>
Gain on disposal of a subsidiary	
Consideration received and receivable	200,305
Non-controlling interest	64,376
Net assets disposed of	(228,929)
	<hr/>
Gain on disposal of a subsidiary accounted for as deemed capital contribution and recognized in capital reserve	35,752
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Consideration received and receivable:	
Cash	99,000
Consideration receivable (receivable within 1 year and included in prepayments, deposits and other receivables)	101,305
	<hr/>
	200,305
	<hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

18. DISPOSAL OF A SUBSIDIARY (continued)

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

	RMB'000
Cash consideration	99,000
Cash and cash equivalents disposed of	(39,406)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	59,594

The Group did not incur any significant transaction cost for this disposal transaction.

For the six months period ended 30 June 2014

On 18 February 2014, the Company disposed of its 100% equity interest in Shanghai Electric Insulating Materials Company Limited ("Shanghai Insulating") and transferred its control thereof to Shanghai Xinzhi Investment Company Limited, an independent third party. As a result, the Group deconsolidated Shanghai Insulating since the date of losing control.

Consideration received:

	RMB'000
Cash	37,914

The carrying amounts of the assets and liabilities of Shanghai Insulating as at the date of the disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	13,660
Prepaid land lease payments (including current portion)	7,349
Inventories	7,092
Bills receivable	8,457
Trade receivables	21,289
Prepayments, deposits and other receivables	503
Cash and cash equivalents	5,629
Trade payables	(9,932)
Other payables and accruals	(15,730)
Tax liabilities	(284)
Deferred tax liabilities	(227)
Net assets disposed of	37,806
Gain on disposal of a subsidiary	
Consideration received	37,914
Net assets disposed of	(37,806)
Gain on disposal of a subsidiary	108

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

18. DISPOSAL OF A SUBSIDIARY (continued)

The Company incurred transaction costs of RMB165,000 for this disposal. These transaction costs have been expensed and are included in the condensed consolidated statement of profit or loss and other comprehensive income for the Period.

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

	RMB'000
Cash consideration	37,914
Cash and cash equivalents disposed of	(5,629)
Transaction costs of the disposal	(165)
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Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	32,120

19. DISPOSAL OF AN ASSOCIATE

In the current interim period, on 15 May 2015, the Group disposed of its entire 20% equity interest in Shanghai Dalong Machinery Factory Company Limited ("Dalong Machinery") to SEI, for the final cash consideration of RMB21,922,000 after accounting for certain price adjustment as mutually agreed. The disposal is completed on 30 June 2015.

	RMB'000
Other receivable proceeds	21,922
Less: carrying amount of the 20% investment on the date of loss of significant influence of Dalong Machinery	(22,240)
	<hr/>
Loss on disposal of an associate accounted for as deemed distribution and recognised in capital reserve	(318)

20. DISCONTINUED OPERATIONS

As set out in notes 18 and 19, during the current interim period, the Group disposed of its 65% equity interest in Cyeco Environmental and 20% equity interest in Dalong Machinery to SEI, both of them carried out all the Group's General Machinery Operations. The purpose of the disposal is to generate cash for the expansion of the Group's other businesses. The Group's General Machinery Operations is treated as Discontinued Operations.

Dalong Machinery was previously a 100% owned subsidiary of the Group while 80% equity interest of which was disposed to an independent third party on 31 October 2014, which then became an associate of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

20. DISCONTINUED OPERATIONS (continued)

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Loss of General Machinery Operations for the period	(4,479)	(11,075)
Net gain on disposal of General Machinery Operations accounted for as deemed capital contribution in capital reverse	35,434	n/a

The results of the General Machinery Operations for the current and proceeding interim periods were as follows:

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue	10,610	73,513
Cost of sales	(5,668)	(67,644)
Other income and other gains and losses	700	1,509
Selling and distribution costs	(1,001)	(6,223)
Administrative expenses	-	(7,461)
Research expenditure	(8,753)	(4,769)
Share of loss of an associate	(367)	-
Loss before tax	(4,479)	(11,075)
Income tax expense	-	-
Loss for the period	(4,479)	(11,075)

The amount presented above represented the results of the Group's Discontinued Operations arising from Cyeco Environmental and Dalong Machinery. Dalong Machinery in this current interim period was a 20% owned associate while it was a 100% owned subsidiary in last interim period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY

For the six months period ended 30 June 2015

On 6 March 2015, the Company entered into a share transfer agreement with the certain individual shareholders of Shanghai Tianhong Miniature Bearing Co., Ltd ("Shanghai Tianhong"), independent third parties, pursuant to which these certain individual shareholder transferred collectively 70% equity interest in Shanghai Tianhong to the Company for a total cash considerations of RMB21,520,000. Shanghai Tianhong and its subsidiary were principally engaged in the production and design of high-precision bearings. The acquisition is completed on 31 March 2015.

Consideration transferred

	RMB'000
Consideration satisfied by cash	20,370
Consideration payable (payable within 1 year and included in other payables)	1,150
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Total consideration	21,520

Acquisition-related costs amounting to RMB30,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in 'other expense' line item in the condensed consolidated statement of profit or loss and other comprehensive income for the period.

Assets and liabilities recognised at the date of acquisition

	Fair value recognised on acquisition RMB'000
Current assets	
Inventories	6,435
Bills receivable	2,902
Trade receivables	13,216
Prepayments, deposits and other receivables	599
Bank balances and cash	6,945
Non-current assets	
Property, plant and equipment	5,445
Intangible assets	23,133
Current liabilities	
Trade payables	(585)
Other payables and accruals	(26,539)
Tax liabilities	(808)
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	30,743

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY (continued)

The trade receivables acquired (which principally comprised trade receivables) with a fair value of RMB13,216,000 at the date of acquisition had gross contractual amounts of RMB13,516,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB300,000.

Non-controlling interests

The non-controlling interest 30% in Shanghai Tianhong recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shanghai Tianhong and amounted to RMB9,223,000.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	20,370
Less: cash and cash equivalent balances acquired	(6,945)
Transaction costs of the acquisition	30
	13,455

Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB2,342,000 attributed to Shanghai Tianhong. Revenue for the interim period included RMB8,473,000 is attributed to Shanghai Tianhong.

Had the acquisition of Shanghai Tianhong been effected at the beginning of the interim period, the total amount revenue of Group from continuing operations for six months ended 30 June 2015 would have been RMB3,615,468,000 and the amount of the profit for the interim period from continuing operations would have been RMB107,354,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operating of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the group had Shanghai Tianhong been acquired at the beginning of the interim period, the directors calculated depreciation plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY (continued)

For the six months period ended 30 June 2014

On 31 March 2014, the Company subscribed for the additional registered capital of Cyeco Environmental of RMB1,071,000 at consideration of RMB45,000,000 to hold 17.64% of its equity interest. On 7 May 2014, the Company acquired a total of 47.36% equity interest in Cyeco Environmental held by Ji Ming and Zeng Xiaoyan, independent third parties, at consideration of RMB120,800,000. Upon the acquisition, the Company held 65% equity interest in Cyeco Environmental. Cyeco Environmental is mainly engaged in technology development, transfer and consultation of environmental protection engineering and anti-corrosion and anti-pollution of ships, design and research of electrolytic anti-marine biology device, ship cathodic protection device and ballast water treatment device, sales of ship equipment, parts, instruments and meters and water-based paint, and installation, maintenance and services of ship, electrical and mechanical, chemical engineering and environment protection equipment and projects. The total consideration for the acquisition was settled in cash, with RMB45,000,000 paid on 31 March 2014 and the remaining RMB120,800,000 paid on 7 May 2014.

Consideration transferred

	RMB'000
Total consideration satisfied by cash	165,800

Acquisition-related costs amounting to RMB592,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in 'other expense' line item in the condensed consolidated statement of comprehensive income for the period.

Assets and liabilities recognised at the date of acquisition

	Fair value recognised on acquisition RMB'000
Current assets	
Inventories	2,896
Bills receivable	132
Trade receivables	8,406
Prepayments, deposits and other receivables	372
Bank balances and cash	46,647
Non-current assets	
Property, plant and equipment	1,548
Other intangible assets	180,118
Current liabilities	
Trade payables	(602)
Other payables and accruals	(9,353)
Tax liabilities	(65)
	230,099

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

21. ACQUISITION OF A SUBSIDIARY (continued)

The trade receivables acquired (which principally comprised trade receivables) with a fair value of RMB8,406,000 at the date of acquisition had gross contractual amounts of RMB8,406,000.

Non-controlling interests

The non-controlling interest 35% in Cyeco Environmental recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Cyeco Environmental and amounted to RMB80,535,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	165,800
Plus: non-controlling interests	80,535
Less: recognised amount of identifiable net assets acquired (100%)	(230,099)
Goodwill arising on acquisition	16,236
Consideration paid in cash	165,800
Less: cash and cash equivalent balances acquired	(46,647)
Transaction costs of the acquisition	592
	119,745

Impact of acquisition on the results of the Group

Included in the profit for the six month ended 30 June 2014 is RMB1,673,000 attributed to Cyeco Environmental. Revenue for six month ended 30 June 2014 included RMB3,008,000 is attributed to Cyeco Environmental.

Had the acquisition of Cyeco Environmental been effected at the beginning of the six month ended 30 June 2014, the total amount revenue of Group from discontinuing operations for six months ended 30 June 2014 would have been RMB79,793,000 (unaudited and restated), and the amount of the loss for the interim period from discontinuing operations would have been RMB7,661,000 (unaudited and restated). The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operating of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the group had Cyeco Environmental been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

22. ULTIMATE HOLDING COMPANY

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

23. COMMITMENTS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted, but not provided for:		
- Land and buildings	6,870	2,945
- Plant and machinery	14,027	37,926
	20,897	40,871

24. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Shanghai Electric Corporation, which is a state-owned enterprise subject to the control of the State Council of the PRC Government. The State Council of the PRC Government directly or indirectly controls a significant number of entities through government authorities and other state-owned entities.

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

		For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
	Notes		
Purchase of materials from:	(i)		
Associates		-	430
SEC group companies *		3,469	5,456
		3,469	5,886
Sales of goods to:	(i)		
Associates		-	464
SEC group companies *		219,488	204,501
		219,488	204,965
Receiving of manpower services from:	(i)		
SEC group companies *		65	703
Rental fee payable to:	(ii)		
Ultimate holding company		8,356	7,556
SEC group companies *		1,183	9,158
		9,539	16,714
Discount of bills receivable from:	(iii)		
SEC group companies *		-	25,000

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

24. RELATED PARTY TRANSACTIONS (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 in last period was based on mutually agreed terms with reference to market rates and no such transaction had been carried out during the current period.
- * 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) Transactions and balances with other state-owned entities

The Group enters into extensive transactions covering purchases of materials, property, plant and equipment, receiving of services, sale of goods, rendering of services and making deposits and borrowings with state-owned entities, other than the SEC group companies, in the normal course of business at terms comparable to those with other non-state-owned entities.

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

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Fees	213	188
Short term employee benefits	797	553
Post-employment benefits	99	74
	1,109	815

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation, which in the opinion of the directors, provides for better presentation to the condensed consolidated financial statements.

26. 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 14 August 2015.