



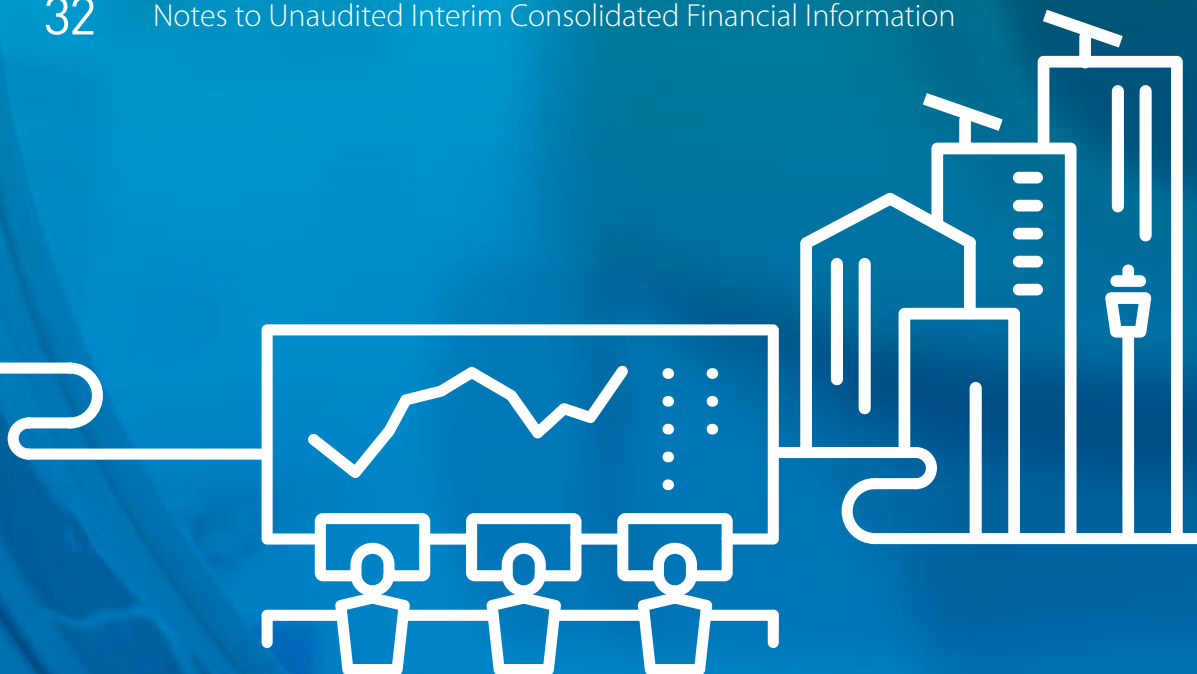
2021 INTERIM REPORT

Shanghai Electric Group Company Limited

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

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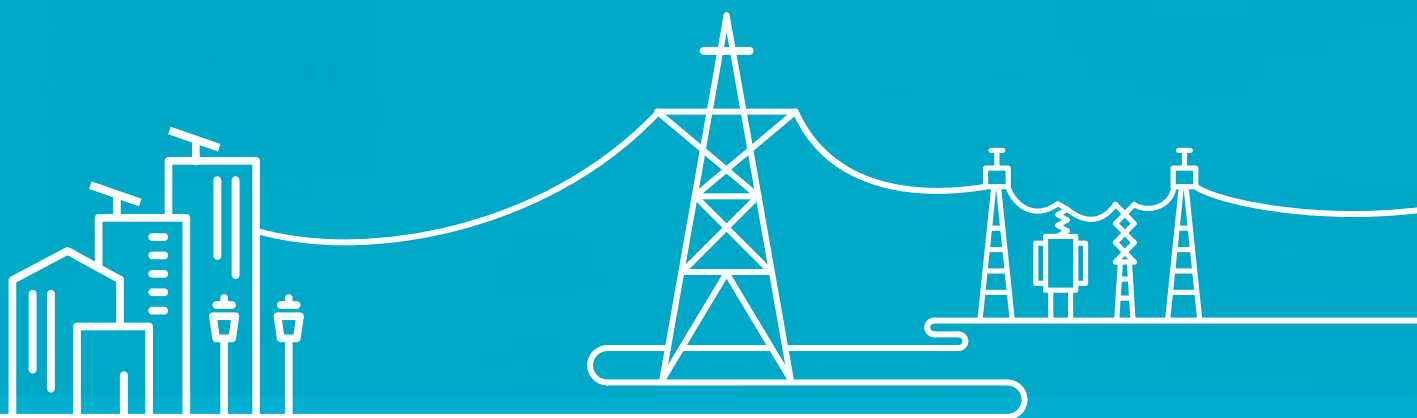
CORPORATE INFORMATION

Legal name in Chinese	上海電氣集團股份有限公司
Legal name in English	Shanghai Electric Group Company Limited
Registered Office	30th Floor, Maxdo Center, 8 Xingyi Road, Shanghai, The People's Republic of China
Postal code	200336
Principal Place of Business in Hong Kong	Rm. 901–903, Tower 2, Lippo Center, No. 89, Queensway, Hong Kong
Company Secretary	Li Chung Kwong Andrew (FCCA, FCPA, FCA, CIA)
Alternate Authorized Representative	Li Chung Kwong Andrew (FCCA, FCPA, FCA, CIA)
Stock Exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited
Abbreviation of H Shares	SH Electric
Stock Code of H Shares	02727
H Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited
Stock Exchange on which A Shares are listed	Shanghai Stock Exchange
Abbreviation of A Shares	上海電氣
Stock Code of A Shares	601727
A Share Registrar and Transfer Office	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Auditors	PricewaterhouseCoopers Zhong Tian (Special General Partnership)
Legal Advisers Appointed by the Company as to PRC Laws	Grandall Law Firm (Shanghai)
Legal Advisers Appointed by the Company as to Hong Kong Laws and U.S. Laws	Clifford Chance

Website	http://www.shanghai-electric.com
Website designated for publishing interim report required by the Stock Exchange of Hong Kong Limited	http://www.hkexnews.hk
Email address	service@shanghai-electric.com
Telephone	+86 (21) 33261888
Fax	+86 (21) 34695780

PERFORMANCE HIGHLIGHTS

- Total revenue of the Company for first half of 2021 reached **RMB62,528 million**, an increase of **17.45%** over the corresponding period of last year
- Loss attributable to owners of the Company for first half of 2021 was **RMB4,971 million**, profit attributable to owners of the Company for the corresponding period of last year was **RMB1,522 million**
- Basic loss per share of the Company for first half of 2021 was **RMB0.32 yuan**, basic earnings per share of the Company for the corresponding period of last year was **RMB0.10 yuan**
- New orders for first half of 2021 amounted to **RMB73.38 billion**, a year-on-year decrease of **27.7%**
- The Board did not recommend the payment of an interim dividend in respect of the Reporting Period



CHAIRLADY'S STATEMENT



Chairlady and CEO
Leng Weiqing

Since the beginning of this year, China has coordinated the overall domestic and international situation, pandemic prevention and control, as well as economic and social development, and effectively implemented macroeconomic policies, thus the economy has continued to recover steadily with improvement, scientific and technological independence and self-reliance have been actively promoted, reform and opening up have been strengthened, people's livelihood has been effectively guaranteed, and new achievements have been made under high-quality development. However, the current pandemic is still evolving globally, the external environment is becoming more complex and severe, thus the domestic economic recovery is still facing instability and imbalance. From 1 January 2021 to 30 June 2021 (the "Reporting Period"), Shanghai Electric maintained strategic determination and firm confidence in development. Focusing on our core business, we further promoted digital transformation, deepened reform and innovation, and properly responded to risk events while maintaining the overall operating conditions of the Company in a stable and orderly manner.

Results Review

During the Reporting Period, the Company achieved total revenue of RMB62,528 million, representing a year-on-year increase of 17.45%; the net loss attributable to owners of the Company amounted to RMB4,971 million, while the net profit attributable to owners of the Company for the corresponding period of last year was RMB1,522 million, which was mainly a result from the large impairment loss of RMB7,367 million on accounts receivable and inventories of Shanghai Electric Communication Technology Co., Ltd. ("SECT"), a subsidiary of the Company, during the Reporting Period.

During the Reporting Period, the Company obtained new orders in the amount of RMB73.38 billion, representing a year-on-year decrease of 27.7%. In particular, new orders for energy equipment, industrial equipment and integrated services accounted for 43.1%, 31.6% and 25.2% of the total new orders, respectively. As at the end of the Reporting Period, our orders on hand amounted to RMB275.16 billion (with orders in the aggregate amount of RMB68.64 billion not yet coming into effect), representing a decrease of 0.3% from the end of the preceding year. Within the order backlog as at the end of the Reporting Period, orders for energy equipment, industrial equipment and integrated services accounted for 47.5%, 5.6% and 46.9% of the total orders on hand, respectively.

During the Reporting Period, the operation of major business segments of the Group is as follows:

Energy Equipment

Shanghai Electric is the only nuclear power equipment manufacturing conglomerate with a complete industry chain covering main and auxiliary equipment for nuclear and conventional islands and heavy forgings for nuclear power plants while it maintains a leading market share in respect of nuclear island main equipment. During the Reporting Period, as the "national name card" of China's nuclear power to the world, "Hualong One" 's Fuqing Nuclear Power (福清核電) Unit 5, the world's first reactor co-developed by Shanghai Electric, was officially put into commercial operation, symbolizing that China has become one of the few countries in the world with independent third-generation nuclear power technology. We have completed 2 material localization, 5 welding technologies, 4 testing technologies and 7 process technology innovations, and achieved full localization of the manufacturing, processing, assembly and testing of the reactor vessel internals in Fuqing No.5. During the Reporting Period, the first overseas project of China's independent third-generation nuclear power "Hualong One", Unit 2 of Karachi Nuclear Power Plant (卡拉



奇核电站) in Pakistan, was successfully connected to the grid for the first time and completed 100 hours of continuous stability acceptance, officially entering the commercial operation stage. This project is the largest nuclear power project in Pakistan, in which Shanghai Electric has provided "nuclear island reactor vessel internals + conventional island main equipment + other key equipment". As the first overseas 1,000MW nuclear turbine generator project, we applied the advanced and mature low-pressure welded rotor technology to the nuclear turbine generator, breaking through the restriction of rotor forging procurement and promoting the overall localization rate of the turbine generator unit to nearly 100%, which greatly enhanced the core competitiveness of domestic equipment and technology. During the Reporting Period, the delivery was done for the steam generator of Unit 1 of the demonstration project of "Guohe One" designed by Shanghai Nuclear Engineering Institute and developed by Shanghai Electric Nuclear Power Equipment Co., Ltd.. It was the first steam generator with the highest power, the heaviest tonnage and the largest capacity in the world, which was developed and innovated under the national large-scale advanced pressurized water reactor nuclear power plant major project and has independent intellectual property rights. During the Reporting Period, the reactor vessel internals of Unit 1 of the "Guohe One" demonstration project manufactured by Shanghai No.1 Machine Tool Factory were also completed and shipped as scheduled.

During the Reporting Period, the Company received new orders for nuclear power equipment of RMB4.28 billion, representing a year-on-year increase of 52.4%. Our orders on hand for nuclear power equipment by the end of the Reporting Period amounted to RMB24.70 billion, representing an increase of 13.3% from the end of the preceding year.

Shanghai Electric Wind Power Group Co., Ltd. ("SEWP"), a subsidiary of Shanghai Electric, was officially listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange in May 2021. During the Reporting Period, SEWP adhered to the "one body with two wings" layout and took "excel at wind power and go beyond" as the new development concept, under the situation of "rush for installation" and pandemic, the demand for offshore wind power project delivery remained strong. In order to seize the opportunity to maintain the advantages of offshore wind power, SEWP has adopted various measures to more effectively deal with offshore installations, so as to fully mobilize internal resources and make every effort to guarantee project delivery. During the Reporting Period, SEWP established a delivery guarantee team mechanism and implemented operation of a large-scale project system, reasonably planned and actively coordinated delivery resources from various aspects including engineering services, procurement, logistics and manufacturing, so as to effectively alleviating the bottleneck of wind turbine delivery. SEWP has further strengthened plan management and control, clarified the access conditions for project implementation plans, and initiated base

standardized manufacturing system projects to improve the efficiency of each base and increase output. Meanwhile, SEWP established an overall deployment mechanism for personnel covering installation and commissioning, as well as production and manufacturing, in order to effectively alleviate the labor demand for installation and commissioning.

In the field of energy storage, with the goal of becoming a leader in the domestic energy storage industry, we have committed to providing customers with efficient, reliable and customized energy storage solutions. During the Reporting Period, the 1MW/1MWh all-vanadium redox flow battery energy storage power station independently developed and manufactured by Shanghai Electric Energy Storage Technology Co., Ltd. (上海電氣儲能科技有限公司) successfully passed the acceptance inspection in the Wind Power Industrial Park, Haojiang District, Shantou City, Guangdong Province, which, together with wind turbines, rooftop photovoltaic power plants and plant loads, form the "wind-solar load-storage integration" Shanghai Electric Shantou Smart Energy Demonstration Project. During the Reporting Period, the 26MW/13MWh energy storage and frequency regulation project for units 1 and 2 of Yangxi A plant (陽西A廠), which we undertook and commenced construction, entered into commissioning, and upon completion, the large energy storage system can be added to the power grid as a high-performance frequency regulation resources, which significantly improves the frequency regulation performance of power plant units and effectively enhances energy saving and emission reduction on the power generation side. We have completed the supply, installation and commissioning of battery compartment (including BMS system), variable current booster compartment, EMS and other secondary equipment for the State Grid Hunan Comprehensive Energy Yongzhou leech pond 20MW/40MWh new energy supporting electrochemical energy storage power plant project. Through the project, Shanghai Electric provided peak, frequency and voltage regulation services for Hunan power grid in the form of energy storage equipment leasing service for the first time. During the Reporting Period, we inaugurated the Electric Guoxuan R&D center in Nantong with a total area of over 8,000 square meters, which will meet the R&D needs of the whole product chain of Electric Guoxuan energy storage system from materials and cells to structure and battery management system; we cooperated with Dalian Institute of Chemical Physics of Chinese Academy of Sciences to establish PEM (polymer electrolyte) electrolytic water hydrogen production technology R&D center, and both parties will commence cooperation on the whole industry chain of hydrogen energy, chemical energy storage, coal chemical industry, flue gas treatment and other aspects, which will accelerate our technological progress and industrial layout in the field of electrolytic water hydrogen production and promote the industrialization demonstration of advanced hydrogen production technology. As a leading enterprise in lithium battery smart production equipment, Shenzhen Yinghe Technology Co., Ltd., controlled by the Company,

CHAIRLADY'S STATEMENT

has strong research and development innovation capability and high quality delivery capability with industry-leading products performance and quality, and it has developed good market position and brand advantages, acquiring recognition from CATL, LG and BYD and other domestic and overseas enterprises, with continuous increase in market share and brand advantages.

During the Reporting Period, we received new orders for energy storage equipment of RMB2.88 billion, representing a year-on-year increase of 145.0%. Our orders on hand for energy storage equipment by the end of the Reporting Period amounted to RMB3.08 billion, representing an increase of 78.7% from the end of the preceding year.

In the field of coal-fired power equipment, our coal-fired power equipment business aimed to continuously improve product technology and service levels and maintained leading position in the domestic market for high-efficiency coal-fired units. During the Reporting Period, we signed the Huaneng North Dalat Power Plant Phase V 1×1000MW boiler equipment, which is one of the 5 GW power source point projects planned to be built in Inner Mongolia for self-consumption of coal power, and is both the first 1000 MW unit of Huaneng North Company (華能北方公司) and the first thermal power project with a single unit capacity of 1000 MW in Western Inner Mongolia Power Grid (蒙西電網); we signed a contract with Jiangsu Sheyang Harbor Power Generation Co., Ltd. (江蘇射陽港發電有限責任公司) of Jiangsu Guoxin Group (江蘇國信集團) for supply of the three main equipment for the expansion project of Sheyang Port 2×1000 MW coal-fired power generating units, which will provide positive and important thrust to promote the shutdown of units of 300 MW and below in Jiangsu province, and build a resource-saving and environmental friendly society; we have won bids for boiler equipment for the 2×1000 MW new construction project of National Energy Hunan Yueyang Power Plant (湖南岳陽電廠) and the steam turbine and turbine generator equipment for Hubei Energy Xiangyang Yicheng (湖北能源襄陽宜城) 2×1000 MW project. During the Reporting Period, we won contracts for three main equipment for the 3×380 MW thermal power generation construction project of Qingshan Steel in Indonesia and 2×65 MW turbine generator sets for Phase I of Tuas IWMF waste-to-energy project in Singapore.

During the Reporting Period, we received new orders for coal-fired power equipment of RMB5.95 billion, representing a year-on-year increase of 112.6%. Our orders on hand for coal-fired power equipment by the end of the Reporting Period amounted to RMB47.01 billion, representing a decrease of 16.2% from the end of the preceding year.

In the field of gas-fired power generation equipment, we have achieved the coverage of full industrial chains including the design, manufacturing, repairing, services, consultancy and other

businesses on gas turbines. During the Reporting Period, six units of the 2×390MW class gas-steam combined cycle generating unit construction project of Dongguan Shenzhen Energy Zhangyang Power Co., Ltd. (東莞深能源樟洋電力有限公司), the Phase II Expansion F-class Gas Turbine Cogeneration Project of Zhangjiagang Huaxing Jincheng Power Co., Ltd. (張家港華興金城電力有限公司), and the 2×400MW class gas-fired cogeneration project of Jiangsu Zhenjiang Gas Thermal Power Co., Ltd. (江蘇鎮江燃氣熱電有限公司), smoothly passed the 168 hours trial operation. Our gas turbine business has entered a period of stable development.

During the Reporting Period, the Company received new orders for gas-fired power generation equipment of RMB2.83 billion, representing a year-on-year decrease of 11.8%. Our orders on hand for gas-fired power generation equipment by the end of the Reporting Period amounted to RMB12.80 billion, representing an increase of 10.3% from the end of the preceding year.

In the field of grid and industrial intelligent power supply system solutions, we aim to build to become an integrated and intelligent comprehensive solution provider and industry benchmark, improve the level of digitalization so as to realize the strategic transformation from a product manufacturer to an energy service provider. During the Reporting Period, we won the bid of China National Chemical Corporation Ltd. for the energy conservation and emission reduction promotion project, an electrical wire and cable procurement project of annual 4,600 tonnes of special fluorine-containing electronic gas construction; successfully completed the communication cable supply project for Finnish Viking Shipping Company's 2,800 passenger cruise line type Ro-ro passenger ships. During the Reporting Period, our digital production line for power transmission and distribution equipment as well as expansion of high-end products production were successively launched, which would effectively improve the production capacity and efficiency, including the 12kV digital production line project of subordinate Shanghai Dahua Electric Equipment Co., Ltd., the industrial heating cable project and single pair ethernet production line project for new energy vehicles communication of subordinate Zhangjiagang Twentsche Cable Co., Ltd.. During the Reporting Period, Shanghai Electric Power Transmission & Distribution Testing Centre Co., Ltd., a subsidiary of the Company, completed the acceptance test for major ability construction of "252 kV and below power transmission and distribution equipment research and development test platform construction", with platform detection capability obtaining the national level authorization, which plays an important role in enhancing high quality development of national electrical products, accelerating the construction of the smart grid, and promoting new energy. The E-cloud system of transmission and distribution independently developed by Shanghai Electric Transmission and Distribution Group has been officially launched. The E-cloud system will provide a powerful information platform support for the digital

and intelligent upgrade of power transmission and distribution equipment and the development of comprehensive energy business.

During the Reporting Period, we acquired new orders for grid and industrial intelligent power supply system solutions of RMB4.88 billion, representing a year-on-year increase of 14.0%. At the end of the Reporting Period, our orders on hand for grid and industrial intelligent power supply system solutions amounted to RMB4.51 billion, representing an increase of 33.7% from the end of the preceding year.

Industrial Equipment

In the field of elevator equipment, Shanghai Mitsubishi Elevator Co., Ltd. actively promotes the two-wheel drivers centered "product + service", takes high quality as its differentiated competitive advantage, and interpreting intrinsic qualities including smart products, smart manufacturing, smart services, smart management and smart monitoring to promote and lead the digital transformation of enterprises. During the Reporting Period, the domestic elevator industry was affected by factors including high prices of raw materials and overcapacity, which led to intensified competition, and the elevator industry exhibited an all-round competition pattern in terms of price, quality, delivery time and service. Shanghai Mitsubishi Elevator Co., Ltd. actively invested in the livelihood project of elevator installation for old buildings, and actively explored and launched the full life cycle service of "one-stop elevator installation service". Relying on mature information technology including the Internet of Things and cloud computing, multi-regional branches of Shanghai Mitsubishi Elevator Co., Ltd. has been included in the list of pilot enterprises for on-demand elevator maintenance. The Beijing Branch of Shanghai Mitsubishi Elevator Co., Ltd. has become the only pilot company in Beijing for elevator self-testing. The on-demand maintenance model will improve maintenance efficiency and increase the profitability of maintenance services. During the Reporting Period, Shanghai Mitsubishi Elevator Co., Ltd. launched the "ten-year extended warranty for five core components" service, which would form a long-term strategic partnership with customers and promote the revenue increase of new elevators and service. During the Reporting Period, the business income of Shanghai Mitsubishi Elevator Co., Ltd. continued to maintain a steady growth, of which the service industry income from installation and maintenance exceeded RMB3.6 billion, accounting for nearly 35% of the operating revenue.

In the field of intelligent manufacturing equipment, we have deepened our industrial collaboration and seized the opportunity of industrial upgrading towards "flexible-manpower-line, unmanned and intelligent" direction. During the Reporting Period, although the aviation and aerospace industry has not yet recovered, Germany Broetje Company sailed against the current in the three major markets including Europe, USA and China. It has won the bids for IPAC integrated automated wall panel assembly units, MPAC gantry-

type multi-wall panel assembly units and aero engine "automatic assembly" projects. During the Reporting Period, the middle-volume T1 demonstration line in the Lingang New Area of Shanghai Pilot Free Trade Zone was fully opened, for which we provided digital rail systems, operation control and management systems, and the digital rail intelligent transportation system (iDRT) developed by Shanghai Electric Group Intelligent Transportation Technology Co., Ltd., a subsidiary of the Company, realized a new mode of transportation featuring "virtual track" and "auto driving", which was our first commercialized project on digital rail transit system.

In the field of industrial basic parts, the Company is mainly engaged in the manufacturing and service of basic mechanical parts, covering four business segments including fasteners, blades, bearings and metal cutting tools. Through the acquisition of Nedschroef, a European fastener manufacturer with a century-old history, the Company has become one of the world's largest fastener suppliers in the automotive industry.

During the Reporting Period, we received new orders for industrial basic parts of RMB4.83 billion, representing a year-on-year increase of 36.3%.

In the field of construction industrialization-prefabricated construction, Shanghai Electric Matechstone Engineering Group Co., Ltd., a subsidiary of the Company, has been constantly developing and innovating to provide customers with green, environment friendly, intelligent and interconnected construction industrialization technology integration and system solutions. During the report period, we won the bid of Chengdu Tianfu Investment Group Co., Ltd. for Yingjing PC factory project of phase I prefabricated industrial base overall solution. The Lingang Production Base of Shanghai Electric Matechstone Engineering Group Co., Ltd. is officially put into operation, which will promote the transformation and upgrade of construction industrialization in Lingang area, implement prefabricated demonstration projects, promote the large-scale application of prefabricated buildings, and promote the construction of Lingang into a comprehensive green new city.

Integrated Services

In the field of energy engineering and services, we continued to cultivate overseas markets and markets in countries along the "One Belt and One Road" initiative and sped up in becoming a leading enterprise in the global energy engineering general contracting industry. During the Reporting Period, we won the bid of the general contracting project of 30 MW distributed wind power project in Chahar Right Front Banner of Inner Mongolia. All 650 MW new energy projects of Xinjiang Zhundong New Energy Base, with Shanghai Electric as main contractor, have been put into commercial operation, including 300 MW wind power project of Dashitou town, 200 MW

CHAIRLADY'S STATEMENT

wind power project of Laojunmiao temple and 150 MW photovoltaic project of Beita Mountain. In the overseas market, we undertook the design and supply of photovoltaic project in Etajima of Japan, and achieved a breakthrough of performance in developed countries. The pile foundation project of Bangladesh Rupsha 800MW gas turbine combined cycle project undertaken by us has officially started construction. This project is the largest gas turbine combined cycle power project in Bangladesh at present, and it is the first time in the country to use air cooling form. It is composed of two large F-class gas turbines and one-plus-one combined cycle power generator sets.

During the Reporting Period, we acquired new orders for energy engineering and services of RMB9.73 billion, representing a year-on-year decrease of 46.8%. At the end of the Reporting Period, our orders on hand for energy engineering and services amounted to RMB105.96 billion, representing a decrease of 7.1% from the end of the preceding year; among which, the overseas orders amounted to RMB55.51 billion, representing a decrease of 20.7% from the end of the preceding year.

In the field of environmental protection engineering and services, we consistently focused on various fields such as power plant environmental protection, solid waste treatment and water treatment. During the Reporting Period, we won the bid for the phase II project of the Second Xinjiang Water Purification Plant in Jinshan District, Shanghai, which is our breakthrough in the field of physical and chemical sewage treatment process design and system integration. We won the order for the general contract project of the spray coating line of the industrial refrigerating unit and the terminal waste gas treatment system of the industrial refrigerating paint room of McQuay Air Conditioning & Refrigeration (Wuhan) Co., Ltd., and realized the upgrade from "waste gas engineering, waste gas and distributed coating production equipment to waste gas and coating production line".

During the Reporting Period, we acquired new orders for environmental protection engineering and services of RMB1.51 billion, representing a year-on-year decrease of 66.2%. At the end of the Reporting Period, our orders on hand for environmental protection engineering and services amounted to RMB9.45 billion, representing a decrease of 13.7% from the end of the preceding year.

In the field of industrial internet, leveraging on "SEunicloud" industrial internet platform, we give play to the advantages of application scenarios and industrial data and provide intelligent application solutions on intelligent production, internet-based coordination, individualized customization and extended services to users, accelerating integrated online and offline development, pushing forward the interactive development between industry chain, value chain and innovation chain. During the Reporting Period, we won the bid of Pingmei Group for new energy big data platform project,

after the completion of the new energy big data platform, it will realize remote monitoring, data analysis and centralized operation management of all the centralized and distributed new energy under Pingmei Group, marking another breakthrough in our overseas digital services in the field of smart energy. During the Reporting Period, we acquired Shanghai Kezhi Electric Automation Co., Ltd. to focus on integrated system solutions, such as intelligent manufacturing and Internet of Things, which will further enhance our integrated digital solution capabilities for industrial Internet business. We set up Shanghai Electric Smart low-carbon Technology Co., Ltd., creating an industrial internet high-tech enterprise to provide digital and energy services in domestic and global energy field as well as around the Shanghai south science and technology center, which focuses on three business of smart energy, smart factory and smart low-carbon.

We continue to enhance the treasury function of financial business and integrates it into the industry's high-quality development strategy to leverage the advantages of financial tools, further provide the Group's industry with comprehensive financial services covering domestic and foreign markets. During the Reporting Period, the first phase of supply chain financial platform of Shanghai Electric was officially launched, realizing one-stop supply chain financial services and helping the industrial supply chain to improve efficiency. Meanwhile, we concentrated resources and strengthened coordination with the Group's industry to formulate targeted comprehensive financial service plans for subsidiaries of the Group.

Outlook

Looking forward to the second half of 2021, we will always adhere to a high degree of organic integration of national interests, corporate interests, employee interests and investor interests while centering on the main responsibilities and main businesses, focusing on innovation-driven, keeping a foothold on the new development stage, implementing new development concepts and serving to build a new development layout. We will adhere to low-carbonization and digitalization as the main line, take smart energy, intelligent manufacturing and smart city as the transformation and development direction to improve the effectiveness of reforms and consolidate the foundation for development, so as to coordinate the development of the main business and risk prevention and control, promote the healthy, innovative and high-quality development of the industry, further creating a new development situation for Shanghai Electric.

Chairlady and CEO

Leng Weiqing

Shanghai, the PRC

27 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company achieved total revenue of RMB62,528 million, representing a year-on-year increase of 17.45%; the net loss attributable to owners of the Company amounted to RMB4,971 million, while the net profit attributable to owners of the Company for the corresponding period of last year was RMB1,522 million, which was mainly a result from the large impairment loss of RMB7,367 million on accounts receivable and inventories of SECT, a subsidiary of the Company, during the Reporting Period.

Principal activities and operation review of the Company

Energy Equipment

In the first half of 2021, the energy equipment segment achieved revenue of RMB28,742 million, representing an increase of 49.0% as compared with the same period last year, mainly attributable to faster growth of wind power equipment business. During the Reporting Period, gross profit margin of the energy equipment segment reached 18.3%, representing a slight increase as compared with the same period last year.

Industrial Equipment

In the first half of 2021, the industrial equipment segment's revenue was RMB20,483 million, representing a slight increase as compared with the same period last year. During the Reporting Period, gross profit margin of the industrial equipment segment was 17.4%, representing an increase of 1.2 percentage points as compared with the same period last year, primarily due to the increase in gross profit margin following the gradual recovery of overseas fastener business.

Integrated Services

In the first half of 2021, the integrated services segment achieved revenue of RMB18,679 million, representing an increase of 4.6% as compared with the same period last year, which was mainly attributable to the increase in revenue of energy engineering and services. During the Reporting Period, gross profit margin of the integrated services segment was 9.1%, representing a decrease of 11.3 percentage points as compared with the same period last year, primarily due to change in gross profit margin structure of energy engineering and services, the significant increase in costs of overseas engineering projects affected by the pandemic.



MANAGEMENT DISCUSSION AND ANALYSIS

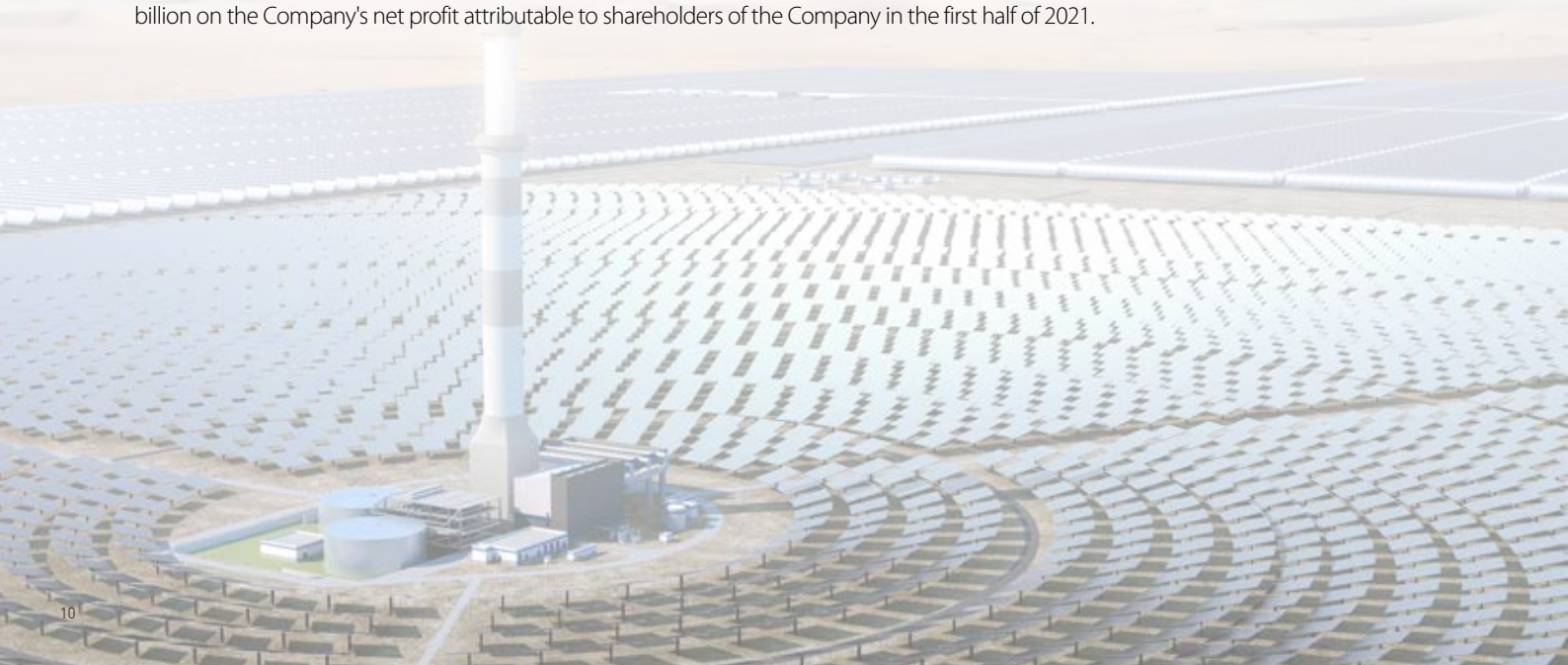
Major Financial Data and Indicators

Unit:'000 Currency: RMB

	As at the end of current Reporting Period	As at the end of last year	Increase/decrease as at the end of the current Reporting Period as compared to the end of last year (%)
Total assets	311,809,081	315,402,734	-1.14
Equity attributable to owners of the Company	63,594,351	66,400,834	-4.23
Net assets per share attributable to owners of the Company (Yuan/share)	4.05	4.38	-7.40

	The Reporting Period (from January to June 2021)	The corresponding period of the last year	Increase/decrease for the current Reporting Period as compared to the corresponding period of the last year (%)
Revenue	62,208,889	52,818,950	17.78
Operating profit	-4,652,268	3,022,176	-253.94
Total profit	-4,525,445	3,086,735	-246.61
Net profit attributable to owners of the Company	-4,970,832	1,522,052	-426.59
Basic earnings per share (Yuan)	-0.32	0.10	-420.00
Weighted average return on net assets (%)	-7.44	2.37	A decrease of 9.81 percentage points
Net cash flow generated from operating activities	-18,635,074	-16,028,231	N/A
Net cash flow per share generated from operating activities (Yuan)	-1.19	-0.98	N/A

The main reason for significant changes in major financial data and indicators of the Report Period compared with the same period last year is that during the Reporting Period, provisions for significant impairment losses on trade receivables and inventories of SECT, a controlled subsidiary of the Company, in the amount of RMB7.367 billion in aggregate were made, resulting in a reduction of RMB6.574 billion on the Company's net profit attributable to shareholders of the Company in the first half of 2021.



Major financial reporting items and Analysis of Changes

Unit: 100 million; Currency: RMB

	January to June 2021	January to June 2020	Year-on-year Change (%)
Revenue	622.09	528.19	17.78
Cost of sales	519.29	426.90	21.64
Selling and distribution expenses	23.97	16.81	42.59
General and administrative expenses	32.76	30.52	7.34
Research and development expenses	21.44	16.93	26.64
Financial expenses	5.52	7.11	-22.36
Net cash flows from operating activities	-186.35	-160.28	N/A
Net cash flows from investing activities	54.03	13.68	294.96
Net cash flows from financing activities	12.11	8.96	35.16

Analyses of Changes

Reason for change in selling and distribution expenses: mainly due to increase in operating income resulting in corresponding increase in product warranty fees.

Reason for change in net cash flows from investing activities: mainly due to decrease in cash paid for investment.

Reason for change in net cash flows from financing activities: mainly due to the receipt of proceeds from offering and listing of SEWP during the period.

Description of significant changes in profits caused by non-principal businesses

Unit: 100 million; Currency: RMB

	Amount	Reason(s) for the incurrence	Recurring or not
Credit impairment loss	-65.61	Mainly due to the provision for individual impairment of trade receivables of SECT of RMB5.452 billion	No
Assets impairment loss	-25.17	Mainly due to the impairment loss of inventory of SECT of RMB1.915 billion.	No

Assets and liabilities

As at 30 June 2021, the Group has total assets of RMB311,809 million (31 December 2020: RMB315,403 million), a decrease of RMB3,594 million, or 1.14%, compared with that of the beginning of the year. Total current assets decreased by RMB6,272 million from the beginning of the year to RMB221,674 million (31 December 2020: RMB227,946 million), accounting for 71.1% of the total assets. Total non-current assets were RMB90,135 million as at 30 June 2021 (31 December 2020: RMB87,457 million), representing an increase of RMB2,678 million from the beginning of the year and accounting for 28.9% of the total assets.

As at 30 June 2021, total liabilities of the Group were RMB207,513 million (31 December 2020: RMB208,553 million), representing a decrease of RMB1,040 million, or 0.50%, compared with that of the beginning of the year. Total current liabilities decreased by RMB9,162

million from the beginning of the year to RMB174,330 million (31 December 2020: RMB183,492 million), whereas total non-current liabilities increased by RMB8,122 million from the beginning of the year to RMB33,183 million (31 December 2020: RMB25,061 million).

As at 30 June 2021, total net current assets of the Group were RMB47,344 million (31 December 2020: RMB44,454 million), representing an increase of RMB2,890 million from the beginning of the year.

Source of Funding and Indebtedness

As at 30 June 2021, the Group had an aggregate amount of bank and other borrowings and bonds of RMB40,236 million (31 December 2020: RMB41,781 million), representing a decrease of RMB1,545 million as compared with that as of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to

MANAGEMENT DISCUSSION AND ANALYSIS

RMB14,449 million, representing a decrease of RMB9,438 million as compared with that as of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB25,787 million, representing an increase of RMB7,893 million as compared with that of the beginning of the year. As at 30 June 2021, among the Group's bank and other borrowings,

(1) The unsecured borrowings borrowings denominated in US dollars amounted to USD238,653,000 in total (31 December 2020: USD297,887,000), equivalent to RMB1,541,722,000 (31 December 2020: RMB1,943,683,000); borrowings denominated in Euros amounted to EUR525,659,000 in total (31 December 2020: EUR369,224,000), equivalent to RMB4,040,320,000 (31 December 2020: RMB2,963,025,000); borrowings denominated in Hong Kong dollars amounted to HKD548,500,000 in total (31 December 2020: HKD548,500,000), equivalent to RMB456,396,000 (31 December 2020: RMB461,640,000).

(2) The secured bank borrowings borrowings denominated in Euros amounted to EUR15,963,000 (31 December 2020: EUR6,224,000), equivalent to RMB45,833,000 (31 December 2020: RMB49,947,000);

(3) The bank guaranteed borrowings borrowings denominated in US dollars amounted to USD169,135,000 (31 December 2020: USD177,375,000), equivalent to RMB1,092,629,000 (31 December 2020: RMB1,157,354,000); borrowings denominated in Euros amounted to EUR16,000,000 (31 December 2020: EUR109,497,000), equivalent to RMB122,979,000 (31 December 2020: RMB878,715,000).

(4) All other bank and other borrowings of the Group are denominated in RMB.

Pledge of Assets

As at 30 June 2021, the Group's bank deposits amounted to RMB1,469 million (31 December 2020: RMB1,119 million), receivable financing amounted to RMB511 million (31 December 2020: RMB350 million), and certain property and equipment with a carrying amount of RMB1,284 million (31 December 2020: RMB1,257 million) were secured to banks to obtain bank borrowings or credit facilities. In addition, as at 30 June 2021, none of the Group's bank borrowings was secured by the Group's inventory (31 December 2020: RMB0). Part of the Group's bank borrowings was secured by the Group's long-term receivables, with a carrying amount of RMB2,480 million (31

December 2020: RMB2,218 million).

Gearing Ratio

As at 30 June 2021, the gearing ratio of the Group, which represents the ratio of the sum of interest-bearing bank and other borrowings and bonds to the sum of total equity of the shareholders plus interest-bearing bank and other borrowings and bonds, was 31.27%, representing an increase of 0.62 percentage point as compared with 30.65% at the beginning of the year.

Contingent Liabilities

Please refer to note 21 to the unaudited interim consolidated financial information for details.

Capital Commitments

Please refer to note 22 to the unaudited interim consolidated financial information for details.

Capital Expenditure

Total capital expenditure of the Group for the Reporting Period was approximately RMB2,679 million (first half year of 2020: RMB1,816 million), which had been applied towards upgrading of production technologies and production equipment.

Potential Risks

Pandemic Risks

At present, overseas pandemic has yet to be effectively contained and domestic pandemic has sporadically repeated in many places. Continuous overseas pandemic has caused negative impact on personnel departure and goods export of the Company, resulting in risks of delayed project progress, longer project duration, higher project cost and weakened investment willingness. If the pandemic is not effectively contained or continues to spread worldwide, it is expected to have a certain degree of impact on the Company's downstream business demand.

The Company will strictly implement the normalization of COVID-19 prevention and control measures, and strictly conduct emergency response plan for prevention and control of pandemic, in order to actively and orderly arrange the Company's various production and operation work to ensure personal safety, production safety and other risks within control, and to support the national anti-pandemic work while minimizing the impact on business operations.

Market Risks

Slowdown trend of the overall growth rate of China's economy in the future has become more obvious. Equipment manufacturing industry is highly correlated with national economic growth. Changes in macro economy, national policy amendment, infrastructure construction investment scale, urbanization progress and cyclical fluctuations in industry development may bring about impacts to the sustainable development of the Company.

The Company will continue to pay attention to and regularly analyze the possible impact of global and domestic macroeconomic trends on the Company so as to develop responsive measures in a timely manner. Meanwhile, the Company will timely adjust management measures to raise its management efficiency, and continuously improve core competitiveness and actively develop its business model in an innovative manner. The Company will seek the most effective solutions to address all challenges from changes in the domestic and overseas markets.

Overseas Business Risks

With the continuous expansion of the overseas business, the Company's exposure to possible risks resulting from changes in political or economic landscapes in certain overseas countries where the Company has operation, and the Company will be exposed to a certain degree of risk due to increased international trade friction and the impact of tariffs.

In this regard, the Company will consider in depth the policy and the business environment of the overseas markets and will establish overseas subsidiaries and branches or offices to take efforts to minimize the operational risk in the overseas markets. The Company will engage in relevant insurance policies to cover related risks of its businesses and employees to maximize the protection over the interests of the Company. Meanwhile, the Company will implement its "localization strategy" in the overseas market, seeking to establish long-term cooperative relationships with the local customers so as to build up a good market reputation in the overseas markets.

Exchange Rate Fluctuation Risks

The Company's businesses in power plant equipment, power plant engineering and power transmission and distribution engineering involve export business and their contract amounts are large and usually denominated in US dollars. In the process of its production, the Company needs to purchase imported equipment and components and the contracts are also denominated in major foreign currencies, such as US dollars. The international trade situation has become increasingly severe and the exchange rate of RMB is relatively volatile,

the Company's export business may be exposed to the risk of profit and loss fluctuations due to factors such as changes in the exchange rate and capital repatriation.

In this regard, the Company will utilize more hedging instruments and increase its RMB settlement scope in cross-border trades, lock-in certain exchange rates to reduce exchange risks and exercise better control over the costs of its overseas projects to avoid the adverse effects from exchange rate fluctuations.

Risk in relation to trade receivables and inventories

During the Reporting Period, SECT, a controlled subsidiary of the Company, has a risk that its trade receivables of significant amounts may not be recoverable and its inventories may be subject to significant impairment loss. In the event that SECT cannot recover its trade receivables and incurs impairment loss on its inventories, it may result in losses of the Company in relation to the impairment of the equity investment in SECT and the impairment of the shareholder's loans by the Company, and there is also a risk that the SECT loans from commercial banks may not be repaid as scheduled.

In this connection, the Company has carried out evaluation of the impairment risk for SECT's trade receivables and inventories and SECT made a provision of expected credit loss for trade receivables and a provision for impairment of inventories in the amount of RMB7.367 billion in aggregate, resulting in a reduction of RMB6.574 billion on the Company's net profit attributable to shareholders of the Company in the first half of 2021.

The Company was investigated by the China Securities Regulatory Commission (the "CSRC") for suspected violation of laws and regulations on information disclosure.

On 5 July 2021, the Company received an investigation notice from the CSRC. As the Company was suspected to have breached the relevant laws and regulations on information disclosure, the CSRC decided to initiate investigation proceedings against the Company in accordance with the Securities Law of the People's Republic of China. As at the date of this report, the investigation by the CSRC is still in progress. If the Company is finally determined by the CSRC to constitute violation of the relevant laws and regulations on information disclosure, the Company may be subject to administrative penalties and investor litigation.

As of the date of disclosure of this report, the investigation of the Company by the CSRC is still in progress. The Company will actively cooperate with the investigation of the CSRC and strictly comply with the information disclosure obligations in accordance with the regulatory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds

On 7 November 2017, the Company completed the issue of A shares with an aggregate amount of RMB3 billion to eight specific investors (including Shanghai Electric (Group) Corporation, the controlling shareholder of the Company) by way of non-public issuance. Proceeds from the non-public issuance were originally intended to be used to finance the projects including the Emerging Industrial Park Development Project at Gonghe New Road, the Innovative Industry Park Reformation Project at Beinei Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. According to the requirements such as adjustments by government authorities to the planning of the relevant areas where the proceeds-funded projects are located, in light of the Company's business development and the change in market conditions and on the principles of satisfying the requirements for use of raised proceeds and reducing the risks associated with the implementation of proceeds-funded projects, as considered and approved at the second meeting of the fifth session of the Board and approved at the 2018 third extraordinary general meeting of the Company, the proceeds would not be used to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. After consideration and approval of the fourth session of the fifth board of directors of the Company and the approval of the first extraordinary general meeting in 2019, the Company applied part of the proceeds towards the successfully completed acquisitions of the 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) and the 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司). After consideration and approval of the twentieth session of the fifth board of directors of the Company and the approval of the second extraordinary general meeting in 2019, the Company adjusted the amount of raised funds used in the reconstruction project of Beinei Road Creative Industry Park and used part of the raised funds in the project of Shanghai Electric Nantong Central Research Institute, and the remaining raised funds were used in permanent replenishment of working capital.



Schedule of use of proceeds

Unit: 100 million Currency: RMB

Total amount of proceeds	30.00	Total proceeds invested during the year	0.59
Total proceeds used for other purposes instead of the scheduled one(s)	27.09	Total cumulative proceeds invested (Note 1)	26.65
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	90.30%		

Unit: 100 million Currency: RMB

Projects with investment commitment	Project changed or not (including those with partial changes (if any))	Total amount of proceeds with investment commitment	Total investment after adjustment	Amount invested during the year	Cumulative amount invested as at the end of the Reporting Period (Note 1)	Date of achieving the project's designed serviceable condition	Benefits generated during the year	Achieved the estimated goal or not
Emerging Industrial Park Development Project at Gonghe Xin Road	Yes	10.55	-	-	-	-	N/A	N/A
Innovative Industry Park Reformation Project at Beinei Road (Note 2)	Yes	2.26	0.66	0.01	0.02	2021	N/A	Under construction
Technology Innovative Park Reformation Project at Jinshajiang Branch Road	Yes	3.28	-	-	-	-	N/A	N/A
Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road	Yes	11.66	-	-	-	-	N/A	N/A
Tax, surcharges and other expenses in relation to the restructuring	No	2.25	2.10	-	2.10	2018	N/A	N/A
Acquisition of 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	Yes	-	3.42	0	3.42	2019	N/A	N/A
Acquisition of 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited	Yes	-	7.56	0	7.56	2019	N/A	N/A
Shanghai Electric Nantong Central Research Institute Project	Yes	-	7.26	0.58	4.70	2021	N/A	N/A
Permanent replenishment of working capital	Yes	-	8.85	0	8.85	2019	N/A	N/A
Total	-	30.00	29.85	0.59	26.65	-	-	-

MANAGEMENT DISCUSSION AND ANALYSIS

As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018 and the 2018 third extraordinary general meeting, 2018 first A share class meeting and 2018 first H share class meeting held on 10 December 2018, Shanghai Electric would no longer use any of the proceeds of RMB2,554 million (including interest income, the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out) to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5,000,000.

As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018 and the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting held on 6 May 2019, Shanghai Electric proposed to use RMB342 million out of the proceeds to acquire the 100% equity interests of Wujiang Taihu Industrial Wastes Treatment Company Limited. (吳江市太湖工業廢棄物處理有限公司) through its wholly-owned subsidiary Shanghai Electric Investment Company Limited ("SEI") from Orient Landscape and Taizhou Zongze, and use RMB756 million out of the proceeds to acquire the 100% equity interests of Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司) from Orient Landscape and Taizhou Zongze. Shanghai Electric intended to first proceed with the aforesaid acquisitions with its self-owned funds through its wholly-owned subsidiary SEI. Shanghai Electric has first completed the abovementioned acquisitions through its wholly-owned subsidiary SEI and supplemented the self-owned funds early invested with the proceeds.

Changes in proceeds-funded project

As considered and approved at the twentieth meeting of the fifth session of the board of directors of the Company on 27 September 2019, and as considered and approved at the 2019 second extraordinary general meeting, the 2019 second A share class meeting and the 2019 second H share class meeting on 14 November 2019, Shanghai Electric proposed to change the total investment and implementation mode of as well as the amount of proceeds earmarked for the Beinei Road Project. In particular, the total investment would be adjusted to RMB130 million; a project company would be jointly established by Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司) ("SEC Property") and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司) ("Shanghai Yuanying"), a controlled subsidiary of Shanghai Guorun Investment and Development Company Limited (上海國潤投資發展有限公司) ("Guorun Investment") to function as the implementation entity. The project company (the name of which shall be subject to the approved business name) has a registered capital of RMB20 million, and is owned as to 60% by SEC Property through its contribution of self-financed funds in the amount of RMB12 million. Proceeds earmarked for the project was reduced from RMB226 million to RMB66 million, which would be provided to SEC Property by Shanghai Electric through capital contribution, and in turn allocated to the project company by SEC Property by way of entrusted bank loans at an interest of 8% per annum for construction of No. 32 park zone reformation project at Beinei Road. In addition, upon intensive research and demonstration, Shanghai Electric proposed to appropriate RMB726 million from the RMB1,451 million previously set apart for proceeds-funded projects yet pending for confirmation to invest in the Shanghai Electric Nantong Central Research Institute Project, and use the remaining proceeds of RMB891 million (including interest income and the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out. Such funds comprise proceeds of RMB885 million and interest income therefrom of RMB6 million) to replenish working capital permanently.

Upfront investment in the project to be invested through fund raising and replacement of such investment with the proceeds

On 17 April 2018, the Proposal in Relation to the Replacement of the Self-Pooled Upfront Investment in Projects to be Invested Through Fund Raising with the Proceeds was considered and approved at sixty-fourth meeting of the fourth session of the Board of the Company, which proposed to replace the self-pooled upfront investment in projects to be invested through fund raising with RMB88 million out of the proceeds.

PricewaterhouseCoopers Zhong Tian LLP reviewed the upfront investment in relation to the fund raising through non-public issuance of A shares, and issued the PricewaterhouseCoopers Zhong Tian Te Shen Zi(2018) No.1870 document, i.e., the Report and Verification Report on Upfront Investment with Self-pooled Funds in the Project to be Invested Through Funds Raising. Guotai Junan Securities Co., Ltd. also expressed opinions on the Company's replacement of the self-pooled upfront investment in projects to be invested through fund raising with the proceeds.

Provisional replenishment of working capital with the idle proceeds from fund raising

On 22 January 2018, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at 59th meeting of the fourth session of the Board of the Company. It was approved that idle proceeds totaling not more than RMB2 billion would be used to replenish working capital on the condition that funding needs of the projects to be invested through fund raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 23 January 2018. The Company returned all the above-mentioned proceeds totaling RMB2 billion for the replenishment of working capital to the special account for proceeds on 14 January 2019.

On 18 January 2019, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at sixth meeting of the fifth session of the Board of the Company. It was approved that idle proceeds totaling RMB2.5 billion would be used to replenish working capital on the condition that funding needs of the Projects to be Invested through Fund Raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 21 January 2019 and returned all the above-mentioned proceeds to the special account for proceeds on 9 November 2019.

Note 1: "Total cumulative proceeds invested" comprising the cumulative invested amount after such proceeds were credited and the actual amount used to replace the upfront investment amounted to RMB88 million altogether.

Note 2: Advance has been made in the application for approval of the project location of the Innovative Industry Park Reformation Project at Beinei Road as per requirements under the "50 provisions for culture and creativity industry (文創五十條)" of Shanghai. Approval from relevant government departments has been obtained for the project location, and meeting minutes have been issued. Construction of the project is expected to be completed by the end of 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

A shares convertible bonds

Issuance of convertible bonds

In January 2015, the CSRC approved in writing the Company's public issuance of A share convertible corporate bonds in an aggregate sum of RMB6.0 billion. In February 2015, the Company completed issuing a total of 60,000,000 A share convertible corporate bonds with a nominal value of RMB100 each (the "Electric Convertible Bonds"), amounting to RMB6 billion in aggregate. The Electric Convertible Bonds were listed on the Shanghai Stock Exchange as from 16 February 2015 under the bond code of "113008". The initial conversion price of the Electric Convertible Bonds was RMB10.72 per A Share. The conversion price was adjusted from RMB10.72 per share to RMB10.66 per share from 2 July 2015, and further adjusted from RMB10.66 per share to RMB10.65 per share from 28 November 2016, from RMB10.65 per share to RMB10.46 per share from 24 October 2017, from RMB10.46 per share to RMB10.37 per share from 9 November 2017, from RMB 10.37 per share to RMB10.28 per share from 28 August 2018 from RMB10.28 per share to RMB5.19 per share from 12 December 2018, and from RMB5.19 per share to RMB5.13 per share from 8 August 2019. The term of the Electric Convertible Bonds commences from 2 February 2015 and ends on 1 February 2021 and the conversion period commences from 3 August 2015 and ends on 1 February 2021. As at 1 February 2021 (the maturity date), an aggregate of RMB4,657,847,000 of such bonds have been converted into shares of the Company, resulting in the cumulative number of shares converted from such bonds reaching 903,762,291 shares. The principal amount of the redemption for the matured bonds is RMB1,342,153,000, and the total amount of the redemption for the matured bonds is RMB1,430,735,098.00 (tax inclusive), the payment of which has been completed on 2 February 2021.

For details, please refer to the announcements of the Company dated 20 January 2015, 28 January 2015, 11 February 2015, 25 June 2015, 27 July 2015, 24 November 2016, 22 October 2017, 7 November 2017, 20 August 2018, 10 December 2018, 30 July 2019, 16 January 2021, 27 January 2021 and 3 February 2021 and note 18 to the consolidated financial statements contained in this report.

Changes in convertible bonds during the Reporting Period

Unit: YUAN Currency: RMB

Name of convertible bond	Prior to current changes	Increase/decrease in the current changes			After current changes
		Converted	Redeemed	Sale back	
Electric Convertible Bonds	4,033,463,000	2,691,310,000	1,342,153,000	0	0

Aggregated conversion of convertible bonds during the Reporting Period

Amount for bonds converted into shares during the Reporting Period (RMB)	2,691,310,000
Number of shares converted during the Reporting Period	524,618,191
Aggregated number of shares converted	903,762,291
Proportion of aggregated number of shares converted to the total number of shares issued by the Company before conversion (%)	7.05
Outstanding convertible bonds (RMB)	N/A
Proportion of outstanding convertible bonds to the total number of convertible bonds issued (%)	N/A

Information on the Company's liability, credit changes and the cash arrangement for the future annual debt repayment

As at 30 June 2021, the size of interest-bearing debts of the Company was RMB40,236 million, including bank borrowings of RMB37,749 million and mid-term notes of RMB2,487 million.

As at 1 February 2021 (the maturity date), an aggregate of RMB4,657,847,000 of Electric Convertible Bonds have been converted into shares of the Company, resulting in the cumulative number of shares converted from such bonds reaching 903,762,291 shares. The principal amount of the redemption for the matured bonds is RMB1,342,153,000, and the total amount of the redemption for the matured bonds is RMB1,430,735,098.00 (tax inclusive), the payment of which has been completed on 2 February 2021.

Significant Events

Spin-off and listing of SEWP on the Science and Technology Innovation Board of Shanghai Stock Exchange

On 6 January 2020 and 15 April 2020, the Board of the Company considered and approved the relevant resolutions that SEWP proposed to conduct the initial public offering of its RMB (Renminbi, the lawful currency of the People's Republic of China) ordinary shares and seek for listing on the Science and Technology Innovation Board of Shanghai Stock Exchange upon completion of the share issuance (the "Spin-off"). On 7 May 2020, the relevant resolutions of the Spin-off were considered and approved at the 2020 first extraordinary general meeting of the Company.

During the Reporting Period, the Company has applied for, and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") has agreed, that the Company may proceed with the proposed Spin-off under Practice Note 15 of the Listing Rules. The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirement of paragraph 3(f) of Practice Note 15 of the Listing Rules. The Company will not provide any guarantee for allotment of SEWP shares to its shareholders.

According to the "Announcement on the results of the 105th Review Meeting of the Listing Committee of the Science and Technology Innovation Board in 2020" issued by the SSE on 19 November 2020, the SSE approved the issuance and listing of the shares of Shanghai Electric Wind Power Group Co., Ltd. (initial public offering).

According to the Approval of the Registration of Shanghai Electric Wind Power Group Co., Ltd.'s Initial Public Offering of Shares issued by the CSRC in March 2021, the CSRC approved the registration application of SEWP's initial public offering on the Sci-tech Innovation Board.

On 19 May 2021, the shares of SEWP were listed on the Shanghai Stock Exchange.

Risk in relation to trade receivables and inventories of SECT

During the Reporting Period, SECT, a controlled subsidiary of the Company, has a risk that its trade receivables of significant amounts may not be recoverable and its inventories may be subject to significant impairment loss. In the event that SECT cannot recover its trade receivables and incurs impairment loss on its inventories, it may result in losses of the Company in relation to the impairment of the equity investment in SECT and the impairment of the shareholder's loans by the Company, and there is also a risk that the SECT loans from commercial banks may not be repaid as scheduled. As at the end of the Reporting Period, the court has already accepted the lawsuit filed by SECT in relation to the receivables. During the Reporting Period, the provision for significant impairment loss of trade receivables and inventories of SECT was RMB7.367 billion, resulting in a reduction of RMB6.574 billion on the Company's net profit attributable to shareholders of the Company in the first half of 2021.

Election of Directors and Supervisors

On 29 January 2021, Dr. Liu Yunhong was appointed as a member of the remuneration committee and the term of his office started from 29 January 2021 to the end of the term of the fifth session of the Board.

On 17 April 2021, due to age reasons, Mr. Zhu Bin resigned as an executive director of the Company. The Board of the Company nominated Mr. Gan Pin ("Mr. Gan") as an executive director candidate for the fifth session of the Board of the Company, with the term of office from the approval date of the general meeting to the expiration of the term of the fifth session of the Board.

On 17 May 2021, the extraordinary general meeting of the Company has considered and approved to elect Mr. Gan as a non-executive director of the fifth session of the Board. Mr. Gan was appointed as the vice chairman of the Board. The term of office of Mr. Gan was from 17 May 2021 to the expiration of the term of the fifth session of the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to age reasons, Mr. Zhou Guoxiong ceased to be the chairman of the supervisory committee of the Company (the "Supervisory Committee") and a supervisor of the Company with effect from 20 May 2021. Due to age reasons, Mr. Hua Xingsheng ceased to be the vice chairman of the Supervisory Committee and a supervisor of the Company with effect from 20 May 2021. Mr. Cai Xiaoqing ("Mr. Cai") was nominated as the candidate for a supervisor of the Company, with the term of office from the approval date of the general meeting to the expiration of the term of the fifth session of the Supervisory Committee.

On 28 June 2021, the extraordinary general meeting of the Company has considered and approved to elect Mr. Cai as a supervisor of the fifth session of the Supervisory Committee. The Supervisory Committee elected Mr. Cai as the chairman of the fifth session of the Supervisory Committee. The term of office of Mr. Cai was from 28 June 2021 to the expiration of the term of the fifth session of the Supervisory Committee.

The biography of Mr. Gan is as follows:

Mr. Gan Pin, aged 58, currently serves as a non-executive director and the vice chairman of the Company, and serves as chairman and secretary of the Communist Party Committee of Shanghai Microelectronics Equipment (Group) Co., Ltd. Mr. Gan served as the manager and secretary of the Communist Party Committee of the second car plant of Shanghai Volkswagen Co., Ltd., the general manager of Shanghai Bus Manufacturing Co., Ltd., the executive deputy general manager and secretary of Communist Party Committee of Shanghai Shenwo Bus Co., Ltd., the deputy general manager of SAIC Motor Manufacturing Co., Ltd. Mr. Gan held several positions in Shanghai Automobile Co., Ltd., including the head of an Engine Project, the deputy dean of Automotive Engineering Research Institute, deputy director of Technology Center, general manager of Fuel Cell Vehicle Business Unit, deputy leader of New Energy Work Promotion Team, director of Technology Management Office, general manager of New Energy Vehicle Business Unit, and executive director of the New Energy and Technology Management Department. Mr. Gan served as the deputy director and the first-level inspector of the Shanghai Municipal Science and Technology Commission. Mr. Gan graduated from Shanghai Jiao Tong University majoring in marine internal combustion engines. Mr. Gan possesses a master's degree in engineering and business administration and is a professor-level senior engineer.

The biography of Mr. Cai is as follows:

Mr. Cai Xiaoqing, aged 57, currently serves as the chairman of the Supervisory Committee and a supervisor of the Company. He was formerly the president and the deputy secretary of CPC Party Committee of INESA (Group) Co., Ltd., the assistant engineer, engineer, senior engineer, deputy director of the general department, director, research fellow, deputy head (in-charge) and head of the Shanghai Academy of Spaceflight Technology, 805 Research Institute. He was the deputy director (director-general-level) of the Integrated Planning Office, director of Science and Technology Division and Equipment Industry Division of Shanghai Municipal Economic Committee. He also served as the deputy district mayor of Minhang District of Shanghai. Mr. Cai has a master degree in engineering, a degree in Executive Master of Business Administration (EMBA) and the qualification of research fellow.

Employees

On 30 June 2021, the Group had approximately 39,364 employees (30 June 2020: approximately 34,078). The Group has short term and long term incentive programs to encourage employee performance and a series of training programs for the development of its staff. During the Reporting Period, the Company complied strictly with the relevant laws and regulations and paid the employees as well as for employees' various social insurance contributions regularly and fully. There was no wages or remuneration in arrears to employees or labour service workers. The Company set up a comprehensive system which synchronized the increase of employees' salary with the improvement in labour productivity; thus, the level of wage increase of the Company and the wages adjustment of employees of various work position can be determined reasonably. The Company insisted on the policy of "Dual Inclination, Dual Care" and implemented policies that tilted towards scientific technological staffs and the front line technical workers while paying special care towards temporarily unemployed staff and workers who are in economic difficulties.

Material events after the period

Election of directors and appointment of senior management

On 29 July 2021, the Board nominated Ms. Leng Weiqing ("Ms.

Leng") as a director candidate for the fifth session of the Board of the Company, with the term of office from the approval date of the general meeting to the expiration of the term of the fifth session of the Board. The Board also agreed that, after Ms. Leng being approved by the shareholders' meeting of the Company to serve as a director of the Board, she will serve as the chairlady of the fifth session of the Board. On 23 August 2021, the extraordinary general meeting of the Company considered and approved to elect Ms. Leng as an executive director of the fifth session of the Board. The term of office of Ms. Leng is from 23 August 2021 to the end of the term of the fifth session of the Board. At the same time, Ms. Leng serves as the chairlady of the fifth session of the Board from 23 August 2021. On 27 August 2021, the Board appointed Ms. Leng as the chairlady and member of the strategy committee of the Company, with the term of office from 27 August 2021 to the expiration of the term of the fifth session of the Board. The Board also appointed Ms. Leng as the Chief Executive Officer of the Company, with the term of office from 27 August 2021 to the expiration of current session of senior management.

The biography of Ms. Leng is as follows:

Ms. Leng Weiqing, aged 53, is currently the secretary of the Party Committee of the Company, the chairlady of the Board and the Chief Executive Officer of the Company, the secretary of the Party Committee of Shanghai Electric (Group) Corporation, the chairlady of the board of directors of Shanghai Electric (Group) Corporation and a representative to the 15th Shanghai Municipal People's Congress. Ms. Leng served as an assistant researcher at the Enterprise Personnel Division of the Organization Department of Shanghai Municipal Party Committee, where she was also an assistant researcher of the Economic Personnel Division. She was a member of the Party Committee of Shanghai Municipal State-owned Assets Supervision and Administration Commission, the deputy head and the head of the Leading Personnel Management Division of Shanghai Municipal State-owned Assets Supervision and Administration Commission. She was the vice president of Shanghai Electric (Group) Corporation and the secretary of the Party Committee of Shanghai Electric Power Generation Group. She was also a member of the Organization Department, head of the Enterprise Personnel Division, and deputy director of the Organization Department of Shanghai Municipal Party Committee. She served as the head of the office at Shanghai Municipal Party Organization Committee. Ms. Leng obtained a bachelor's degree in education, a EMBA degree and the qualification of a senior economist.

On 23 August 2021, the Board of the Company appointed Mr. Liu Ping ("Mr. Liu") as the president of the Company, with the term of office from 23 August 2021 to the expiration of current session of senior management.

The biography of Mr. Liu is as follows:

Mr. Liu Ping, aged 51, currently serves as the deputy secretary of the Party Committee and the president of the Company. Mr. Liu served as the executive vice manager of the Finance Department of Shanghai Textile Holdings (Group) Company, the deputy general manager of Shanghai Dragon Corporation, the deputy general manager of the Commerce Business Department of Shanghai Fosun High Technology (Group) Co., Ltd., the deputy chief accountant of Shanghai Textile Holdings (Group) Company, the general manager of the Assets Operation Department of and the Chief Finance Officer of Shangtex Holding Co., Ltd., the Chief Finance Officer of Shanghai Textile Holdings (Group) Company, the vice president of Shanghai Textile Holdings (Group) Company, a member of the standing committee under and a member of Shanghai Changning District Party Committee and deputy Changning District Chief, the president, the deputy secretary of CPC Party Committee of and a director of Bright Food (Group) Co., Ltd. Mr. Liu obtained a master's degree of engineering majoring in mechanical manufacturing from Shanghai Jiao Tong University.

On 29 July 2021, Mr. Zheng Jianhua is suspected of serious violation of the law and disciplines and is currently under disciplinary examination and supervision investigation by the Shanghai Municipal Commission for Discipline Inspection of the Communist Party of China and the Shanghai Municipal Supervision Commission, hence he will not be able to perform the duties as a director. In order to safeguard the operation of the Board, the Board resolved to propose to remove Mr. Zheng Jianhua as a director of the fifth session of the Board according to the articles of association of the Company, subject to the approval by the shareholders of the Company. The Board also resolved to remove Mr. Zheng Jianhua as the chairman of the Board, the chairman and member of the strategy committee of the Company and the Chief Executive Officer of the Company. On 23 August 2021, the extraordinary general meeting of the Company considered and approved to remove Mr. Zheng Jianhua as a director of the fifth session of the Board.

Mr. [Huang Ou], an executive director and the president of the Company passed away on 5 August 2021.

OTHER INFORMATION

Share Capital Structure

30 June 2021	Number of shares	Approximate percentage of issued share capital
A shares	12,781,489,092	81.38%
H shares	2,924,482,000	18.62%
Total	15,705,971,092	100.00%

Disclosure of Interests

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

The followings are interests and short positions of substantial shareholders as at 30 June 2021 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 to the knowledge of the Company:

Name of Substantial Shareholder	Class of share	Capacity	Note	Number of shares	Nature of Interest	Approximate percentage of shareholding in the relevant class of shares (%)	Approximate percentage of shareholding in the total issued share capital of the Company (%)
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporations	1	8,622,144,766	Long position	67.46	54.90
	H	Interest of controlled corporations	1	313,642,000	Long position	10.72	2.00
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	8,253,452,572	Long position	64.57	52.55
	H	Beneficial owner	1	280,708,000	Long position	9.60	1.79
	H	Interest of controlled corporation	1,2	32,934,000	Long position	1.13	0.21
Shenergy (Group) Company Limited	A	Beneficial owner	1	368,692,194	Long position	2.88	2.35

Notes

- (1) Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) and Shenergy (Group) Company Limited (申能(集團)有限公司) were wholly owned by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會) and accordingly, their interests in the A shares and H shares of the Company were deemed to be the interests of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.
- (2) Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) through its wholly-owned subsidiary, Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司), held H shares of the Company.

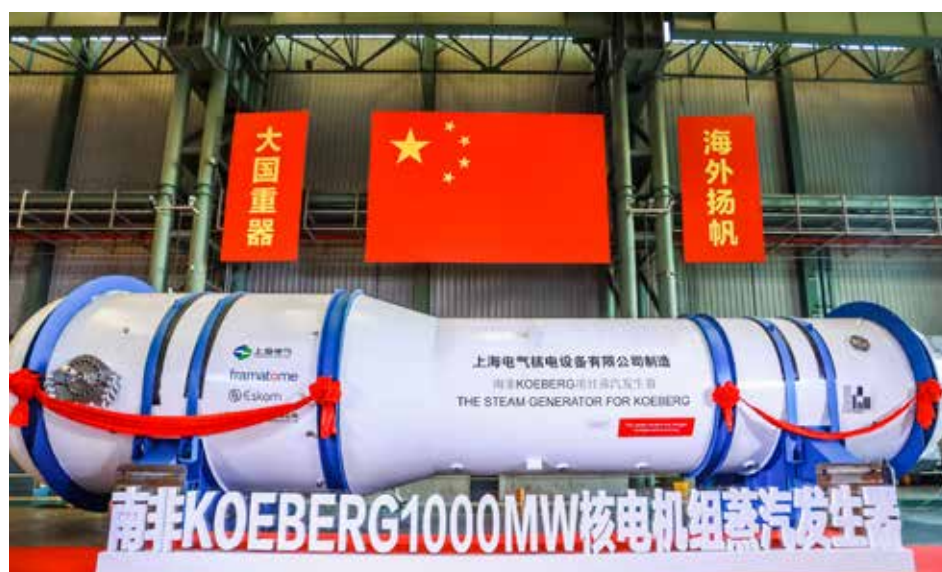
Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the shares or underlying shares of the Company as at 30 June 2021 required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

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

As at 30 June 2021, the interests and short positions of the directors, supervisors and chief executives of the Company (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules")) of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and 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 of the Hong Kong Listing Rules were as follows:

Name of director	Class of shares	Capacity	No. of shares	Nature of interests	Approximate percentage of the relevant class of shares (%)	Approximate percentage of the total share capital of the Company (%)
Gan Pin	A	Beneficial owner	20,000	Long position	0.000	0.000
Huang Ou	A	Beneficial owner	765,000	Long position	0.006	0.005

Save as disclosed above, as at 30 June 2021, none of the directors, supervisors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Hong Kong Listing Rules. All Directors and Supervisors of the Company confirmed that they had complied with the requirements contained in the Model Code during the period from 1 January 2021 to 30 June 2021. The Company was not aware of any non-compliance with the Model Code by any of its employees.

Corporate Governance

During the Reporting Period, the Board of the Company performed the following functions: to formulate and review the Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual of employees and Directors; and to review the Company's compliance with the code provisions and disclosure in the "Corporate Governance Report".

During the Reporting Period, the Board is of the view that the Company had complied with the requirements of the code provisions set out in Appendix 14 of the Hong Kong Listing Rules (the "Code"), except for the deviation from requirement of A.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the Reporting Period, Mr. Zheng Jianhua served as the Chairman of the Board and the Chief Executive Officer of the Company while Mr. Huang Ou, an executive Director and the President of the Company, was fully responsible for the daily operations and execution of the Company. The Company is of the view that segregation of duties and responsibilities between the Board and the management has been well maintained and there is no over-centralization of management power under such mechanism.

Audit Committee

During the Reporting Period, the Audit Committee has reviewed the accounting policies adopted by the Company with the management and the Company's external auditors,

and conducted a review of the connected transactions of the Company. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim consolidated financial information for the period under review.

Purchase, Sale or Redemption of the Company's Securities

During the Reporting Period, no purchase, sale or repurchase of the Company's listed securities has been made by the Company or any of its subsidiaries.

Interim Dividend

The Board did not recommend the payment of an interim dividend in respect of the Reporting Period.

Disclosure of Information and Investor Relations

This Company recognizes the importance of good communication with its investors. Our team under Investor Relations Department arranges meetings, plant visits and reverse roadshows for investors from time to time. The team has also attended investors' forums actively and conducted non-deal road shows in China and overseas regularly to help investors gain a better understanding of the Company's operating results as well as its strategies and plans for future development. The Company will continue to make great efforts in its investor relations work to further enhance its transparency.

Board of Directors and Supervisors

As at the date of this report, the executive directors of the Company are Ms. Leng Weiqing and Mr. Zhu Zhaokai; the non-executive directors of the Company are Mr. Gan Pin, Ms. Yao Minfang and Ms. Li An; and the independent non-executive directors of the Company are Dr. Xi Juntong, Dr. Xu Jianxin and Dr. Liu Yunhong.

As at the date of this report, the Supervisors of the Company are Mr. Cai Xiaoqing, Mr. Han Quanzhi, Ms. Zhang Yan and Mr. Yuan Shengzhou.

By order of the Board

Leng Weiqing

Chairlady of the Board and CEO

Shanghai, the PRC
27 August 2021

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Current assets			
Cash at bank and on hand		28,890,802	24,243,832
Clearing settlement funds		19,881	30,933
Placements with banks and other financial institutions		18,093,525	36,593,978
Held-for-trading financial assets		7,346,005	7,387,914
Derivative financial assets		95,651	98,146
Notes receivable		9,429,957	8,477,377
Accounts receivable	14	37,448,100	32,799,102
Receivables financing		7,215,987	10,912,246
Prepayments		19,120,210	18,057,070
Other receivables		9,951,416	8,936,029
Financial assets purchased under resale agreements		1,803,977	79,301
Inventories		34,344,016	29,986,057
Contract assets		32,165,417	29,155,884
Assets held for sale		171,268	350,875
Non-current assets due within one year		3,497,452	3,359,925
Other current assets		12,080,395	17,477,280
Total current assets		221,674,059	227,945,949
Non-current assets			
Loans and advances		732,060	324,992
Debt investments		450,000	-
Other debt investments		302,634	420,183
Long-term receivables		5,192,397	5,920,037
Long-term equity investments		14,070,017	13,713,733
Other non-current financial assets		6,618,317	5,557,173
Investment properties		857,779	900,177
Fixed assets	13	18,623,623	17,537,969
Constructions in progress		9,672,525	9,573,551
Right-of-use assets		1,120,744	1,118,194
Intangible assets		8,718,161	9,019,451
Research and development expenditures		78,744	83,512
Goodwill		4,643,918	4,667,958
Long-term deferred expenses		537,216	480,040
Deferred tax assets		7,371,626	6,568,529
Other non-current assets		11,145,261	11,571,286
Total non-current assets		90,135,022	87,456,785
TOTAL ASSETS		311,809,081	315,402,734

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Current liabilities			
Short-term borrowings	16	11,097,419	15,627,384
Held-for-trading financial liabilities		29,893	37,582
Derivative financial liabilities		4,672	19,258
Notes payable		14,204,831	12,083,698
Accounts payable	15	67,451,595	65,853,292
Advances from customers		581,967	621,736
Contract liabilities		43,224,876	45,362,212
Deposits from customers, banks and other financial institutions		5,940,341	4,289,676
Employee benefits payable		3,358,249	4,565,921
Taxes payable		2,641,780	2,939,412
Other payables		10,584,228	11,263,901
Liabilities held for sale		-	8,131
Non-current liabilities maturing within one year		5,327,946	10,638,362
Other current liabilities		9,881,794	10,181,789
Total current liabilities		174,329,591	183,492,354
Non-current liabilities			
Long-term borrowings	17	23,300,470	15,408,452
Bonds payable	18	2,486,802	2,485,142
Lease liabilities		813,082	750,308
Long-term payables		1,306,579	1,479,522
Deferred income		1,676,598	1,774,593
Long-term employee benefits payable	19	237,947	254,562
Provisions		2,528,535	2,038,662
Deferred tax liabilities		817,686	854,267
Other non-current liabilities		15,760	15,530
Total non-current liabilities		33,183,459	25,061,038
Total liabilities		207,513,050	208,553,392
Owners' equity			
Share capital	20	15,705,971	15,181,353
Capital surplus		22,138,701	19,338,140
Less: treasury stocks		(382,271)	(382,271)
Other comprehensive income		(176,028)	(130,122)
Special reserve		152,269	138,313
Surplus reserve		5,906,524	5,906,524
Retained earnings		20,249,185	26,348,897
Total equity attributable to equity owners of the Company		63,594,351	66,400,834
Minority interests		40,701,680	40,448,508
Total owners' equity		104,296,031	106,849,342
Total liabilities and owners' equity		311,809,081	315,402,734

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENTS

	Notes	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Total revenue		62,527,712	53,236,808
Including: Operating revenue	8	62,208,889	52,818,950
Interest income	8	317,821	416,321
Income from handling charges and commissions	8	1,002	1,537
Total cost of sales		(60,587,356)	(50,121,796)
Including: Operating cost	8	(51,928,897)	(42,689,517)
Interest expenses	8	(44,734)	(41,634)
Handling charges and commissions expenses	8	(490)	(4,399)
Taxes and surcharges	9	(243,375)	(248,198)
Selling and distribution expenses		(2,397,265)	(1,681,489)
General and administrative expenses		(3,276,208)	(3,052,475)
Research and development expenditures		(2,144,225)	(1,692,844)
Financial expenses - net		(552,162)	(711,240)
Including: Interest expenses		(630,639)	(918,766)
Interest income		255,543	214,775
Add: Other income		358,436	387,107
Investment income		1,303,752	631,506
Including: Share of profit of associates and joint ventures		731,766	409,531
Income arising from derecognition of financial assets measured at amortised cost		-	(1,027)
Exchange gain		975	5,052
Gains on changes in fair value		676,492	2,303
Losses from credit impairment		(6,561,384)	(981,530)
Losses from asset impairment		(2,516,519)	(144,018)
Gains on disposals of assets		145,624	6,744
Operating profit		(4,652,268)	3,022,176
Add: Non-operating income		148,294	89,977
Less: Non-operating expenses		(21,471)	(25,418)
Total profit		(4,525,445)	3,086,735
Less: Income tax expenses	10	(412,695)	(588,342)
Net profit		(4,938,140)	2,498,393
Including: Net profit of the acquiree in a business combination under common control before the combination date		-	-
Attributable to equity owners of the Company		(4,970,832)	1,522,052
Minority interests		32,692	976,341

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENTS (CONTINUED)

		Unaudited Six months ended 30 June	
	Notes	2021 RMB'000	2020 RMB'000
Other comprehensive income, net of tax		14,412	(96,752)
Attributable to shareholders of the parent company		(45,906)	(53,792)
Other comprehensive income that will not be subsequently reclassified to profit or loss		(1,901)	1,218
Changes arising from remeasurement of net liability or net asset of defined benefit plan		(1,901)	1,218
Other comprehensive income that will be subsequently reclassified to profit or loss		(44,005)	(55,010)
Changes in fair value of other debt investments		(63,103)	941
Changes in fair value of accounts receivable measured at fair value through other comprehensive income		51,396	(24,783)
Provision for credit impairment of receivables financing		26,020	11,184
Cash flow hedges, net of tax		(6)	(1,059)
Exchange differences on translation of foreign operations		(58,312)	(41,293)
Attributable to minority shareholders		60,318	(42,960)
Total comprehensive income		(4,923,728)	2,401,641
Attributable to equity owners of the parent company		(5,016,738)	1,468,260
Attributable to minority shareholders		93,010	933,381
Earnings per share			
Basic earnings per share (RMB Yuan)	11	(0.32)	0.10
Diluted earnings per share (RMB Yuan)	11	(0.32)	0.10

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Attributable to shareholders of the parent company

Item	Note	Share capital Restated	Capital surplus Restated	Treasury stocks Restated	Other comprehensive income Restated	Special reserve Restated	Surplus reserve Restated	Retained earnings Restated	Sub-total Restated	Minority interests Restated	Total shareholders' equity Restated
Balance at 31 December 2020		15,181,353	19,338,140	(382,271)	(130,122)	138,313	5,906,524	26,348,897	66,400,834	40,448,508	106,849,342
Movements for the six months ended 30 June 2021											
Total comprehensive income											
Net loss		-	-	-	-	-	-	(4,970,832)	(4,970,832)	32,692	(4,938,140)
Other comprehensive income		-	-	-	(45,906)	-	-	-	(45,906)	60,318	14,412
Total comprehensive income for the period		-	-	-	(45,906)	-	-	(4,970,832)	(5,016,738)	93,010	(4,923,728)
Capital contribution and withdrawal by shareholders											
Capital contribution by minority shareholders		-	(46,160)	-	-	-	-	-	(46,160)	2,905,331	2,859,171
Convertible bonds - equity component		524,618	2,166,673	-	-	-	-	-	2,691,291	-	2,691,291
Addition of subsidiaries		-	-	-	-	-	-	-	-	46,068	46,068
Disposal of subsidiaries		-	-	-	-	-	-	-	-	97,882	97,882
Capital withdrawal by minority shareholders		-	630,055	-	-	-	-	-	630,055	(1,564,910)	(934,855)
Employee share schemes - value of employee services - Staff service value		-	49,993	-	-	-	-	-	49,993	-	49,993
Profit distribution											
Distribution to shareholders		-	-	-	-	-	-	(1,127,375)	(1,127,375)	-	(1,127,375)
Distribution to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(1,329,617)	(1,329,617)
Appropriation to staff and workers' bonus and welfare fund		-	-	-	-	-	-	(1,505)	(1,505)	(1,763)	(3,268)
Special reserve											
Appropriation in the current period		-	-	-	-	51,812	-	-	51,812	35,038	86,850
Use in the current period		-	-	-	-	(37,856)	-	-	(37,856)	(27,867)	(65,723)
Balance at 30 June 2021		15,705,971	22,138,701	(382,271)	(176,028)	152,269	5,906,524	20,249,185	63,594,351	40,701,680	104,296,031

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Unaudited

Attributable to shareholders of the parent company

Item	Note	Attributable to shareholders of the parent company							Sub-total Restated	Minority interests Restated	Total shareholders' equity Restated
		Share capita Restated	Capital surplus Restated	Treasury stocks Restated	Other comprehensive income Restated	Special reserve Restated	Surplus reserve Restated	Retained earnings Restated			
Balance at 31 December 2019		15,152,463	19,975,915	(404,741)	(35,587)	130,235	5,720,695	22,806,876	63,345,856	28,243,316	91,589,172
Movements for the six months ended 30 June 2020											
Total comprehensive income											
Net profit		-	-	-	-	-	-	1,522,052	1,522,052	976,341	2,498,393
Other comprehensive income		-	-	-	(53,792)	-	-	-	(53,792)	(42,960)	(96,752)
Total comprehensive income for the period		-	-	-	(53,792)	-	-	1,522,052	1,468,260	933,381	2,401,641
Capital contribution and withdrawal by shareholders											
Convertible bonds - equity component		9	27	-	-	-	-	-	36	-	36
Addition of subsidiaries		-	-	-	-	-	-	-	-	3,052,527	3,052,527
Capital contribution by minority shareholders		-	-	-	-	-	-	-	-	72,194	72,194
Employee share schemes - value of employee services - Staff service value		-	49,993	-	-	-	-	-	49,993	-	49,993
Compensation for relocation of subsidiaries		-	23,463	-	-	-	-	-	23,463	(2,842)	20,621
Others		-	77,845	-	-	-	-	-	77,845	(69,888)	7,957
Profit distribution											
Distribution to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(726,741)	(726,741)
Appropriation to staff and workers' bonus and welfare fund		-	-	-	-	-	-	(1,360)	(1,360)	(1,198)	(2,558)
Special reserve											
Appropriation in the current period		-	-	-	-	25,332	-	-	25,332	9,886	35,218
Use in the current period		-	-	-	-	(12,972)	-	-	(12,972)	(8,197)	(21,169)
Balance at 30 June 2020		15,152,472	20,127,243	(404,741)	(89,379)	142,595	5,720,695	24,327,568	64,976,453	31,502,438	96,478,891

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Cash flows used in operating activities		
Cash received from sales of goods or rendering of services	55,917,810	52,242,965
Refund of taxes and surcharges	369,712	262,121
Cash received relating to other operating activities	4,242,263	2,945,423
Sub-total of cash inflows	60,529,785	55,450,509
Cash paid for goods and services	(60,343,219)	(52,905,426)
Cash paid to and on behalf of employees	(6,472,784)	(5,214,680)
Payments of taxes and surcharges	(3,446,925)	(2,761,931)
Cash paid relating to other operating activities	(8,901,931)	(10,596,703)
Sub-total of cash outflows	(79,164,859)	(71,478,740)
Net cash flows used in operating activities	(18,635,074)	(16,028,231)
Cash flows from/(used in) investing activities		
Cash received from disposal of investments	9,269,655	6,364,075
Cash received from returns on investments	510,661	386,087
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	84,689	191,100
Net cash received from disposal of subsidiaries and other business units	226,951	-
Cash received relating to other investing activities	1,732,686	4,842,144
Sub-total of cash inflows	11,824,642	11,783,406
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(1,954,650)	(1,754,257)
Cash paid to acquire investments	(4,089,134)	(8,454,482)
Net cash repayments from acquisition of subsidiaries and other business units	(28,461)	(196,741)
Net cash repayments from disposal of subsidiaries and other business units	-	(9,906)
Cash paid relating to other investing activities	(349,298)	-
Sub-total of cash outflows	(6,421,543)	(10,415,386)
Net cash flows from/(used in) investing activities	5,403,099	1,368,020
Cash flows from financing activities		
Cash received from capital contributions	2,859,171	72,194
Including: Cash received by subsidiaries from capital contributions by minority shareholders	2,859,171	72,194
Cash received from borrowings	17,217,588	19,096,821
Cash received from debentures	1,500,000	-
Sub-total of cash inflows	21,576,759	19,169,015
Cash repayments of borrowings	(14,563,580)	(12,385,033)
Cash repayments of debentures	(2,848,169)	(4,776,600)
Cash payments for distribution of dividends, profits or interest expenses	(1,460,795)	(965,317)
Including: Cash payments for dividends or profits to minority shareholders by subsidiaries	(543,944)	(392,302)
Cash paid relating to other financing activities	(1,493,324)	(145,612)
Sub-total of cash outflows	(20,365,868)	(18,272,562)
Net cash flows from financing activities	1,210,891	896,453
Effect of foreign exchange rate changes on cash and cash equivalents	(73,754)	(25,246)
Net decrease in cash and cash equivalents	(12,094,838)	(13,789,004)
Add: Cash and cash equivalents at the beginning of the period	46,254,915	42,431,476
Cash and cash equivalents at the end of the period	34,160,077	28,642,472

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. COMPANY INFORMATION

Shanghai Electric Group Company Limited (the “Company”) is a joint stock limited liability company established in the People’s Republic of China (the “PRC”) on 1 March 2004. The registered office of the Company is located on 30th floor, No. 8 Xing Yi Road, Shanghai, the PRC.

During the year, the Company and its subsidiaries (together the “Group”) are engaged in the following principal activities:

(a) the energy equipment segment: design, manufacture and sale of coal-fired power generation and corollary equipment, gas-fired power generation equipment, wind power equipment, nuclear power equipment, energy storage equipment, high-end vessels for chemical industry, and provision of solutions for power grid and industrial intelligent power supply system;

(b) the industrial equipment segment: design, manufacture and sale of elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts and construction industrialization equipment;

(c) the integrated services segment: provision of energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit and etc.; industrial internet services; financial services, covering financing leases and insurance brokerage; high-end property services and etc.

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

The Company has its ordinary shares listed on both the Stock Exchange of Hong Kong Limited and the Stock Exchange of Shanghai Limited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements were prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The Group reclassified loss from contract assets impairment that was previously included in loss from credit impairment to loss from asset impairment for the six-month period ended 30 June 2020.

3. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the six months ended 30 June 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely presented the consolidated financial position of the Company as at 30 June 2021 and their financial performance, cash flows and other information for the six months ended 30 June 2021.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. ESTIMATES

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgments in applying the accounting policies

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

Consolidation scope

Shanghai Mechanical & Electrical Industry Co., Ltd. (“SMEI”) is an A-share listed company listing on SSE. The Group is the single largest shareholder of SMEI with 48.81% of shares. The remaining shares in SMEI are widely held by many other shareholders, none of whose shares exceed 5% (since the date when SMEI is consolidated by the Group). Meanwhile, since the date of consolidation, there has been no history of other shareholders exercise their votes collectively or to outvote the Group. Therefore, although the Group holds less than half of the voting rights in SMEI, the Group has substantial control over SMEI and includes it in the consolidation scope.

The Group holds 50% of the equity of Shanghai Electric Transmission and Distribution Group Co., Ltd. and 1% of its potential share warrant and can dominate the control of its significant financial and operating policy decisions. Therefore, the Group has substantial control over it and includes it in the consolidation scope as a subsidiary.

The Group holds 15.24% of the shares of Suzhou Thvow Technology Co., Ltd. (“Suzhou Thvow”), a company listed on the Shenzhen Stock Exchange, being the largest shareholder of the company. Chen Yuzhong, the second largest shareholder of Suzhou Thvow has entrusted the voting rights of 14.87% of Suzhou Thvow’s shares and pledged the equity to the Group. Meanwhile, the Group has the preemptive right to purchase such shares. Therefore, the Group holds 29.87% of the voting rights of Suzhou Thvow. In addition to the above shareholders, the remaining shares are widely held by many other shareholders. Besides, Suzhou Thvow has advantages in the new energy market and possesses high quality business qualifications, which are conducive to improving the integration service capability of the Group. Therefore, although the Group holds less than half of the voting rights in Suzhou Thvow, the Group has substantial control over Suzhou Thvow and includes it in the consolidation scope.

The Group holds 28.39% of the shares of Shenzhen Yinghe Technology Co., Ltd. (“Yinghe Technology”), a company listed on the Shenzhen Stock Exchange, being the largest shareholder of the company. Wang Weidong, the second largest shareholder of Yinghe Technology, and Xu Xiaojun, the fifth largest shareholder of Yinghe Technology, relinquished their voting rights of a total of 19.01% of Yinghe Technology’s shares. Therefore, the Group holds 35.06% of the voting rights of Yinghe Technology. In addition to the above shareholders, the remaining shares are widely held by many other shareholders. Therefore, although the Group holds less than half of the voting rights in Yinghe Technology, the Group has substantial control over Yinghe Technology and includes it in the consolidation scope.

4. ESTIMATES (CONT'D)

(a) Critical judgments in applying the accounting policies (Cont'd)

Measurement of ECL

The Group calculates ECL through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information.

When considering forward-looking information, the Group takes different macroeconomic scenarios into consideration. For the six months ended 30 June 2021, the economic scenario weights of "benchmark", "unfavourable" and "favourable" accounted for 60%, 30% and 10% respectively. The Group regularly monitors and reviews important macroeconomic assumptions and parameters for calculating ECLs, including the risk of economic downturn, external market environment, technological environment, changes in customer profile, gross domestic product, production price index, industrial added value, broad money supply, retail sales of consumer goods and consumer price index. For the six months ended 30 June 2021, the Group evaluated continuously the uncertainty arising from COVID-19 and the relevant assumptions and parameters accordingly. The key macroeconomic parameters applied in various scenarios were mainly as follow:

	various scenarios		
	benchmark	unfavourable	favourable
gross domestic product	8.83%	6.80%	10.00%
production price index	1.52%	0.10%	2.50%
industrial added value	8.23%	6.20%	10.50%
broad money supply	9.14%	7.50%	10.00%

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. ESTIMATES (CONT'D)

(a) Critical judgments in applying the accounting policies (Cont'd)

Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial asset management on the grouping basis, and factors to be considered include the methods for evaluating financial asset performance and reporting the financial asset performance to key management personnel, the risks affecting financial asset performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic loan arrangement, key judgements made by the Group include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the amount of prepayment only reflects the principal outstanding and the interest based on the principal outstanding, as well as the reasonable compensation due to the early termination of the contract.

Determination of significant increase in credit risk

Judgement of the Group for significant increase in credit risk is mainly based on whether the number of overdue days exceeds 30, or whether one or more of the following indicators changed significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement of the Group on the occurred credit impairment is mainly based on whether the number of overdue days exceeds 90 (i.e., a default has occurred), or whether it meets one or more of the following conditions: the debtor is suffering significant financial difficulties, engaged in other debt restructuring, or probably bankrupt, etc.

(b) Critical accounting estimates and key assumptions

The key assumptions concerning the future and key factors of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting periods, are detailed below.

4. ESTIMATES (CONT'D)

(b) Critical accounting estimates and key assumptions (Cont'd)

Revenue recognition

The Group recognises the revenue for a contract over a period using the percentage of completion method when the results of construction service can be estimated reliably.

Significant estimation and judgement is required in determining the percentage of completion, the contract performance costs incurred, the estimated total contract revenue and contract cost and the recoverability of the contract costs. Management mainly makes judgement based on past experience. Changes in the estimations of total contract revenue and costs and the outcome of contract performance may have significant impact on the revenue, cost of sales and the profit or loss for the current or subsequent periods.

Impairment of inventories to net realisable value

Impairment of inventories to net realisable value is based on the assessment of the possibility to sell in the future and the net realisable value of inventories. Identification of impairment of inventories requires judgements and estimates from management on the basis of obtaining conclusive evidence and considering the purpose for holding inventories and impact of events after the balance sheet date. Difference between the actual results and original estimates will have an impact on the carrying amount of inventories and accrual or reversal of provision for decline in the value of inventories for the period in which the estimates are changed.

Recognition of provisions

The Group estimates and makes provision for product warranties, estimated contract losses, penalty for delayed delivery, litigation compensation, financial guarantee contracts, etc. based on contract terms, available information and past experience. When such contingency forms a present obligation and it is probable that an outflow of economic benefits may incur if the obligation is fulfilled, the obligation is measured at best estimate.

Enterprise income tax

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. ESTIMATES (CONT'D)

(b) Critical accounting estimates and key assumptions (Cont'd)

Deferred tax assets

When it is possible that taxable profit will be available to offset deductible losses, deferred tax assets are recognised with all un-utilised deductible losses. It requires management to exercise significant judgement to estimate the time and amount of future taxable profit, in combination of tax planning strategy, so as to determine the amount of deferred tax assets.

As stated in Note 10, some subsidiaries of the Group are high-tech enterprises. The “High-Tech Enterprise Certificate” is effective for three years. Upon expiration, application for high-tech enterprise should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, management considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the deferred income tax, which increases the recognised net deferred tax assets and decreases the deferred tax expenses.

Estimated useful lives of fixed assets

Estimated useful lives of fixed assets are reviewed by the Group at least at each year-end. Estimated useful lives of the assets are determined by management based on past experience of similar assets and the expected technical renovation. If significant changes occurred in the previous estimates, adjustment on depreciation expenses is carried out in the future period.

Impairment of non-current assets other than financial assets (except for goodwill)

The Group judges whether there exists impairment of non-current assets other than financial assets as at balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually. Non-current assets other than financial assets are subject to impairment tests when there is indication of impairment. An asset or asset group is impaired if the carrying amount exceeds their recoverable amounts, which is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The fair value less costs to sell could be determined with reference to sales agreement price or observable market price of similar products in arm's length transaction less directly attributable incremental costs in assets disposal. management should estimate the expected future cash flows of an asset or asset group, and determine an appropriate discount rate for the calculation of the present value of future cash flows.

4. ESTIMATES (CONT'D)

(b) Critical accounting estimates and key assumptions (Cont'd)

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groupings of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

Evaluation of fair value

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis, etc. When a valuation technique is used to determine the fair value of a financial instrument, management uses observable market inputs as opposed to entity-specific inputs to the maximum extent possible. The setting of the input involves certain judgements. If there is any discrepancy between the inputs and the actual results, material adjustments will be made to the fair value of the financial instruments.

Defined benefit plan

Some overseas companies of the Group have set up a defined beneficial pension plan. The present value of defined benefit plan obligation is calculated annually by an independent actuary using projected unit credit method, which is based on quality corporate bond interest rate, similar as the duration and currency of the employee benefits obligation. The net liability of present value of defined benefit plan obligation net of the fair value of plan assets is presented as long-term benefits payable in the balance sheet. Service costs related to the plan (including current service cost, past service costs and settled gains or losses) and net interest calculated based on defined benefit plan net liability and applicable discount rate are recognised as profit and loss for the current period or cost of relevant assets and changes in remeasurement of defined benefit plans liabilities as other comprehensive income.

NOTES TO UNAUDITED INTERIM

CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no changes in the risk management department since year end.

5.2 LIQUIDITY RISK

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 FAIR VALUE ESTIMATION

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

5.3 FAIR VALUE ESTIMATION (CONT'D)

(1) Assets measured at fair value on a recurring basis

As at 30 June 2021 the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	5,482,678	-	-	5,482,678
Investments in equity instrument held for trading	743,392	-	-	743,392
Investments in debenture held for trading	276,977	-	-	276,977
Wealth management products	-	519,940	-	519,940
Non-hedging derivative financial assets	-	323,018	-	323,018
Derivative financial assets -				
Forward exchange contracts	-	95,651	-	95,651
Receivables Financing -				
Notes receivable at fair value through other comprehensive income	-	-	2,673,164	2,673,164
Accounts receivable at fair value through other comprehensive income	-	-	4,542,823	4,542,823
Other current assets-				
Interbank deposits	-	3,005,068	-	3,005,068
Assets held for sale	-	-	122,104	122,104
Other non-current financial assets	545,816	-	6,072,501	6,618,317
Other debt investments	-	302,634	-	302,634
Debt investments	-	450,000	-	450,000
Total assets	7,048,863	4,696,311	13,410,592	25,155,766

As at 30 June 2021, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Derivative financial liabilities	-	4,672	-	4,672
Financial liabilities held for trading	-	29,893	-	29,893
	-	34,565	-	34,565

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

5.3 FAIR VALUE ESTIMATION (CONT'D)

(1) Assets measured at fair value on a recurring basis (Cont'd)

As at 31 December 2020, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	5,369,677	-	-	5,369,677
Investments in equity instrument held for trading	784,568	-	-	784,568
Investments in debenture held for trading	329,898	-	-	329,898
Wealth management products	-	578,238	-	578,238
Non-hedging derivative financial assets	-	325,533	-	325,533
Derivative financial assets -				
Forward exchange contracts	-	98,146	-	98,146
Receivables Financing -				
Notes receivable at fair value through other comprehensive income	-	-	951,913	951,913
Accounts receivable at fair value through other comprehensive income	-	-	9,960,333	9,960,333
Other current assets-				
Interbank deposits	-	8,667,077	-	8,667,077
Assets held for sale	-	-	122,260	122,260
Other non-current financial assets	527,286	-	5,029,887	5,557,173
Other debt investments	-	420,183	-	420,183
Total assets	7,011,429	10,089,177	16,064,393	33,164,999

As at 30 June 2020, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Derivative financial liabilities	-	19,258	-	19,258
Financial liabilities held for trading	-	37,582	-	37,582
Liabilities held for sale	-	-	520	520
	-	56,840	520	57,360

6. SEGMENT INFORMATION

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

The details of operating segments are as follows:

- (a) the energy equipment segment: coal-fired power generation and corollary equipment, gas-fired power generation equipment, wind power equipment, nuclear power equipment, energy storage equipment, high-end vessels for chemical industry as well as power grid and industrial intelligent power supply system solutions;
- (b) the industrial equipment segment: elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts and construction industrialization equipment;
- (c) the integrated services segment: energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit and etc.; industrial internet services; financial services, covering financing leases and insurance brokerage; international trade services; high-end property services and etc.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, earnings from fair value changes in financial instruments and headquarters expenses.

Segment assets do not include trading financial assets, derivatives, dividends receivable, interest receivable, long-term equity investment, debt investment, other debt investment, other equity instrument investment, other non current financial assets, goodwill, deferred income tax assets and other undistributed headquarters assets, which are under the unified management of the Group.

Segment liabilities do not include trading financial liabilities, derivatives, dividends payable, interest payable, borrowings, income tax payable, deferred income tax liabilities and other undistributed headquarters liabilities, which are under the unified management of the Group.

The transfer pricing between segments shall be determined by reference to the price adopted by the exchange to the third party.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the six months ended 30 June 2021 was as follows (Unaudited):

	Energy equipment RMB'000	Industrial equipment RMB'000	Integrated services RMB'000	Others RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	26,388,737	18,677,377	17,401,431	11,057	49,110	-	62,527,712
Intersegment sales	2,353,637	1,805,526	1,277,268	57,919	-	(5,494,350)	-
Total revenue	28,742,374	20,482,903	18,678,699	68,976	49,110	(5,494,350)	62,527,712
Cost of sales	23,481,101	16,925,908	16,982,894	47,044	139	(5,462,965)	51,974,121
Losses from credit impairment	471,576	5,558,443	599,529	(476)	5,887,179	(5,954,867)	6,561,384
Losses from asset impairment	488,069	1,984,233	13,317	-	20,000	10,900	2,516,519
Depreciation and amortization	719,943	580,676	230,998	14,288	119,642	-	1,665,547
Finance costs – net	-	-	-	-	552,162	-	552,162
Share of profits and losses of joint ventures and associates	-	-	-	-	731,766	-	731,766
Operating profit/(loss)	511,039	(6,285,594)	583,147	(22,913)	(5,022,400)	5,584,453	(4,652,268)
Other gains and losses							126,823
Loss before tax							(4,525,445)
Assets and liabilities							
Total assets	121,275,529	66,358,067	152,063,848	698,346	68,255,179	(96,841,888)	311,809,081
Total liabilities	80,352,813	45,111,879	105,935,358	309,019	63,988,489	(88,184,508)	207,513,050
Other non-cash expenses	702,728	22,762	68,914	-	49,993	-	844,397
Capital expenditure	707,595	703,432	907,993	214,874	145,377	-	2,679,271

6. SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the six months ended 30 June 2020 was as follows(Unaudited):

	Energy equipment RMB'000	Industrial equipment RMB'000	Integrated services RMB'000	Others RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	16,430,119	19,780,703	16,920,801	105,180	5	-	53,236,808
Intersegment sales	2,861,625	683,176	936,252	19,643	14,982	(4,515,678)	-
Total revenue	19,291,744	20,463,879	17,857,053	124,823	14,987	(4,515,678)	53,236,808
Cost of sales	15,799,282	17,145,096	14,209,139	94,142	138	(4,512,247)	42,735,550
Losses from credit impairment	402,046	151,792	632,693	(51)	-	(198,878)	987,602
Losses from asset impairment	152,170	(14,874)	650	-	-	-	137,946
Depreciation and amortization	624,855	432,248	235,283	7,864	125,743	-	1,425,993
Finance costs – net	-	-	-	-	711,240	-	711,240
Share of profits and losses of joint ventures and associates	-	-	-	-	409,531	-	409,531
Operating profit/(loss)	227,397	1,137,609	2,184,250	(45,757)	(737,579)	256,256	3,022,176
Other gains and losses							64,559
Profit before tax							3,086,735
Assets and liabilities							
Total assets	100,171,283	64,475,509	147,822,948	847,294	53,810,367	(78,074,696)	289,052,705
Total liabilities	67,119,955	34,689,028	98,835,854	437,920	60,660,904	(69,169,847)	192,573,814
Other non-cash expenses	1,368,880	69,228	29,199	3,318	8,579	-	1,479,204
Capital expenditure	825,971	324,719	626,708	4,096	34,664	-	1,816,158

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. SEGMENT INFORMATION (CONT'D)

(c) Revenue from external customers

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
Mainland China	50,893,198	43,940,379
Other countries and geographical areas	11,634,514	9,296,429
	62,527,712	53,236,808

Revenue from external customers is attributed to the region where corresponding customers from.

(d) Total non-current assets

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Mainland China	61,443,514	57,194,881
Other countries and geographical areas	8,024,474	11,777,310
	69,467,988	68,972,191

Non-current assets, excluding financial assets and deferred tax assets, are attributed to the region where the assets are located in.

7. CHANGES OF CONSOLIDATION SCOPE

(1) For the six months ended 30 June 2021, subsidiaries newly incorporated or acquired and thus included in the consolidation scope are as follows:

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (RMB yuan)
				Direct	Indirect	
Shanghai Jiyou Mingyu Machinery Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	100.00	-	10,000,000
Shanghai Electric Europe Investment Co., Ltd.	Spain	Spain	Equity investment	-	100.00	EURO3,000
Shenyao Technology (Shenzhen) Co., Ltd.	Guangdong	Guangdong	Wholesale industry	-	100.00	HKD20,000,000
Shanghai Tanzhen Laser Technology Co., Ltd.	Shanghai	Shanghai	Professional technical service industry	54.14	-	9,811,951
Shanghai Kezhi Electric Automation Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	-	51.00	46,425,737
Shanghai Electric Smart City Information Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	-	70.00	20,000,000
Shanghai Electric Group (Suning) Environmental Technology Co., Ltd.	Hebei	Hebei	Electricity and heat production and supply industry	100.00	-	112,968,000
Shanghai Electric Power-on Motor Putian Co., Ltd.	Fujian	Fujian	Electrical machinery and equipment manufacturing	-	100.00	100,000,000
Shanghai Electric Power-on Motor Guangdong Co., Ltd.	Guangdong	Guangdong	Electrical machinery and equipment manufacturing	-	100.00	100,000,000
Jiangsu Yufeng Ship Technology Co., Ltd.	Jiangsu	Jiangsu	Water transport industry	-	100.00	
Jiangsu Xiangfeng Ship Technology Co., Ltd.	Jiangsu	Jiangsu	Water transport industry	-	100.00	90,000,000
Rudong Liheng Wind Power Technology Service Co., Ltd	Jiangsu	Jiangsu	Leasing	-	51.00	10,000,000
Inner Mongolia mengfa Power Development Co., Ltd	Neimenggu	Neimenggu	Electricity and heat production and supply industry	-	100.00	3,000,000
Yulin Zhengxin Power Construction Co., Ltd	Shangxi	Shangxi	Electricity and heat production and supply industry	-	100.00	200,000,000
Shanghai Electric Group Medical Technology Development Co., Ltd	Shanghai	Shanghai	Wholesale industry	100.00	-	50,000,000

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(2) Disposal of subsidiary

(a) Information on disposal of subsidiaries for the six months ended 30 June 2021 is summarised as follows:

Name of Subsidiary	Price of disposal RMB'000	Ratio of disposal	Method of disposal	Point of loss of control	Basis of judgment of point of loss of control	The difference between the disposal price and the disposal investment's net asset in the consolidated financial statement RMB'000	The amount of other comprehensive income related to the equity investment transferred to profit and loss RMB'000
Chongqing Scoray Technology Co., Ltd.	-	100%	Cancellation	February 2, 2021	Completed the industrial and commercial cancellation registration	-	-
Shanghai Relay Co., Ltd.	-	100%	Bankruptcy liquidation	February 28, 2021	Handed over to the court to designate the asset manager	25,308	-
Shanghai Nengxi Industrial Co., Ltd.	138,112	100%	Equity transfer	April 14, 2021	Completed the equity delivery	86	-
Tianwo Enke (Beijing) Institute of Nuclear Physics Co., Ltd.	215,202	100%	Equity transfer	April 30, 2021	Completed the equity delivery	448	-
Shanghai Yida Machinery Co., Ltd.	-	60.73%	Bankruptcy liquidation	June 17, 2021	Handed over to the court to designate the asset manager	151,372	-
Beijing Xinya Power Co., Ltd.	-	100%	Cancellation	June 25, 2021	Completed the industrial and commercial cancellation registration	-	-

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(b) The information of gains or losses on disposal is as follows:

(i) Chongqing Scoray Technology Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	-
Less: Share of net assets of Chongqing Scoray Technology Co., Ltd. at the level of consolidated financial statements	-
Losses on disposal recognised in the income statement	-

(ii) Shanghai Relay Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	-
Less: Share of net assets of Shanghai Relay Co., Ltd. at the level of consolidated financial statements	25,308
Losses on disposal recognised in the income statement	25,308

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(2) Disposal of subsidiary (Cont'd)

(b) The information of gains or losses on disposal is as follows:

(iii) Shanghai Nengxi Industrial Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	138,112
Less: Share of net assets of Shanghai Nengxi Industrial Co., Ltd. at the level of consolidated financial statements	(138,026)
Losses on disposal recognised in the income statement	86

(iv) Tianwo Enke (Beijing) Institute of Nuclear Physics Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	215,202
Less: Share of net assets of Tianwo Enke (Beijing) Institute of Nuclear Physics Co., Ltd. at the level of consolidated financial statements	(214,754)
Losses on disposal recognised in the income statement	448

(v) Shanghai Yida Machinery Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	-
Less: Share of net assets of Shanghai Yida Machinery Co., Ltd. at the level of consolidated financial statements	151,372
Losses on disposal recognised in the income statement	151,372

(vi) Beijing Xinya Power Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	-
Less: Share of net assets of Beijing Xinya Power Co., Ltd. at the level of consolidated financial statements	-
Losses on disposal recognised in the income statement	-

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(3) Business combinations involving enterprises not under common control

(a) Major subsidiaries in business combinations involving enterprises not under common control for the six months ended 30 June 2021

Acquiree	Timing of acquisition	Acquisition cost RMB'000	Interest acquired (%)	Method of acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the	Net profit of the	Net cash
							acquiree from the acquisition date to the end of the period RMB'000	acquiree from the acquisition date to the end of the period RMB'000	flows of the acquiree from the acquisition date to the end of the period RMB'000
Shanghai Tanzhen Laser Technology Co., Ltd.	January 25, 2021	13,783	54.14%	By purchasing shares and controlling relevant authorities	January 25, 2021	Transfer of control right	3,473	(6,852)	(998)
Shanghai Kezhi Electric Automation Co., Ltd.	April 30, 2021	86,524	51.00%	By purchasing shares and controlling relevant authorities	April 30, 2021	Transfer of control right	2,219	(2,532)	367
Inner Mongolia Mengfa Electric Power Development Co., Ltd.	May 1, 2021	17,215	100%	By purchasing shares and controlling relevant authorities	May 1, 2021	Transfer of control right	4,465	672	(4,171)
Yulin Zhengxin Electric Power Construction Co., Ltd.	May 1, 2021	1,479	100%	By purchasing shares and controlling relevant authorities	May 1, 2021	Transfer of control right	12,019	9,253	(11,728)

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(3) Business combinations involving enterprises not under common control (Cont'd)

(b) Details of the cost of combination and goodwill recognised are as follows:

	Shanghai Tanzhen Laser Technology Co., Ltd. RMB'000	Shanghai Kezhi Electric Automation Co., Ltd. RMB'000	Inner Mongolia Mengfa Electric Power Development Co., Ltd RMB'000	Yulin Zhengxin Electric Power Construction Co., Ltd. RMB'000	Total RMB'000
Cost of combination -					
Cash	-	65,790	-	1,479	67,269
Fair value of liabilities incurred or assumed	-	20,734	17,215	-	37,949
Long-term equity investments	13,783	-	-	-	13,783
Total cost of combination	13,783	86,524	17,215	1,479	119,001
Less: Fair value of the identifiable net assets obtained	13,783	60,255	20,450	3,600	98,088
Goodwill/(Non-operating income)	-	26,269	(3,235)	(2,121)	20,913

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(3) Business combinations involving enterprises not under common control(Cont'd)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows:

(i) Shanghai Tanzhen Laser Technology Co., Ltd

	Acquisition date Fair value RMB'000	Acquisition date Carrying amount RMB'000	31 December 2020 Carrying amount RMB'000
Cash at bank and on hand	1,809	1,809	2,487
Note receivable	576	576	576
Accounts receivable	3,261	3,261	3,096
Prepayments	1,936	1,936	1,948
Other receivables	802	802	766
Inventories	21,622	21,592	21,467
Other current assets	3,745	3,745	3,767
Constructions in progress	9,305	7,803	7,798
Fixed assets	2,785	2,155	2,196
Intangible assets	16,541	640	647
Long-term deferred expenses	4,093	4,273	4,412
Less: Borrowings	31,021	31,000	31,000
Accounts payable	2,319	2,319	2,012
Contract liabilities	840	840	939
Deferred tax liabilities	4,466	-	-
Other liabilities	2,371	2,372	2,145
Net assets	25,458	12,061	13,064
Less: Minority interests	11,675	5,531	
Net assets obtained	13,783	6,530	

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(3) Business combinations involving enterprises not under common control(Cont'd)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows(Cont'd):

(ii) Shanghai Kezhi Electric Automation Co., Ltd.

	Acquisition date Fair value RMB'000	Acquisition date Carrying amount RMB'000	31 December 2020 Carrying amount RMB'000
Cash at bank and on hand	1,756	1,756	4,944
Prepayments	34,820	34,820	19,871
Receivables financing	-	-	-
Accounts receivable	57,519	53,072	74,093
Other receivables	23,952	23,952	1,356
Inventories	96,677	90,224	81,065
Other current assets	2,221	2,221	762
Constructions in progress	411	411	-
Fixed assets	16,353	9,747	10,035
Intangible assets	10,495	62	80
Other assets	1,321	1,321	1,321
Deferred tax assets	1,928	1,928	1,928
Less: Borrowings	42,800	42,800	38,343
Notes Payable	23,375	23,375	19,196
Accounts payable	37,062	37,062	48,121
Contract liabilities	12,683	12,683	8,076
Deferred tax liabilities	4,191	-	-
Other liabilities	9,194	9,194	10,944
Net assets	118,148	94,400	70,775
Less: Minority interests	57,893	46,256	
Net assets obtained	60,255	48,144	

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(3) Business combinations involving enterprises not under common control(Cont'd)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows:

(iii) Inner Mongolia Mengfa Electric Power Development Co., Ltd

	Acquisition date Fair value RMB'000	Acquisition date Carrying amount RMB'000	31 December 2020 Carrying amount RMB'000
Cash at bank and on hand	10,701	10,701	20
Prepayments	281	281	-
Accounts receivable	56,610	56,610	75,235
Other receivables	30	30	100
Other assets	408	408	5,534
Fixed assets	112,511	130,880	133,109
Intangible assets	26	26	26
Long-term deferred expenses	3,404	3,404	3,476
Deferred tax assets	334	334	334
Less:Accounts payable	102,984	102,984	122,097
Other liabilities	60,871	60,871	63,713
Net assets	20,450	38,819	32,024
Less: Minority interests	-	-	-
Net assets obtained	20,450	38,819	

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(3) Business combinations involving enterprises not under common control(Cont'd)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows(Cont'd):

(iv) Yulin Zhengxin Electric Power Construction Co., Ltd.

	Acquisition date Fair value RMB'000	Acquisition date Carrying amount RMB'000	31 December 2020 Carrying amount RMB'000
Cash at bank and on hand	24,541	24,541	5,968
Prepayments	5,400	5,400	-
Accounts receivable	91,422	91,422	82,420
Other receivables	27,387	27,387	27,387
Other assets	26,837	26,837	29,635
Constructions in progress	5	5	-
Fixed assets	292,642	302,724	307,125
Long-term deferred expenses	35,879	35,879	36,456
Deferred tax assets	465	465	465
Less:Accounts payable	438,607	438,607	400,387
Other liabilities	62,371	62,371	83,735
Net assets	3,600	13,682	5,334
Less: Minority interests	-	-	-
Net assets obtained	3,600	13,682	-

8. REVENUE AND COST OF SALES

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Revenue from main operations	60,804,425	51,457,818
Revenue from other operations	1,404,464	1,361,132
Interest income	317,821	416,321
Income from handling charges and commissions	1,002	1,537
	62,527,712	53,236,808

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Cost of sales from main operations	51,056,995	41,872,938
Cost of sales from other operations	871,902	816,579
Interest expenses	44,734	41,634
Handling charges and commissions	490	4,399
	51,974,121	42,735,550

Revenue from main operations includes sales revenue from energy equipment, industrial equipment and integrated services. Cost of sales refers to those of products related to main operations. The Group's segment information has been presented in Note 6.

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Sales of goods	44,201,999	36,901,844
Engineering construction	11,784,215	10,319,375
Rendering of services	4,818,211	4,236,599
	60,804,425	51,457,818

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

8. REVENUE AND COST OF SALES(CONT'D)

Details of revenue from other operations are as follows:

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Sales of raw materials	527,329	292,822
Leasing income	366,827	267,946
Finance lease income	158,655	253,818
Rendering of non-industrial services	73,300	70,329
Sales of energy	14,410	2,836
Others	263,943	473,381
	1,404,464	1,361,132

8. REVENUE AND COST OF SALES(CONT'D)

For the six months ended 30 June 2021

	Sales of Goods			Engineering construction			Rendering of services (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	China	In other Asian countries/ geographical areas	Other regions	China	In other Asian countries/ geographical areas	Other regions			
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000			
Revenue from main operations	40,076,376	729,245	3,396,378	4,668,486	6,779,640	336,089	4,818,211	-	60,804,425
Including: Recognised at a time of point	40,076,376	729,245	3,396,378	-	-	-	43,401	-	44,245,400
Recognised overtime	-	-	-	4,668,486	6,779,640	336,089	4,774,810	-	16,559,025
Revenue from other operations	498,876	10,019	18,434	-	-	-	73,300	803,835	1,404,464
	40,575,252	739,264	3,414,812	4,668,486	6,779,640	336,089	4,891,511	803,835	62,208,889

For the six months ended 30 June 2020

	Sales of Goods			Engineering construction			Rendering of services (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	China	In other Asian countries/ geographical areas	Other regions	China	In other Asian countries/ geographical areas	Other regions			
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000			
Revenue from main operations	32,743,836	1,365,893	2,792,115	5,285,986	4,311,538	721,851	4,236,599	-	51,457,818
Including: Recognised at a point in time	32,743,836	1,365,893	2,792,115	-	-	-	255,732	-	37,157,576
Recognised over time	-	-	-	5,285,986	4,311,538	721,851	3,980,867	-	14,300,242
Revenue from other operations	268,236	236	24,350	-	-	-	70,329	997,981	1,361,132
	33,012,072	1,366,129	2,816,465	5,285,986	4,311,538	721,851	4,306,928	997,981	52,818,950

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

9. TAXES AND SURCHARGES

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Stamp duty	64,003	50,983
Real estate tax	54,248	50,036
City maintenance and construction tax	53,740	61,778
Educational surcharge	42,962	47,889
Others	28,422	37,512
	243,375	248,198

10. TAXATION

The Group's first-tier subsidiaries listed below were awarded the "High-tech Enterprise Certificate" with a valid period of three years by the Science and Technology Commission of Shanghai Municipality, the Shanghai Municipal Finance Bureau, the State Administration of Tax Shanghai Municipal Office and the Shanghai Municipal Bureau of Local Taxation, and are subject to enterprise income tax at the rate of 15% for the current year.

Name of the first-tier subsidiaries	Applicable period for high-tech enterprises preferential tax rate of 15%	
	Starting year	Ending year
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.	2020	2022
Shanghai Boiler Works Ltd.	2020	2022
Shanghai Electric Power Station Equipment Co., Ltd.	2020	2022
Shanghai Electric Gas Turbine Co., Ltd.	2020	2022
Shanghai No.1 Machine Tool Works Ltd.	2020	2022
Shanghai Electric Wind Power Equipment Co., Ltd.	2020	2022
Shanghai Machine Tool Works Ltd.	2020	2022
Shanghai Centrifuge Institute Co., Ltd.	2020	2022
Shanghai Institute of Mechanical & Electric Engineering Co., Ltd.	2020	2022
Shanghai Electric Automation D&R Institute Co., Ltd.	2020	2022
Shanghai Electric Power Environmental Engineering Co., Ltd.	2019	2021
Thales SEC Transportation System Limited Company	2019	2021
Shanghai Electric Distributed Energy Ltd., Co.	2019	2021
Shanghai Electric Guoxuan New Energy Technology Co., Ltd.	2019	2021
Shanghai Electric Nuclear Power Equipment Co., Ltd.	2021	2023
Shanghai Electric SHMP Casting & Forging Co., Ltd.	2021	2023
Shanghai Electric - SPX Engineering & Technologies Co., Ltd.	2021	2023
Shanghai Denso Fuel Injection Co., Ltd.	2021	2023
Shanghai Electric Fuji Electric Power Technology Co., Ltd.	2021	2023
Shanghai Electric Milling Equipment Co., Ltd.	2021	2023
Shanghai KSB Pump Co., Ltd.	2021	2023
Shenzhen Yinghe Technology Co., Ltd.	2021	2023

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. TAXATION(CONT'D)

The Group's first-tier subsidiaries registered overseas are subject to the tax rates prevailing in the countries in which they operate in compliance with the existing laws and regulations, interpretations and practices:

	Income tax rate
Sida Motor Manufacturing Co., Ltd.	32.00%
Shanghai Electric (India) Limited Company	27.55%
Shanghai Electric (Vietnam) Limited Company	20.00%
Shanghai Electric Power Generation (Malaysia) Co., Ltd.	24.00%
Shanghai Electric (Panama) Limited Company	25.00%
Shanghai Electric Group Europa Co., Ltd.	15.00%
Shanghai Electric Hong Kong Co., Ltd.	16.50%
Shanghai Electric Newage Company Limited	16.50%
Shanghai Electric Hong Kong International Engineering Co., Ltd.	16.50%

10. TAXATION(CONT'D)

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Current tax charger for the period	1,270,700	1,016,319
Annual filing differences for the current period	(12,552)	97,342
Deferred income tax	(845,453)	(525,319)
	412,695	588,342

The reconciliation from income tax calculated based on the applicable tax rates and total (loss)/profit presented in the consolidated income statement to the income tax expenses is listed below:

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Total (loss)/profit	(4,525,445)	3,086,735
Tax at the statutory tax rate (Note 1)	(1,131,361)	771,684
Lower tax rates for specific districts or concessions	(85,251)	(114,693)
Adjustments for current income tax of prior periods	(12,552)	97,342
Profits and loss attributable to joint ventures and associates	(156,504)	(100,833)
Income not subject to tax	(25,204)	(41,285)
Expenses not deductible for tax	43,128	61,317
Tax incentives on eligible expenditures	(57,747)	(76,655)
Utilization of previously unrecognised tax loss and deductible temporary differences	-	(11,873)
Tax loss and deductible temporary differences for which no deferred tax assets was recognised	1,838,186	3,338
Income tax expenses	412,695	588,342

Note 1: The Group's income tax is provided based on estimated taxable income in China and the applicable tax rates. Taxes on income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

11. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the current period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding. Newly issued ordinary shares are included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue) according to specific terms of the issuance contract.

Basic earnings per share are calculated as follows:

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Consolidated net profit attributable to ordinary shareholders of the parent company	(4,970,832)	1,522,052
Weighted average number of ordinary shares outstanding (i) (Unit: 1,000 shares)	15,662,253	15,152,468
Basic earnings per share	RMB(0.32) yuan	RMB0.10 yuan
Including:		
- Basic earnings per share from continuing operations (i):	RMB(0.32) yuan	RMB0.10 yuan
- Basic earnings per share from discontinued operations:	-	-

(i) The Company implements an equity incentive plan. In the calculation of basic earnings per share, the numerator is the consolidated net profit attributable to shareholders of ordinary shares less the revocable cash dividends distributed in the current period of shares that are expected to be unlocked in the future; the denominator does not include the number of restricted shares.

11. EARNINGS PER SHARE(CONT'D)

Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. For the six months ended 30 June 2021. The calculation is as follows:

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Consolidated net profit attributable to ordinary shareholders of the Company	(4,970,832)	1,522,052
Net interest expenses after tax due to the conversion of convertible bonds to shares (Note)	-	34,508
Weighted average number of ordinary shares outstanding (Unit: 1,000 shares)	15,662,253	15,152,468
Weighted average number of ordinary shares increased from share-based payment to shares (Unit: 1,000 shares) (Note)	-	870,978
Weighted average number of ordinary shares outstanding after dilution	15,662,253	16,023,446
Diluted earnings per share	RMB(0.32) yuan	RMB0.10 yuan
Including:		
- Diluted earnings per share from continuing operations:	RMB(0.32) yuan	RMB0.10 yuan
- Diluted earnings per share from discontinued operations:	-	-

In the calculation of diluted earnings per share, the Company assumes that the convertible bonds that have not been converted to shares at the balance sheet date have been fully converted to bonds at the beginning of the current period, and the dilution is considered with reference to the relevant regulations. Among them, the numerator is consolidated net profit attributable to ordinary shareholders of the Company plus net interest expenses after tax that have not been paid on the balance sheet date; the denominator includes the number of the convertible bonds on the balance sheet date.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. DIVIDENDS

On 28 June 2021, the Company's 2020 annual general meeting of shareholders reviewed and approved the 2020 profit distribution plan: based on the Company's total capital of 15,705,971 thousand shares on 31 December 2020, a cash dividend of RMB 0.7178 (tax included) per 10 shares will be distributed to all shareholders, which amounts to RMB1,127,375,000.

13. FIXED ASSETS

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and others RMB'000	Total RMB'000
Cost:					
At 31 December 2020	13,857,167	18,038,112	531,646	1,942,464	34,369,389
Additions					
Purchase	366,083	264,656	10,560	78,335	719,634
Transfer from Construction in Progress	540,275	660,541	4,664	39,003	1,244,483
Additions due to acquisition of subsidiaries	8,634	415,056	12	589	424,291
Disposals					
Disposal and scrap	(187,547)	(420,812)	(18,050)	(34,070)	(660,479)
Transfer to holding assets for sale	(19,656)	(101)	(2)	(2)	(19,761)
Translation reserve	(30,939)	(73,549)	(849)	(19,737)	(125,074)
At 30 June 2021	14,534,017	18,883,903	527,981	2,006,582	35,952,483
Accumulated depreciation and impairment:					
At 31 December 2020	4,340,897	10,646,315	384,879	1,267,750	16,639,841
Depreciation for the year	282,660	564,025	28,738	109,867	985,290
Deduction of depreciation due to the disposals	(88,034)	(270,223)	(15,747)	(16,232)	(390,236)
Transfer to holding assets for sale	(16,943)	(76)	(1)	(1)	(17,021)
Translation reserve	(11,557)	(49,150)	(609)	(16,952)	(78,268)
At 30 June 2021	4,507,023	10,890,891	397,260	1,344,432	17,139,606
Impairment:					
At 31 December 2020	85,157	104,359	601	1,462	191,579
Disposals	-	(2,324)	-	(1)	(2,325)
At 30 June 2021	85,157	102,035	601	1,461	189,254
Net carrying amount:					
At 30 June 2021	9,941,837	7,890,977	130,120	660,689	18,623,623
At 31 December 2020	9,431,113	7,287,438	146,166	673,252	17,537,969

13. FIXED ASSETS (CONT'D)

- (a) As at 30 June 2021, Intangible assets with a carrying amount of RMB 53,726,000 (31 December 2020: RMB 118,252,000) fixed assets with a carrying amount of RMB 153,143,000 (31 December 2020: RMB 222,686,000) were pledged as collateral for short-term bank mortgage borrowings amounting to RMB 143,000,000 (31 December 2020: RMB 138,000,000).

As at 30 June 2021, fixed assets and intangible assets with a carrying amount of RMB 326,889,000 (31 December 2020: RMB 113,373,000) and intangible assets with a carrying amount of RMB 189,687,000 were pledged as collateral for long-term borrowings amounting to RMB 1,454,722,000.

On June 30, 2021, the Group pledged fixed assets with a book value of RMB 372,370,000 to obtain bank credit lines.

- (b) For the six months ended 30 June 2021, depreciation charged to fixed assets amounted to RMB 985,290,000 (for the six months ended 30 June 2020: RMB 892,467,000), including RMB 654,341,000, RMB 9,769,000, RMB 259,788,000 and RMB 61,392,000 (for the six months ended 30 June 2020: RMB 592,724,000, RMB 8,133,000, RMB 233,543,000 and RMB 58,067,000) charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.
- (c) The costs of fixed assets transferred from construction in progress amounted to RMB 1,244,483,000 (for the six months ended 30 June 2020: RMB 355,289,000).

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. FIXED ASSETS (CONT'D)

(d) As at 30 June 2021, the carrying amounts of fixed assets lent out through operating leases were analysed as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Machinery and equipment	18,001	22,282
Office equipment and others	64	-
	18,065	22,282

(e) Temporarily idle fixed assets

As at 30 June 2021, buildings, machinery and equipment, and office equipment with a carrying amount of approximately RMB 820,000 (a cost of RMB 16,708,000) (31 December 2020: machinery and equipment with a carrying amount of RMB 859,000 and a cost of RMB 16,711,000) were temporarily idle.

(f) As at 30 June 2021, the Group's buildings with a net carrying amount of RMB 29,071,000 were under processing for property certificate due to recent renovation or government planning. Management of SEC believes that there is no substantive legal obstacle for these property certificates, which will not adversely affect the Group's operations.

(g) There is no residual value guarantee clause in the machinery and equipment lease contract signed by the Group as the lessor.

14. ACCOUNTS RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Accounts receivable	50,824,824	40,178,633
Less: Provision for bad debts	(13,376,724)	(7,379,531)
	37,448,100	32,799,102

The aging of accounts receivable was analysed as follows :

- (i) The accounts receivable based on overdue aging was analysed as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Not overdue	15,859,019	14,579,811
Overdue within 1 year	16,046,400	13,143,190
Overdue 1 to 2 years	8,807,876	4,506,349
Overdue 2 to 3 years	4,252,507	2,445,500
Overdue 3 to 4 years	1,551,108	1,250,383
Overdue 4 to 5 years	1,431,444	1,516,724
Overdue over 5 years	2,876,470	2,736,676
	50,824,824	40,178,633

- (ii) The aging of accounts receivable based on the date of entry was analysed as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 1 year	29,798,688	25,533,607
1 to 2 years	9,847,126	5,889,994
2 to 3 years	4,798,111	2,809,059
3 to 4 years	1,880,180	1,594,829
4 to 5 years	1,529,849	1,531,260
over 5 years	2,970,870	2,819,884
	50,824,824	40,178,633

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. ACCOUNTS PAYABLE

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Accounts payable	67,451,595	65,853,292

The aging of accounts payable was analysed as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 1 year	58,693,299	52,047,585
Over 1 year	8,758,296	13,805,707
	67,451,595	65,853,292

As at 30 June 2021, accounts payable with aging over one year amounted to RMB8,758,296,000 (31 December 2020: RMB13,805,707,000), which mainly comprised payables for construction projects and payables for materials. Such accounts are unsettled as the projects are still under construction.

16. SHORT-TERM BORROWINGS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Credit borrowings	9,375,849	12,623,359
Mortgage borrowings(a)	143,000	138,000
Pledge borrowings(b)	48,000	150,000
Guaranteed borrowings(c)	1,529,330	2,716,025
Discount borrowings(d)	1,240	-
	11,097,419	15,627,384

- (a) As at 30 June 2021, Intangible assets with a carrying amount of RMB 53,726,000 (31 December 2020: RMB 118,252,000) fixed assets with a carrying amount of RMB 153,143,000 (31 December 2020: RMB 222,686,000) were pledged as collateral for short-term bank mortgage borrowings amounting to RMB 143,000,000 (31 December 2020: RMB 138,000,000).
- (b) As at 30 June 2021, Long-term accounts receivable with a carrying amount of RMB 185,523,000 (31 December 2020: RMB 192,078,000) and intangible assets with a carrying amount of RMB 18,199,000 (31 December 2020: Nil) were pledged as collateral for short-term pledge borrowings amounting to RMB 48,000,000 (31 December 2020: RMB 150,000,000).
- (c) As at 30 June 2021, the company and its subsidiaries guaranteed the short-term borrowings amounting to RMB 1,529,330,000 (31 December 2020: RMB 2,716,025,000) of several subsidiaries.
- (d) As at 30 June 2021, the Group signed account receivable factoring contracts with recourse with the bank and obtained bank borrowings amounting to RMB 1,240,000 (31 December 2020: Nil).
- (e) As at 30 June 2021, the Group had no short-term borrowings that were due but not repaid (31 December 2020: Nil).

As at 30 June 2021, the annual interest rate of short-term borrowings was 0.81% to 5.87% (31 December 2020: 0.81% to 5.30%).

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. LONG-TERM BORROWINGS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Credit borrowings	12,973,640	7,000,230
Pledge borrowings(a)	1,454,722	861,354
Mortgage borrowings(b)	3,966,637	3,267,011
Factoring borrowings(c)	56,205	120,738
Guaranteed borrowings(d)	8,200,572	8,299,870
	26,651,776	19,549,203
Less: Current portion of long-term borrowings		
Credit borrowings	(1,290,825)	(1,349,656)
Pledge borrowings	(127,840)	(219,375)
Mortgage borrowings	(174,649)	(252,131)
Factoring borrowings	-	(67,876)
Guaranteed borrowings	(1,757,992)	(2,251,713)
	23,300,470	15,408,452

17. LONG-TERM BORROWINGS (CONT'D)

- (a) As at 30 June 2021, fixed assets and intangible assets with a carrying amount of RMB 326,889,000 (31 December 2020: RMB 113,373,000) and intangible assets with a carrying amount of RMB 189,687,000 (31 December 2020: RMB 162,142,000) were pledged as collateral for long-term borrowings amounting to RMB 1,454,722,000.
- (b) As at 30 June 2021, Long-term accounts receivable with a carrying amount of RMB 2,294,433,000 (31 December 2020: RMB 2,025,587,000) and intangible assets with a carrying amount of RMB 51,937,000 (31 December 2020: RMB 87,396,000) were pledged as collateral for long-term pledge borrowings amounting to RMB 2,615,886,000.

As at 30 June 2021, the future charge rights of six projects were pledged by the Group as collateral for long-term borrowings of RMB 1,350,751,000 (31 December 2020: RMB 705,009,000).

- (c) As at 30 June 2021, the Group signed account receivable factoring contracts with recourse with the bank and obtained long-term bank borrowings amounting to RMB 56,205,000 (31 December 2020: RMB 120,738,000).
- (d) As at 30 June 2021, the company and its subsidiaries guaranteed the long-term borrowings amounting to RMB 8,200,572,000 (31 December 2020: RMB 8,299,870,000) of several subsidiaries.

As at 30 June 2021, the Group had no long-term borrowings that were due but not repaid (31 December 2020: Nil).

As at 30 June 2021, the annual interest rate of long-term borrowings was 2.70% to 5.635% (31 December 2020: 2.70% to 5.635%).

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. BONDS PAYABLE

	31 December 2020 (Audited) RMB'000	Increase in the current period RMB'000	Exchange differences RMB'000	Interest accrued at par value RMB'000	Amortisation of premium or discount RMB'000	Repayment in the current period RMB'000	Share transfer in the current period RMB'000	Transfer to interests payable RMB'000	30 June 2021 (Unaudited) RMB'000
Electric convertible bond (a)	4,119,056	-	-	4,973	(85,612)	(1,342,153)	(2,691,291)	(4,973)	-
Medium-term notes (b)	2,485,142	-	-	51,449	1,660	-	-	(51,449)	2,486,802
Super&Short-term commercial paper(c)	-	1,500,000	-	6,016	-	(1,506,016)	-	-	-
	6,604,198								2,486,802
Less: Current portion of bonds payable	(4,119,056)								-
	<u>2,485,142</u>								<u>2,486,802</u>

- (a) On 2 February 2015, the Group issued a convertible bond due in 2021 with the principal amounting to RMB6 billion. The nominal interest rates are: 0.2% for the first year, 0.5% for the second year, 1.0% for the third year, 1.5% for the fourth year, 1.5% for the fifth year and 1.6% for the sixth year. The principal has been repaid in February 2021.

Such convertible bond could be converted into SEC's A share at RMB10.72 per share since 3 August 2015, then at RMB10.66 per share due to the distribution of cash dividends (cash dividend of RMB0.05873 per share) for the year ended at 31 December 2014 in July 2015. The convertible share price was further adjusted to RMB10.65 per share since 28 November 2016 due to the new shares issued to acquire assets so as to increase the Group's A shares on 29 August 2016, to RMB10.46 per share since 24 October 2017 due to the new shares issued to acquire assets so as to increase the Group's A shares on 19 October 2017, to RMB10.37 per share since 9 November 2017 due to the non-public issue of new A shares on 6 November 2017, to RMB10.28 per share since 28 August 2018, to RMB5.19 per share since 12 December 2018, and to RMB5.13 per share since 8 August 2019.

Such convertible bonds are subject to resale terms. Since the last two interest bearing years of the convertible bonds, the convertible bond holder is entitled to 103% of the par value of the convertible bonds held by them in whole or in part (including the interest for the very interest bearing year) when the closing price of SEC's stock price is less than 70% of the current conversion price for 30 consecutive trading days.

18. BONDS PAYABLE (CONT'D)

- (a) The principal of the convertible bond of RMB6 billion, deducted by issuance costs, was divided into two parts on the issuance of the bond. Liability of RMB4,745,903,000 was charged into bonds payable and equity of RMB1,214,919,000 was credited into capital surplus.

By the end of the conversion period on 2 February 2021, the principal has been fully redeemed.

- (b) The Group issued the first phase of 2018 medium-term notes of Shanghai Electric Group Co., Ltd. on 13 December 2018, with a maturity of 5 years. The value date is 17 December 2018, and the redemption date is 17 December 2023. The total issuance is RMB2.5 billion, and the actual total issuance is RMB 2.5 billion; the issuance interest rate is 4.15% (the Shanghai Interbank Offered Rate for the three months on 14 December 2018 rose by 1%), and the issuance is based on the par value.

- (c) The Group issued the first phase of 2021 ultra-short-term notes of Shanghai Electric Group Co., Ltd. on 7 April 2021, with a maturity of 61 days. The value date is 8 April 2021, and the redemption date is 8 June 2021. The actual total issuance is consistent with the planned, which is RMB1.5billion, with the interest rate of 2.40%.

By 8 June 2021, the Company has fully repaid the notes.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

19. DEFINED BENEFIT PLAN

The defined benefit plan requires employee contributions. Contributions are made in two ways, namely, contributions to the plan based on the number of years of service and a fixed percentage of the employee's salary. Employees can also contribute to the plan at their discretion.

This plan exposes the Group to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of defined benefit plan liabilities is calculated at a discount rate determined with reference to the yield of high-quality corporate bonds. If the return on the plan's assets is lower than the discount rate, the plan will incur a deficit. Due to the long-term nature of plan liabilities, the Pension Fund Committee believes that it is appropriate to invest a reasonable portion of plan assets in funds invested by insurance companies to take advantage of the returns generated by the funds.

Interest rate risk

The reduction in bond interest rates will lead to an increase in planned debt; however, this will be partially offset by an increase in the return on the planned debt investment.

Longevity risk

The present value of defined benefit plan liabilities is calculated by referring to the best estimate of the mortality rate of plan members during and after the employment period. An increase in the life expectancy of plan members will result in an increase in plan liabilities.

Salary risk

The present value of defined benefit plan liabilities is calculated by referring to the future salary of plan members. As a result, an increase in the salary of plan members will lead to an increase in plan liabilities.

The composition of the defined benefit plan is as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities	151,153	159,545
Current liabilities	6,349	6,629
	157,502	166,174

19. DEFINED BENEFIT PLAN (CONT'D)

The main actuarial assumptions adopted at the end of the reporting period are as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Discount rate	1.15%	1.00%
Expected future increase in retirement cost ratio	1.75%	1.75%
Expected salary ratio increase	2.00%	2.00%

The amount of the above defined benefit plan recognized in the statement of profit and loss and other comprehensive income is as follows:

	For the six months ended 30 June 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Service cost:		
Current service cost	1,118	3,886
Net interest expense	842	1,691
Expected return on plan assets	(39)	(79)
Defined benefit cost composition recognized in profit or loss	<u>1,921</u>	<u>5,498</u>
Remeasured net defined benefit liabilities:		
Obligation actuarial loss	348	5,531
Actuarial loss of planned assets	74	150
Defined benefit cost composition recognized in other comprehensive expenses	<u>422</u>	<u>5,681</u>
Total	<u>2,343</u>	<u>11,179</u>

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

19. DEFINED BENEFIT PLAN (CONT'D)

Changes in the present value of defined benefit obligations are as follows:

	For the six months ended 30 June 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Defined benefit obligation at the beginning of the year	177,734	168,809
Current service cost	1,118	3,886
Interest expenses	842	1,691
Obligation actuarial loss	348	5,531
Benefits paid	(3,741)	(6,946)
Exchange differences for overseas plans	(18,799)	4,763
Defined benefit obligation at the end of the year	157,502	177,734

The changes in the fair value of plan assets are as follows:

	For the six months ended 30 June 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Fair value of planned assets at the beginning of the year	11,560	11,571
Expected return	39	79
Actuarial loss of planned assets	(74)	(150)
Contributions by employers and plan members	-	-
Benefits paid	(121)	(246)
Exchange differences for overseas plans	(486)	306
Fair value of planned assets at the end of the year	10,918	11,560

The fair value of plan assets classified by category at the end of the reporting period is as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Insurance company investment funds	10,918	11,560

20. SHARE CAPITAL

	Movements in the current period					Sub-total RMB'000	30 June 2021 (Unaudited) RMB'000
	31 December 2020 (Audited) RMB'000	Shares newly issued RMB'000	Bonus share RMB'000	Transfer from capital surplus RMB'000	Others (a) RMB'000		
Ordinary shares denominated in RMB	12,208,441	-	-	-	524,618	524,618	12,733,059
Foreign shares listed overseas	2,972,912	-	-	-	-	-	2,972,912
	15,181,353	-	-	-	524,618	524,618	15,705,971

	Movements in the current period					Sub-total RMB'000	30 June 2020 (Unaudited) RMB'000
	31 December 2019 (Audited) RMB'000	Shares newly issued RMB'000	Bonus share RMB'000	Transfer from capital surplus RMB'000	Others RMB'000		
Ordinary shares denominated in RMB	12,179,551	-	-	-	9	9	12,179,560
Foreign shares listed overseas	2,972,912	-	-	-	-	-	2,972,912
	15,152,463	-	-	-	9	9	15,152,472

- (a) Electric convertible bond had been converted at accumulated 524,618,000 shares for the six months ended 30 June 2021.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. CONTINGENT LIABILITIES

In June 2008, Shanghai Electric signed the Equipment Supply and Service Contract (the "contract") with a UK subsidiary (the "buyer") of an Indian company to provide major equipment and related services to a coal-fired power station project in Sasan, India, with a total contract amount of USD1,311 million, and a guarantee letter from the Indian company was provided for the UK subsidiary's payment obligations under the contract.

In December 2019, due to long-term default in the payment of equipment expenses and other related expenses by the owner, the Company submitted an arbitration application to the Singapore International Arbitration Centre (SIAC), requiring the guarantor to pay the Company at least USD135 million of equipment expenses and other related payables as prescribed in the guarantee letter (Arbitration I), and in December 2020, the Company submitted an application to the Delhi High Court for property preservation of the guarantor.

On 23 February 2021, the Company received a notice from SIAC for the acceptance of the arbitration application, and the buyer and its related parties requested the Company to compensate their losses of approximately USD416 million, mainly including the losses of USD132 million in power plant operation, losses of USD221 million in electricity revenue and other related expenses (Arbitration II).

On 25 June 2021, the Company received a notice from SIAC, informing that since the buyer and its related parties have submitted a "Cancellation Letter", SIAC has now confirmed the termination of this arbitration, and no further actions were required for both parties.

In August 2021, the Company received an indictment filed in Mumbai High Court sent by lawyers of Sasan Power Plant operator. According to the indictment, the operator sued the buyer, its related parties as well as the Company, demanding that all defendants shall be held jointly accountable for losses of approximately RMB2,133 million caused by defects in equipment provided by the Company, including power plant operation losses, electricity revenue losses, interests, etc. In addition, the plaintiff filed an application for interim relief with Mumbai High Court, demanding the Company disclose assets clues. So far, the Company has not received a subpoena from Mumbai High Court.

21. CONTINGENT LIABILITIES(CONT'D)

Up to now, this arbitration case has not yet been heard. Management believes that the Company is very likely to win above two lawsuits, so no provisions have been made for the above lawsuits.

As at 30 June 2021, the Group had RMB 645,404,000 (31 December 2020: RMB 463,500,000) of contingent liabilities arising from pending litigation and arbitration.

As at 30 June 2021, the Group provided borrowing guarantees of RMB 540,301,000 (31 December 2020: RMB 551,774,000) to related parties and provided SEC with counter guarantees of no more than USD 166.8 million (equivalent to RMB 1.08 billion), and Financial Company issued no non-financial guarantees (31 December 2020: Nil) to related parties. Provisions relevant to the above matters amounting to RMB 216,185,000 are recognised by the Group.

As at 30 June 2021, non-financial guarantee letters issued by financial institutions for the Group amounted to RMB 30,531,345,000 (31 December 2020: RMB 30,333,064,000).

As at 30 June 2021, there were no significant contingent liabilities related to the equity of joint ventures and associates.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

22. COMMITMENTS

(1) Capital commitments

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted	2,418,990	2,912,684
Authorised but not contracted	5,059	19,548
	<u>2,424,049</u>	<u>2,932,232</u>

(2) Operating leases - As the lessor

According to the lease contracts signed with the lessee, the minimum leases receipts under irrevocable leases are as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 1 year (inclusive)	52,192	46,215
1 to 2 years (inclusive)	50,739	38,715
2 to 3 years (inclusive)	47,818	34,546
Over 3 years	275,642	198,139
	<u>426,391</u>	<u>317,615</u>

(3) Investment commitments

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted but not fulfilled	412,510	412,510

23. RELATED PARTY TRANSACTIONS

The pricing on transactions between the Group and related parties is based on market prices of similar products or businesses.

	Note	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Purchase of materials from:	(i)		
SEC group companies		91,378	30,399
Joint ventures		4,218	-
Associates		1,337,790	1,553,883
Other related companies		1,422,612	1,176,062
		2,855,998	2,760,344
Sales of goods to:	(i)		
Ultimate holding company		18,964	2,964
SEC group companies		762,665	84,144
Joint ventures		401	-
Associates		181,785	198,536
Other related companies		1,501,705	1,247,242
		2,465,520	1,532,886

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

23. RELATED PARTY TRANSACTIONS (CONT'D)

(1) Significant transactions between the Group and related parties during the period are as follows (Cont'd):

	Note	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
As a lessor:			
Leasee:	(ii)		
Ultimate holding company		7,696	2,700
SEC group companies		20,308	12,758
Associates		4,089	3,414
Other related companies		7,864	-
		39,957	18,872
Right-of-use assets recognized as a leasee:			
Lessor:	(ii)		
SEC group companies		4,937	4,573

Notes:

- (i) The sales and purchases, services and construction contracts were conducted in accordance with mutually agreed terms.
- (ii) The rental income and rental fee were based on mutually agreed terms with reference to the market rates.

23. RELATED PARTY TRANSACTIONS (CONT'D)

(2) Deposits and loan repaid by related parties

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Ultimate holding company	403,000	31,600

(3) Deposits and loan repaid by related parties

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Joint ventures	-	72,073

(4) Guarantees

	Unaudited 30 June 2021		Audited 31 December 2020	
	Maximum amount RMB'000	Actual guarantee amount RMB'000	Maximum amount RMB'000	Actual guarantee amount RMB'000
Nabtesco (China) Precision Machinery Co., Ltd.	51,150	23,137	51,150	31,302
Chongqing Shenhua Thin Film Solar Technology Co., Ltd.	300,000	265,288	300,000	267,479
Tianjin Qingyuan Water Treatment Technology Co., Ltd.	253,000	251,876	253,000	252,993

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

23. RELATED PARTY TRANSACTIONS (CONT'D)

A subsidiary of the Group and SEC jointly established Shanghai Electric Investment (Dubai) Co., Ltd. to participate in a power station project. Upon the commencement of the project, SEC will provide guarantees for the financing of the project entity, and the Group will provide SEC with the counter guarantee based on 20% of its indirect shareholding in the project entity, with the amount of counter guarantee expected to be no more than USD 166.8 million (equivalent to RMB 1.08 billion).

(5) Transfer of assets

For the six months ended 30 June 2021, in addition to the related transactions with the Electric Corporation disclosed in (1)-(4), it also includes:

On 29 April 2021, the Board of Directors of the Company deliberated and approved the Proposal on the Agreement Transfer and Lease of Certain Fixed Assets from Shanghai Electric Heavy Casting and Forging Co., Ltd. to Shanghai Electric (Group) Corporation, and agreed that Shanghai Electric Heavy Casting and Forging Co., Ltd., a subsidiary of the Company, would transfer 19 fixed assets to Shanghai Electric Corporation at the price of RMB125,890,000, including tax. It is agreed that Shanghai Electric Heavy Casting and Forging Co., Ltd. will lease back the above assets from the Electric Corporation.

23. RELATED PARTY TRANSACTIONS (CONT'D)

(6) Compensation of key management personnel of the Group

	For the six months ended 30 June 2021 (Unaudited) RMB'000	For the six months ended 30 June 2020 (Unaudited) RMB'000
Director	2,029	2,099
Supervisor	469	703
Senior management	4,141	4,461
	6,639	7,263

(7) Commitments

The company, together with China Energy Engineering Group Co., Ltd., another shareholder of the company's subsidiary Tianwo Technology's subsidiary, CMC Power, are willing to jointly support the future development of CMC Power. As the general contractor of EPC, CMC Power has a long project period and in order to protect shareholders' rights and interests, in 2020, China Energy promised to Tianwo Technology and CMC Power to utilize its industry resources and customer relationships to continue to assist CMC in collecting the payment of the stock projects. It agreed to assume the corresponding responsibilities if it fails to reach a certain proportion within the agreed period of the commitment, and is willing to assist in completing the related work by agreeing to acquire relevant project assets when necessary. As of June 30, 2021, the above commitments are still within the agreed period.

(8) Other matters

On December 27, 2019, the Group publicly issued the "Shanghai Electric Accounts Receivable Asset Backed Special Project" on the Shanghai Stock Exchange, with the planned maturity date in June 2022. Electric Corporation assumes the liquidity support obligation for the difference between the special plan account funds that are insufficient to pay taxes, related expenses and other payments related to the special plan, and the difference between the expected income of priority asset-backed securities and the sum of the principal payable.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

24. Subsequent events

On 17 August 2021, the Company's Board of Directors deliberated and approved the Proposal for Shanghai Electric Group Co., Ltd. to Transfer 80.59% of the Shares of Shanghai Electric International Economic and Trade Co., Ltd. to Shanghai Electric (Group) Corporation where 80.59% of the shares of Shanghai Electric International Economic and Trade Co., Ltd. (hereinafter referred to as "Electrical International Trade") were agreed to be transferred to Shanghai Electric (Group) Corporation (hereinafter referred to as "Electrical Corporation"). The transfer of the equity interests was completed on 26 August 2021 and relevant rights and obligations were successfully transferred.

25. Approval of unaudited interim consolidated financial information

The interim consolidated financial information is unaudited but reviewed by the audit committee of the Company.

The unaudited interim consolidated financial information was approved to be issued by the Board of Directors on 27 August 2021.