



上海电气
SHANGHAI ELECTRIC



2022 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

Corporate Information

Legal name of the Company (Chinese)	上海電氣集團股份有限公司
Abbreviated legal name of the Company (Chinese)	上海電氣
Legal name of the Company (English)	Shanghai Electric Group Company Limited
Abbreviated legal name of the Company (English)	Shanghai Electric
Company's legal representative	Leng Weiqing
Company's authorized representatives	Leng Weiqing, Liu Ping
Company's alternative authorized representative	Zhou Zhiyan
Joint Company Secretaries	Zhou Zhiyan, Leung Kwan Wai

Contact Person and Contact Details

	Secretary to the Board
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Summary of Basic Information

Registered address	30/F, Maxdo Center, No. 8 Xingyi Road, Shanghai (zip code: 200336)
Business address	No. 110 Sichuan Middle Road, Huangpu District, Shanghai (zip code: 200002)
Company website	http://www.shanghai-electric.com
Company email	service@shanghai-electric.com

Information Disclosure and Place for Inspection

Company's designated newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times
The Company's interim report available at	Office of the Board of the Company
Website designated for publishing interim report required by China Securities Regulatory Commission	www.sse.com.cn
Website designated for publishing interim report required by The Stock Exchange of Hong Kong Limited	www.hkexnews.hk

Summary Information of the Company's Shares

Class of Shares	Place of Listing of Shares	Abbreviation of Shares	Stock Code
A shares	Shanghai Stock Exchange	上海電氣	601727
H shares	The Stock Exchange of Hong Kong Limited	SH ELECTRIC	02727

Share Registrar and Transfer Office

A Shares: Shanghai Branch of China Securities Depository and Clearing Corporation Limited
H Shares: Computershare Hong Kong Investor Services Limited

Other Relevant Information

Date of incorporation of the Company	1 March 2004
Place of incorporation of the Company	Shanghai, PRC
Name of domestic auditors appointed by the Company	PricewaterhouseCoopers ZhongTian LLP
Business address of domestic auditors appointed by the Company	42nd Floor, Qiantan Center, No. 588 Dongyu Road, Pudong New District, Shanghai, PRC
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

PERFORMANCE HIGHLIGHTS

- Total revenue of the Company for first half of 2022 was **RMB50,293 million**, a decrease of 19.57% as compared with the corresponding period of last year

- Loss attributable to owners of the Company for first half of 2022 was **RMB991 million**, loss attributable to owners of the Company for the corresponding period of last year was **RMB4,971 million**

- Basic loss per share of the Company for first half of 2022 was **RMB0.06 yuan**, basic loss per share of the Company for the corresponding period of last year was **RMB0.32 yuan**

- New orders for first half of 2022 amounted to **RMB59.24 billion**, a decrease of **19.3%** as compared with the corresponding period of last year

- 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, the international situation has been complicated and severe, the global economic growth has slowed down significantly, and the domestic pandemic has spread frequently and sporadically, which has caused a certain degree of impact on the stability of domestic economy. Meanwhile, the manufacturing power, real economy, dual circulation, carbon neutrality and carbon peaking and other strategies proposed by our country has brought us new opportunities for development. In the first half of 2022, we focused on the new situation and new requirements of the Group's transformation and development, adhering to the industrial development values of high-quality development as the top priority, main responsibilities and main businesses as the essential foundation, serving national strategies as the top mission, science and technology innovation as the primary driver and core talents as the premier resources, followed the industrial development path of intelligent manufacturing upgrading, technology empowerment, and the two-wheel-drivers strategy of "industrial intelligentization and service industrialization". Facing the severe impact from COVID-19, by staying united and exerting our utmost strength, the Group forged ahead to overcome difficulties and strived to achieve the stable promotion of various key works in orderly manner, which has made positive progress.

Results Review

From 1 January 2022 to 30 June 2022 (the "Reporting Period"), the Company achieved total revenue of RMB50,293 million, representing a year-on-year decrease of 19.57%; the net loss attributable to owners of the Company was RMB991 million, the main reasons are as follows: during the Reporting Period, raw material prices increased and costs such as logistics and labor costs increased on a year-on-year basis; some of the Company's production and operation subsidiaries experienced suspension of operation and production, logistics difficulties and delivery delays etc., resulting in a year-on-year decrease in revenue; the production and operation results of the Company's associates and joint ventures decreased on a year-on-year basis. The net loss attributable to owners of the Company for the corresponding period of last year was RMB4,971 million. The Company incurred significant loss in the corresponding period of last year due to the provision of relevant asset loss by Shanghai Electric Communication Technology Co., Ltd. (上海電氣通訊技術有限公司) ("SECT"), a controlled subsidiary of the Company. During the Reporting Period, the Company overcame difficulties despite the impact of the COVID-19 epidemic. While implementing epidemic prevention and control measures, various subsidiaries of the Company organised employees to keep to their positions in closed-loop production during the special period to ensure the delivery of major projects. Since June 2022, the Company has made all-out effort to promote production, secure orders and expand the market, and the revenue has shown an improving trend. At the same time, the revenue generated from the products of nuclear power, energy storage, blades and other businesses of the Company grew at a relatively faster pace as compared with the corresponding period of last year.

During the Reporting Period, the Company obtained new orders in the amount of RMB59.24 billion, representing a year-on-year decrease of 19.3%. Among the new orders of the Company, orders for energy equipment amounted to RMB26.11 billion (of which orders for wind power equipment, nuclear power equipment, energy storage equipment

and coal-fired power equipment amounted to RMB4.37 billion, RMB2.77 billion, RMB5.89 billion and RMB4.66 billion, respectively), orders for industrial equipment amounted to RMB22.50 billion, and orders for integrated services amounted to RMB10.63 billion (of which orders for energy engineering and services amounted to RMB8.30 billion). As at the end of the Reporting Period, our orders on hand amounted to RMB265.96 billion (with orders in the aggregate amount of RMB32.23 billion not yet coming into effect), representing a decrease of 7.0% from the end of the preceding year. Among our orders on hand by the end of the Reporting Period, orders for energy equipment amounted to RMB144.87 billion (of which orders for wind power equipment, nuclear power equipment, energy storage equipment and coal-fired power equipment amounted to RMB33.66 billion, RMB27.62 billion, RMB8.26 billion and RMB50.07 billion, respectively), orders for industrial equipment amounted to RMB16.64 billion, and orders for integrated services amounted to RMB104.45 billion (of which orders for energy engineering and services amounted to RMB79.58 billion).

During the Reporting Period, the main operating performance of the Group is as follows:

Deepening Technology Empowerment and Facilitating the Transformation of New and Old Drivers for Development

We concentrated on the national carbon peaking and carbon neutrality strategy and insisted on science and technology innovation as the primary driver. We gathered resources to facilitate the transformation of new and old drivers for development, promote new mechanisms and launch new products through science and technology innovation, with emphasis on the fields of green low-carbon and other fields.

During the Reporting Period, we focused on the core equipment in new tracks in industries including wind power, solar power, energy storage, hydrogen power and industrial intelligentization. In the field of wind power, we continued to promote technology R&D and implementation of technology iterations, and continuously optimize development system of integration of products. We initiated the research and development of 12MW and higher class offshore multibrid products. In the field of hydrogen energy, the Company invested in the engineering verification and application demonstration platform of the hydrogen production by PEM

water electrolysis, which is expected to complete the testing of large-scale electrolysis by the end of the year, with testing ability for MW-class hydrogen production systems to build an integrated smart energy demonstration project of "renewable energy generation + hydrogen production by water electrolysis + hydrogen storage + fuel cell distributed generation" with the coupling of wind, solar and storage system in the park of Shanghai Electric Group Shanghai Electric Machinery Co., Ltd. In the field of energy storage, our self-developed 1MW/2MWh (referring to the maximum power and maximum storage capacity) full container-type all-vanadium redox flow battery system won the bid of Haiyang energy power storage station project of State Power Investment Corporation Limited. The system adopted high-performance stack, and the AC-side design efficiency of the system was over 75%, which reached an industry-leading level. In the field of traditional energy equipment, the Company focused on technology of temperature and efficiency enhancement of high-temperature subcritical units in coal-fired power generation, and carried out research and development of renovation technology for 300MW-class and 600MW-class coal-fired power products; the Company completed the delivery of the first 1,300MW nuclear power generator for Zhangzhou Nuclear Power Unit No. 1, whose overall performance reached the international advanced level. In the field of industrial basic parts, the designing and key manufacturing technology of autonomous rail transit axle box bearing of Shanghai United Bearing Co., Ltd., a subsidiary of the Company, have broken up the monopoly of techniques overseas, which generally reached the level of application for international products. In the field of industrial intelligentization, Shenzhen Yinghe Technology Co., Ltd. ("Yinghe Technology"), a subsidiary of the Company, has released new revolutionary products of four segments for the production line of new energy vehicle lithium battery, including the coating roller segment, which improved the efficiency of the dynamic line by 60%, the digital line by 100%, the three-position cutting and stacking machine with the fastest efficiency in industry, and the fully automatic soft pack assembly line with the highest efficiency and the best cost in industry.

Focusing on New Energy Industries and Accelerating the Layout of New Tracks in Industries

As a comprehensive high-end equipment manufacturing enterprise, Shanghai Electric fully exploited its technological

CHAIRLADY'S STATEMENT

advantages in energy equipment to accelerate the layout of new tracks in industries.

In the field of wind power, the zero-carbon equipment industry project, which we invested jointly with Shenergy (Group) Company Limited, was officially launched in Yangpu, Hainan, thus to promote low-carbon development of the local area. During the Reporting Period, the products of Zhuoke Platform of Shanghai Electric Wind Power Group Co., Ltd. was successively launched and started delivery by batches, and a new generation of onshore large-capacity platform products was launched at the same time. We have received first batch orders in Shandong and Guangdong for our two new products, which are EW8.X-230, the product of "Poseidon" Haishen Platform, and EW11.0-208, the product of "Petrel" Haiyan Platform, respectively, providing better solutions for the Chinese offshore wind power market with larger capacity, bigger wind turbine and higher generation capacity.

In the field of solar power generation, we successfully won the complete design and supply contract for the 110MW molten salt steam generation system for the "photo thermal + photovoltaic" pilot project of Aksai Hassak Autonomous County Huidong New Energy Company Limited, using our industry-leading new generation natural cycle system. Our projects in overseas market, including the four photovoltaic projects we undertook in West Holcombe, Bishop, Osterwold and Ingham in the UK, the Yakai photovoltaic project we undertook in Japan and the Dubai Phase V Block B photovoltaic project were successfully connected to the grid and put into production.

In the field of energy storage, Shanghai Electric fully exploited its advantages in integrated energy equipment and initially formed a diversified development pattern in energy storage industry, coordinating to create system solutions to meet different storage duration and frequency regulation needs, and by relying on the existing industrial base of boilers, turbines, generators, we expanded to other related energy storage industry to achieve the integration and development of traditional manufacturing industries and emerging energy storage industries. During the Reporting Period, we successfully signed our first overseas large-scale energy storage project with Pacific Green Technologies, Inc - the U.K. REP1&2 Energy Storage Project, with a total capacity of 100MW/100MWh.

In the field of hydrogen energy, with hydrogen production by PEM water electrolysis as the breakthrough point of the

industry, we endeavored to build up whole industry chain layout including hydrogen storage, hydrogenation, distributed power generation and etc. We also jointed work with new energy, carbon dioxide capture and other industries to develop capacity to provide comprehensive energy system solutions that combine hydrogen production, hydrogen storage/hydrogenation, hydrogen power generation, and energy and chemistry combination by taking advantage of resource integration.

Accelerating the Upgrades of Our Traditional Businesses with Advantages and Leading the Transformation of Industry

During the Reporting Period, we accelerated the upgrades of our advantaged traditional businesses, and we enhanced our system solution capabilities and developed service industrialization to promote the upgrading of existing industries and lead the transformation of industries.

We have accelerated the upgrades of our advantaged traditional businesses and improve the industrial development quality continuously. In the field of nuclear power equipment, we have delivered the first wet winding engine main pump of the "Guohe One" in the world. With the first successful grid connection of the Unit No. 3 of Karachi Nuclear Power Plant in Pakistan, an overseas demonstration project of "Hualong One", in which Shanghai Electric provided the main equipment of nuclear and conventional islands, and the completion of 168 hours of trial operation of the Unit No. 6 of Fuqing Nuclear Power Plant, a demonstration project of "Hualong One", in which Shanghai Electric provided the reactor vessel internals, the China's third-generation nuclear power "Hualong One" demonstration projects at home and abroad have fully completed and put into production, which has strongly underpinned China's leapfrogging from a nuclear power big country to a nuclear power strong country. In the field of thermal power equipment, we are widely recognized by our customers for our secondary reheat technology with high technology level and excellent quality service. During the Reporting Period, we have won the bids for the complete set of main power generation equipment for the 1x600MW ultra-supercritical secondary reheat project of Xiamen Huaxia Power International Development Co., Ltd. (廈門華夏國際電力有限公司), the boiler equipment of 2x660MW power generation project of China Coal Xinji Lixin Power Generation Co., Ltd. (中煤新集利辛發電有限公司), the turbine generator equipment

of 2×1000MW power generation project of CEEC Zhejiang Power Designing Institute (中國能源建設集團浙江省電力設計院有限公司), the boiler equipment of 2×660MW power generation project of Guoneng Zhejiang Zhoushan Power Generation Co., Ltd. (國能浙江舟山發電有限責任公司), the turbine generator equipment of 2×1000MW power generation project of Chang'an Yiyang Power Generation Co., Ltd. (長安益陽發電有限公司), which have helped our customers achieve high capacity, high parameters, high energy efficiency, clean and environmental-friendly power production, while significantly reduced coal consumption for electricity supply. In the field of gas turbine equipment, we won bids for a number of F-class gas turbine projects, such as Wenergy Peaking Power Plant, Huaihe Energy project, Jiangyin Thermal Power, Wuxi West Area Phase II and Zheneng Zhenhai. In the field of industrial equipment, Shanghai Mitsubishi Elevator Co., Ltd. ("SMEC") successively won bids for Line 7, Line 8 and second dispatch center project of the Zhengzhou Rail Transit, as well as the orders of the renovation and expansion projects of Urumqi Airport and Zhuhai Airport.

We are committed to becoming a provider of industry-class green intelligent system solutions by leveraging our strengths in equipment manufacturing and industry synergy. During the Reporting Period, Shanghai Electric Power Transmission and Distribution Engineering (Malaysia) Co., Ltd. (上海電氣輸配電工程成套(馬來西亞)有限公司) successfully won the bid for the design, supply and installation of a 132kV substation at KULIM plant in Malaysia. Yinghe Technology won the order for the first lithium power production line in Europe of Germany Volkswagen and will provide core production equipment and solutions for the production of lithium batteries for the 20GWh super plant of Germany Volkswagen. During the Reporting Period, Shanghai Electric Automation D&R Institute Co., Ltd. (上海電氣自動化設計研究所有限公司) won bids for the integration and installation project of monitoring and control (including communication) system for the Line 10 Phase 3 and Line 13 Phase 1 of the Chengdu Metro Rail Transit.

We embraced the concept of two-wheel drives featuring products and services, and accelerated the construction of service industrialization capabilities. "SEunicloud" industrial internet platform of Shanghai Electric continued to innovate the models of "manufacturing + service" coupled with the "product + service". During the Reporting Period, "SEunicloud" industrial internet platform became the third batch of service-oriented manufacturing demonstration platforms in Shanghai

by virtue of its advantages in customized services, supply chain management and energy-saving and environmental protection services. SMEC was committed to providing standardized and professional elevator maintenance service, and continued to promote the application of the Internet of Things in the field of elevators to build the core competitiveness of maintenance. We continued to build financial services platform, by performing functions of intelligent treasury, value-added financial services and risk management to integrate various financial services resources to provide one-stop financial services for the Group's enterprises, thus to further enhance the ability and level of financial empowerment of industrial development.

Guarding Shanghai Together and Contributing to the "COVID-19 Battle in Shanghai"

Since 2022, new outbreak of COVID-19 has sporadically repeated in many places in China, including Shanghai, and we have experienced an extraordinary first half of the year. During the outbreak of pandemic in Shanghai, we have actively responded to difficulties, coordinated the production and operation and pandemic prevention and control, and fulfilled our mission and responsibility as a state-owned enterprise with practical actions.

We actively organised efforts to support city operations and fully safeguarded the city's fight against the pandemic. SMEC participated in the construction of shelter hospital to ensure the normal operation of elevator equipment, and launched the maintenance and emergency linkage mechanism to ensure the timely maintenance and emergency rescue of elevator equipment in all service areas across the country. The Shanghai subway maintenance team of Shanghai Electric Thales Transport Automation Control System Co., Ltd. commenced "7×24 barrack-style" management to ensure the orderly operation of Shanghai rail transportation. Renmin Electrical Apparatus Works of Shanghai Electric Group Co., Ltd., Shanghai Electric Chengguang Electric Power Engineering Co., Ltd. and Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd., all being subsidiaries of the Company, responded quickly and completed the tasks of the switch components, lighting facilities, power distribution appliances, power and communication cables and information technology support of command centre of multiple shelter hospitals.

We united and held hands to overcome difficulties and steadily

CHAIRLADY'S STATEMENT



promoted our production and operation tasks. Shanghai Electric Nuclear Power Equipment Co. Ltd., Shanghai First Machine Tool Works Co., Ltd, SEC-KSB Nuclear Pumps & Valves Co., Ltd., Shanghai Boiler Works Ltd., the Turbine Factory of Shanghai Electric Power Generation Equipment Co., Ltd., and other subsidiaries of the Company organised employees to keep to their positions in closed-loop production, ensured the progress of major projects and focused on key orders. During the pandemic, "SEunicloud" industrial internet platform of Shanghai Electric took full advantages of integration of digitalization and manufacturing, empowered enterprises to resume work and production continuously, and played a key role in remote operation and maintenance of equipment, monitoring and early warning and other aspects through cloud applications such as equipment housekeepers and production management, as well as services such as online trial, subscription and consulting.

Outlook

Looking forward to the second half of 2022, we will continue to firmly adhere to the development concept of "pursuing progress while ensuring stability, adhering to integrity and innovation and unswervingly following the path of high quality development". We will seize the national strategic opportunities and promote and implement the development

strategy of the Company. We will promote the transformation of new and old drivers for development, increase the layout and investment in the new paths, accelerate the transformation and upgrade of our advantageous industries to high-end, green, digital, service-oriented and internationalized directions. We will actively promote the planning and layout of the industry chain in the fields of new energy and intelligent manufacturing, organize the technology, products, engineering and services in the fields of new energy such as wind power, solar power, energy storage, hydrogen power, and enhance the overall solution capability in the field of intelligent manufacturing. We will also increase investment in science and technology, explore the incentive mechanism for science and technology, insist on openness and cooperation, improve its independent innovation capability continuously, and build our core competitiveness in science and technology. We will continue to focus on the main responsibility and main business, concentrate on our advantages, and strive to achieve healthy and sustainable development of the Company.

Chairlady and CEO
Leng Weiqing
Shanghai, the PRC
29 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Company achieved total revenue of RMB50,293 million, representing a year-on-year decrease of 19.57%; the net loss attributable to owners of the Company was RMB991 million, while the net loss attributable to owners of the Company for the corresponding period of last year was RMB4,971 million.

Principal Activities and Operation Review of the Company

Energy Equipment

During the Reporting Period, the energy equipment segment achieved revenue of RMB24,260 million, representing a year-on-year decrease of 15.6%, which was mainly attributable to the year-on-year decrease in revenue in wind power resulting from the installation peak of offshore wind power as affected by the national policies in the last year. During the Reporting Period, the gross profit ratio of the energy equipment segment was 17.2%, representing a year-on-year decrease of 1.1 percentage points, which was mainly attributable to fact that the increase in the raw material prices and labor costs made impact on the power station equipment business and energy storage equipment business of the Company.

Industrial Equipment

During the Reporting Period, the industrial equipment segment achieved revenue of RMB16,759 million, representing a year-on-year decrease of 18.2%, which was mainly due to the year-on-year decrease in revenue in elevator business as affected by COVID-19. During the Reporting Period, the gross profit ratio of the industrial equipment segment was 16.2%, representing a year-on-year decrease of 1.1 percentage points, which was mainly due to the year-on-year decrease in gross profit ratio for industrial basic parts business as affected by market environment overseas. Meanwhile, the gross profit ratio of electrical machinery business of the Company decreased as affected by the intensified market competition.

Integrated Services

During the Reporting Period, the integrated services segment achieved revenue of RMB11,621 million, representing a year-on-year decrease of 37.8%, which was mainly due to the decrease of revenue from overseas engineering projects; meanwhile, as affected by COVID-19, deliveries of certain domestic businesses of the Company were postponed. During the Reporting Period, the gross profit ratio of the integrated services segment was 13.8%, representing a year-on-year increase of 4.7 percentage points, which was mainly caused by the changes in structure of gross profit for overseas engineering projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Major Financial Data and Indicators

Unit: '000; Currency: RMB

	As at the end of the Reporting Period	As at the end of last year	Increase/decrease as at the end of the Reporting Period as compared to the end of last year (%)
Total assets	296,988,684	300,802,190	(1.27)
Equity attributable to owners of the Company	57,334,813	58,134,328	(1.38)
Net assets per share attributable to owners of the Company (Yuan/share)	3.68	3.70	(0.54)

Unit: '000; Currency: RMB

	The Reporting Period (from January to June 2022)	The corresponding period of last year	Increase/decrease for the Reporting Period as compared to the corresponding period of last year (%)
Operating revenue	50,010,830	62,208,889	(19.61)
Operating profit/(loss)	64,038	(4,652,268)	N/A
Total profit/(loss)	96,033	(4,525,445)	N/A
Net profit/(loss) attributable to owners of the Company	(991,340)	(4,970,832)	N/A
Basic earning per share (Yuan)	(0.06)	(0.32)	N/A
Weighted average return on net assets (%)	(1.72)	(7.44)	N/A
Net cash flow from operating activities	(6,622,924)	(18,635,074)	N/A
Net cash flow per share generated from operating activities (Yuan)	(0.43)	(1.19)	N/A

The main reason for significant changes in major financial data and indicators of the Reporting Period compared with the same period of last year is as followed: during the Reporting Period, raw material prices increased and costs such as logistics and labor costs increased on a year-on-year basis; some of the Company's production and operation subsidiaries experienced suspension of operation and production, logistics difficulties and delivery delays etc., resulting in a year-on-year decrease in revenue; the production and operation results of the Company's associates and joint ventures decreased on a year-on-year basis. The net loss attributable to owners of the Company for the corresponding period of last year was RMB4,971 million. The Company incurred significant loss in the corresponding period of last year due to the provision of relevant asset loss by SECT, a controlled subsidiary of the Company.

Major Financial Reporting Items and Analysis of Changes

Unit: 100 million; Currency: RMB

	January to June 2022	January to June 2021	Year-on-year Change (%)
Operating revenue	500.11	622.09	(19.61)
Operating cost	417.24	519.29	(19.65)
Selling and distribution expenses	15.74	23.97	(34.33)
General and administrative expenses	34.47	32.76	5.22
Research and development expenditures	19.06	21.44	(11.10)
Financial expenses	6.82	5.52	23.55
Net cash flows from operating activities	(66.23)	(186.35)	N/A
Net cash flows from investing activities	10.76	54.03	(80.09)
Net cash flows from financing activities	(15.30)	12.11	N/A

Analyses of Changes

Selling and distribution expenses: mainly due to decrease in operating revenue resulting in corresponding decrease in product warranty fees.

Net cash flows generated from operating activities: mainly due to the decrease in cash out flows from operating activities such as procurement of goods for production as compared with the corresponding period of last year.

Net cash flows from investing activities: mainly due to the decrease in cash received from disposal of investments.

Assets and Liabilities

As at 30 June 2022, the Group has total assets of RMB296,989 million (31 December 2021: RMB300,802 million), a decrease of RMB3,813 million, or 1.27%, compared with that of the beginning of the year. Total current assets decreased by RMB2,895 million from the beginning of the year to RMB206,881 million (31 December 2021: RMB209,776 million), accounting for 69.7% of the total assets. Total non-current assets were RMB90,108 million as at 30 June 2022 (31 December 2021: RMB91,026 million), representing a decrease of RMB918 million from the beginning of the year and accounting for 30.3% of the total assets.

As at 30 June 2022, total liabilities of the Group were RMB199,808 million (31 December 2021: RMB202,658 million), representing a decrease of RMB2,850 million, or 1.41%, compared with that of the beginning of the year. Total current liabilities decreased by RMB4,281 million from the beginning of the year to RMB164,598 million (31 December 2021: RMB168,879 million), whereas total non-current liabilities increased by RMB1,432 million from the beginning of the year to RMB35,210 million (31 December 2021: RMB33,778 million).

As at 30 June 2022, total net current assets of the Group were RMB42,283 million (31 December 2021: RMB40,897 million), representing an increase of RMB1,386 million from the beginning of the year.



MANAGEMENT DISCUSSION AND ANALYSIS

Source of Funding and Indebtedness

As at 30 June 2022, the Group had an aggregate amount of bank and other borrowings and bonds of RMB45,850 million (31 December 2021: RMB44,686 million), representing an increase of RMB1,164 million as compared with that as of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB17,902 million, representing a decrease of RMB448 million as compared with that as of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB27,948 million, representing an increase of RMB1,612 million as compared with that of the beginning of the year. As at 30 June 2022, among the Group's bank and other borrowings,

(1) The unsecured borrowings borrowings denominated in US dollars amounted to USD330,600 thousand in total (31 December 2021: USD295,600 thousand), equivalent to RMB2,218,789 thousand (31 December 2021: RMB1,884,659 thousand); borrowings denominated in Euros amounted to EUR455,429 thousand in total (31 December 2021: EUR546,064 thousand),

equivalent to RMB3,191,830 thousand (31 December 2021: RMB3,942,417 thousand);

borrowings denominated in Hong Kong dollars amounted to HKD524,994 thousand in total (31 December 2021: HKD548,501 thousand), equivalent to RMB448,975 thousand (31 December 2021: RMB448,454 thousand).

(2) The secured bank borrowings borrowings denominated in US dollars amounted to USD4,502 thousand (31 December 2021: USD4,502 thousand), equivalent to RMB30,215 thousand (31 December 2021: RMB28,703 thousand); borrowings denominated in Euros amounted to EUR5,505 thousand (31 December 2021: EUR5,703 thousand), equivalent to RMB38,583 thousand (31 December 2021: RMB41,171 thousand);

(3) The bank guaranteed borrowings borrowings denominated in US dollars amounted to USD158,004 thousand (31 December 2021: USD167,835 thousand), equivalent to RMB1,060,425 thousand (31 December 2021: RMB1,070,064 thousand); borrowings denominated in Euros amounted to EUR98,750 thousand (31 December 2021: EUR8,000 thousand), equivalent



to RMB692,080 thousand (31 December 2021: RMB57,758 thousand).

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

Pledge of Assets

As at 30 June 2022, the Group's bank deposits amounted to RMB1,451 million (31 December 2021: RMB1,402 million), receivable financing amounted to RMB80 million (31 December 2021: RMB123 million), notes receivable with a carrying amount of RMB472 million (31 December 2021: RMB370 million), investment properties with a carrying amount of RMB7 million (31 December 2021: RMB7 million) and certain property and equipment with a carrying amount of RMB2,338 million (31 December 2021: RMB2,095 million) were secured to banks to obtain bank borrowings or credit facilities. In addition, as at 30 June 2022, none of the Group's bank borrowings was secured by the Group's inventory (31 December 2021: Nil). Part of the Group's bank borrowings was secured by the Group's accounts receivable, with a carrying amount of RMB1,569 million (31 December 2021: RMB1,341 million). Part of the Group's bank borrowings was secured by the Group's long-term receivables, with a carrying amount of RMB530 million (31 December 2021: RMB880 million).

Gearing Ratio

As at 30 June 2022, the gearing ratio of the Group, which represents the ratio of the sum of interest-bearing bank and other borrowings, bonds, lease liabilities and deposits from customers to the sum of total equity of the shareholders plus interest-bearing bank and other borrowings, bonds, lease liabilities and deposits from customers, was 35.04%, representing an increase of 0.67 percentage point as compared with 34.37% 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 RMB1,513 million (first half year of 2021: RMB2,679 million), which had been applied towards upgrading of production technologies and production equipment.

Potential Risks

Pandemic Risks

In the first half of 2022, with the emerging of novel coronavirus variants, domestic pandemic has sporadically repeated in many places. Continuous and reoccurring pandemic has caused adverse impact on personnel mobility and goods transportation of the Company, resulting in risks of delayed project progress, longer project duration and higher project costs.

The Company will strictly implement the normalization of pandemic 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 proactively explore and develop market expanding model during the implementation of regular pandemic prevention and control measures while minimizing the impact on business operations.

Raw Material Prices Fluctuation Risks

The procurement cost of the Company's principal businesses has increased as a result of the rising price of bulk materials. Meanwhile, due to long cycle of energy equipment orders undertaken by the Company, the sharp fluctuations of raw material prices have greater adverse impacts on the profitability of the Company.

In this regard, the Company will strengthen the monitoring and management of the quality of economic operation, pay close attention to changes in the operation quality, business structure and profitability of each business segment of the Group, optimize the supply chain management system and establish bulk raw materials procurement platform, so as to further improve our cost control and pricing capabilities of purchase to actively control the risks on the Company from the fluctuations of raw material prices.

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 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, improve the hedging mechanism on the fluctuation of the exchange rate, 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.

Overseas Business Risks

Due to the impact of the ongoing development of COVID-19 pandemic in overseas markets, some of the Company's overseas engineering projects are under various pressures such as delayed project progress, higher labor costs and rising raw material costs. The fluctuation of the foreign exchange rate also exerted negative effects on the profitability of overseas engineering projects. Meanwhile, the environment for the expansion of overseas business is severe. The risks and uncertainties in the import and export business of the Company have increased as a result of tensions in international relations, and the possibility of risks arising from changes in the political and economic landscape of the locations where the Company operates overseas business has increased.

In this regard, the Company will pay close attention to and study the policy and environment of overseas markets, strengthen management and risk control and improve the hedging mechanism on the fluctuation of the exchange rate. 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 good market reputation in the overseas markets.

Market Risks

The overall growth rate of the Chinese economy is slowing down. 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.

In this regard, 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 to address all challenges from changes in the markets.

The Company Was Investigated by the China Securities Regulatory Commission for Suspected Violation of Laws and Regulations on Information Disclosure

On 5 July 2021, the Company received an investigation notice from the China Securities Regulatory Commission (the "CSRC"). As the Company was suspected to have breached the relevant laws and regulations on information disclosure, 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 CSRC is still in progress. If the Company is finally determined by CSRC to constitute violation of the relevant laws and regulations on information disclosure, the Company may be subject to administrative penalties and investor litigations.

The Company will actively cooperate in the investigation of CSRC and fulfill the information disclosure obligations in strict compliance with regulatory requirements.



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 Holding Group Co., Ltd. (上海電氣控股集團有限公司) ("SEGC", the controlling shareholder of the Company, formerly known as "Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)"), 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, 2018 first A share class meeting and 2018 first H share class meeting, 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 meeting of the fifth session of the Board and the approval of the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting, the Company applied part of the proceeds towards the 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 meeting of the fifth session of the Board and the approval of the 2019 second extraordinary general meeting, 2019 second A share class meeting and 2019 second H share class meeting, the Company adjusted the amount of raised funds used in the reconstruction project of Innovative Industry Park Reformation Project at Beinei Road 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Use of Proceeds Raised from the Placement of A Share

Unit: '00 million; Currency: RMB

Total amount of proceeds	30.00	Total proceeds invested during the year	0.03
Total proceeds used for other purposes instead of the scheduled one(s)	27.09	Total cumulative proceeds invested	27.22
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	90.30%		

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	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	Yes	2.26	0.66	-	0.16	2022	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	-	3.42	2019	N/A	N/A
Acquisition of 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited	Yes	-	7.56	-	7.56	2019	N/A	N/A
Shanghai Electric Nantong Central Research Institute Project	Yes	-	7.26	0.03	5.13	2022	N/A	N/A
Permanent replenishment of working capital	Yes	-	8.85	-	8.85	2019	N/A	N/A
Total		30.00	29.85	0.03	27.22			

As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018, 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 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 million.

As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018, the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting held on 6 May 2019, the Company 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 Group Environmental Protection Limited Company (東方園林集團環保有限公司) ("Orient Landscape") and Taizhou Zongze Equity Investment Management LP (台州宗澤股權投資管理合夥企業(有限合夥)) ("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. The Company had 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 the Company on 27 September 2019, and as considered and approved at the 2019 second extraordinary general meeting, 2019 second A share class meeting and 2019 second H share class meeting on 14 November 2019, the Company proposed to change the amount of total investment and implementation mode of as well as the amount of proceeds earmarked for the Innovative Industry Park Reformation Project at Beinei Road. 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), a controlled subsidiary of Shanghai Guorun Investment and Development Company Limited (上海國潤投資發展有限公司) to function as the implementation entity. The project company 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 Innovative Industry Park Reformation Project at Beinei Road. In addition, upon intensive research and demonstration, the Company 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 (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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 on 9 November 2019.

Reasons for not meeting the schedule

Advance has been made in the application for approval of the project positioning of the Innovative Industry Park Reformation Project at Beinei Road as per requirements under the "50 Guidelines for Cultural and Creative Industries" of Shanghai. Approval from relevant government departments has been obtained for the project positioning, and meeting minutes have been issued. It was originally planned to complete the construction of the project by the end of 2021. In order to meet the needs of contracted customers for supporting facilities such as water, electricity and gas, the project adjusted the layout plan of certain pipelines and adjusted the construction arrangement, resulting in the failure to complete the construction of the project by the end of 2021. The construction of the project is planned to be completed in 2022.

Shanghai Electric Nantong Central Research Institute Project was originally scheduled to be completed by the end of June 2021. Due to the strict pandemic prevention and control in Nantong area, the pandemic has had a significant impact on the construction period for the project. At present, the project is expected to complete the completion filing and relevant procedures in 2022.



Significant Events

Disposal of 15.24% Shares in Suzhou Thvow Technology Co., Ltd.

In the past two years, due to the impact of the COVID-19 pandemic, rising procurement and construction costs and other factors, Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司) ("Thvow Technology"), a controlled subsidiary of the Company, was facing difficulties in operation. In order to improve the sustainable operation capability and profitability of Thvow Technology, the Company originally intended to improve the asset quality of Thvow Technology by injecting 100% equity interest in Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) into Thvow Technology. On 10 February 2022, the Board considered and approved the relevant resolution, pursuant to which Thvow Technology intended to issue shares to the Company to purchase 100% equity of Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) held by the Company, and to raise supporting funds through the non-public issuance of shares to Shanghai Lixin Industrial Co., Ltd. (上海立昕實業有限公司), a consolidated 100% owned subsidiary of SEGC, the controlling shareholder of the Company. However, due to the recent changes in the external market environment, it was highly uncertain to

continue to promote the above transaction. After prudent research and analysis and negotiation between the parties to the Transaction, the Company proposed to terminate the asset reorganisation. As the indirect controlling shareholder of Thvow Technology, and to further support the development of Thvow Technology by relying on the resources of SEGC, SEGC planned to acquire the Company's shares in Thvow Technology after due negotiation between the parties.

On 20 June 2022, the Board agreed to terminate the issuance of shares by Thvow Technology to purchase 100% equity of Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) and to raise supporting funds, and approved the Company to transfer 132,458,814 shares it held in Thvow Technology to SEGC by way of non-public agreement transfer, at a consideration of RMB4.26 per share, totalling RMB564,274,547.64 (the "Transaction"). On 20 June 2022, the Company and SEGC entered into the Share Transfer Agreement with conditions precedent regarding the Transaction. The Transaction was approved at the extraordinary general meeting of the Company held on 22 July 2022. As of the date of this report, the Transaction is still in progress.

As at date of the above Board meeting, there were unfilled



MANAGEMENT DISCUSSION AND ANALYSIS

contracts in the ordinary course of business between the Company and its subsidiaries and Thvow Technology and its subsidiaries, including:

- 1) The contracts of the Company and its subsidiaries to purchase equipment and services from Thvow Technology and its subsidiaries amounted to approximately RMB2,069 million, of which unfilled amount of the contracts was approximately RMB747 million.
- 2) The contracts of the Company and its subsidiaries to sell equipment and services to Thvow Technology and its subsidiaries amounted to approximately RMB4,744 million, of which unfilled amount of the contracts was approximately RMB2,623 million.

Significant Events After the Reporting Period

Litigations in Relation to SECT

SECT, a controlled subsidiary of the Company, filed petitions to the court in 2021, to request Beijing Capital Group Co., Ltd (北京首都創業集團有限公司) ("Capital Company") and Beijing Capital Group Company Limited Trading Branch (北京首都創業集團有限公司貿易分公司) ("Capital Trading") to settle the payment for goods in a total amount of approximately RMB1,193 million and the damages for breach of contract. In July 2022, SECT received the civil ruling issued by Shanghai No. 2 Intermediate People's Court (上海市第二中級人民法院) on the cases of SECT suing Capital Company and Capital Trading. The court held that after review, the facts involved in these cases were related to the contract fraud cases of Capital Company, which were filed and investigated by the Beijing Municipal Public Security Bureau. The court also held that the trial results of these cases must be based on the trial results of the contract fraud cases, and ruled that the cases be stayed.

SECT filed petitions to the court in 2021, to request Harbin Industrial Investment Group Co., Ltd. (哈爾濱工業投資集團有限公司) ("Harbin Industrial Investment") to settle the payment for goods in a total amount of approximately RMB392,973.5 thousand and the damages for breach of contract. In December 2021, SECT received the first - instance judgment regarding the cases of SECT suing Harbin Industrial Investment. In July 2022, SECT received the notice of response and the civil ruling issued by Shanghai Higher People's Court (上海市高級人民法院). The court held that after review,

the cases should be based on the outcomes of other civil and commercial cases involving Sui Tianli and others and thus the appeal cases of Harbin Industrial Investment were ruled to be stayed by the court.

SECT filed petitions to the court in 2021, to request Fortune Industrial Corp. (富申實業公司) ("Fortune Industrial") to settle the payment for goods in a total amount of approximately RMB787,956.2 thousand and the damages for breach of contract. In November 2021, Fortune Industrial sued SECT for the return of the advance and payments for goods in a total amount of approximately RMB97,741.8 thousand. From May to June 2022, due to the impact of the epidemic, the relevant litigation activities cannot be carried out normally, Shanghai Yangpu District People's Court (上海市楊浦區人民法院) ruled that the cases regarding SECT suing Fortune Industrial were stayed. In July 2022, SECT received the civil ruling issued by Shanghai Yangpu District People's Court (上海市楊浦區人民法院) on the cases of Fortune Industrial suing SECT. The court held that after review, the cases should be based on the outcomes of other cases, which have not been concluded yet, and ruled that the cases are stayed.

SECT filed petitions to the court in 2021, to request Nanjing Changjiang Electronics Group Co., Ltd. (南京長江電子信息產業集團有限公司) ("Nanjing Changjiang") to settle the payment for goods in a total amount of approximately RMB2,089,000.8 thousand and the damages for breach of contract. From May to June 2022, due to the impact of the epidemic, the relevant litigation activities cannot be carried out normally, Shanghai Yangpu District People's Court (上海市楊浦區人民法院) ruled that the cases regarding SECT suing Nanjing Changjiang were stayed.

Jiangsu Zhongli Group Co., Ltd. (江蘇中利集團股份有限公司) ("Jiangsu Zhongli") brought a claim against SECT to request payment for goods, the corresponding interest and attorney's fee for litigation in a total amount of approximately RMB 545,075.7 thousand in 2021. In July 2022, SECT received notice of response, civil complaint and civil ruling and other materials from Shanghai Yangpu District People's Court (上海市楊浦區人民法院). Jiangsu Zhongli applied for withdrawal of the lawsuits and re-litigated against SECT for payment for goods, the corresponding interest and attorney's fee for litigation in a total amount of approximately RMB544,348 thousand. Shanghai Yangpu District People's Court (上海市楊浦區人民法院), after consideration and review, held that as the cases had to be based on the outcomes of other case,

and as the other case have not yet been concluded, the cases met the circumstances for statutory stay of litigation and ruled that the cases were stayed.

Litigations and Arbitrations in Relation to the Sasan Project in India

In June 2008, the Company and Reliance Infra Projects (UK) Limited (the "Reliance UK"), entered into the Equipment Supply and Service Contract (the "Contract") for the project of Sasan 6*600MW Ultra Large Supercritical Coal-fired Power Station in India (the "Project"), with a contracted amount of USD1,311,000,000, pursuant to which, the Company (as the supplier) shall provide major equipment and relevant services for the Project, Reliance Infrastructure Limited (the "Reliance") issued the letter of guarantee for the payment obligations of Reliance UK under the Contract, and Sasan Power Limited (the "Sasan Power") owned and operated the power station. Since Reliance UK still failed to pay for the equipment purchased and other relevant payables to the Company after the Project commenced commercial operation for several years, the Company filed to the Singapore International Arbitration Centre for arbitration in December 2019, requiring Reliance to pay for equipment purchased and other relevant payables in the amount of at least USD135,320,728.42 to the Company as agreed in the letter of guarantee issued by Reliance for Reliance UK.

In August 2021, the Company received a complaint filed and sent by Sasan Power in the Bombay High Court of India. According to the complaint, Sasan Power sued Reliance, Reliance UK and the Company, requesting that the three respondents bear joint liability and compensate it for losses of 24,511,908,372 rupees (approximately RMB2.133 billion) (the "Litigation"). In December 2021, the Company received a notice of acceptance for an arbitration brought by Reliance UK against the Company issued by the Singapore International Arbitration Center, pursuant to which Reliance UK request the Company to compensate for its losses of approximately USD388.75 million related to the contract. Reliance UK also believed that the letter of performance guarantee was unreasonably released and request the Company to issue a letter of performance guarantee in the amount of approximately USD120.175 million to guarantee its claims.

In July 2022, the Company's attorneys were informed through public information that the Litigation has been disposed by the Bombay High Court of India on the grounds that the plaintiff did

not meet the requirements for filing a complaint and failed to amend the complaint within the prescribed time.

Gratuitous Transfer of Part of the Company's Shares by Controlling Shareholder

On 15 November 2021, SEGC entered into the Agreement on the Gratuitous Transfer of 5% shares of Shanghai Electric Group Company Limited from SEGC to Shanghai State-owned Capital Investment Co., Ltd. with Shanghai State-owned Capital Investment Co., Ltd., a wholly-owned subsidiary of Shanghai State-owned Assets Supervision and Administration Commission, to gratuitously transfer 785,298,555 A shares (representing 5.04% of the Company's total capital of 15,579,809,092 shares as at the end of the Reporting Period) to Shanghai State-owned Capital Investment Co., Ltd. The share transfer registration of the Gratuitous Transfer of the Shares was completed on 11 July 2022.

Employees

On 30 June 2022, the Group had approximately 39,704 employees (30 June 2021: approximately 39,364). During the Reporting Period, the Company paid wages and salaries to its employees and made social insurance contributions for them in strict compliance with the relevant laws and regulations. There was no default in payment of wages or remuneration to employees or labour service workers. The Company set up a comprehensive system which synchronizes the increase of employees' salaries with the improvement in labour productivity. The level of wage increase of the Company and the wages adjustment of employees of various work positions can be determined reasonably. At the same time, while taking into account the internal fairness of the employee's salary income, the Company adheres to the performance orientation by taking the performance target as the foundation, strengthening the rigid assessment, and deducting all the performance salary of the year for those who fail to pass the annual assessment, so as to reasonably widen the salary gap. For instances of receiving party or government disciplinary punishment for violation of discipline and law, a salary recourse and deduction system has been established. Besides, the Company constantly insists on the general requirement of "Dual Inclination, Dual Care" and implements policies that tilted towards scientific and technological staff and the front-line technical workers while paying special care towards temporarily unemployed workers and those who are in difficulties.

OTHER INFORMATION

Share Capital Structure

30 June 2022	Number of shares	Approximate percentage of issued share capital
A shares	12,655,327,092	81.23%
H shares	2,924,482,000	18.77%
Total	15,579,809,092	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 2022 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 shares	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 corporation	1	8,594,292,662	Long position	67.91	55.16
	H	Interest of controlled corporation	1	313,642,000	Long position	10.72	2.01
Shanghai Electric Holding Group Co., Ltd.	A	Beneficial owner	1	8,227,400,468	Long position	65.01	52.81
	H	Beneficial owner	1	280,708,000	Long position	9.60	1.80
	H	Interest of controlled corporation	1,2	32,934,000	Long position	1.13	0.21
Shenergy (Group) Company Limited	A	Beneficial owner	1	366,892,194	Long position	2.90	2.35

Notes

- (1) Shanghai Electric Holding Group Co., Ltd. (上海電氣控股集團有限公司) 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 Holding Group Co., Ltd. (上海電氣控股集團有限公司) 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 2022 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 2022, 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	Class of shares	Capacity	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 (%)
Gan Pin	A	Beneficiary owner	20,000	Long position	0.000	0.000

Save as disclosed above, as at 30 June 2022, 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 2022 to 30 June 2022. 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 C.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer. Pursuant to code provision C.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, Ms. Leng Weiqing, the Chairlady of the Board and the Chief Executive Officer of the Company was mainly responsible for the strategic decisions of the Company. Mr. Liu Ping, 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 matters including the connected transactions of the Company. They also discussed risk

management, internal controls, financial reports and the appointment of and remuneration for auditors. The Audit Committee has 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

The Company recognizes the importance of good communications with its investors. The Office of the Board, the department which has duties covering investor relations, has arranged interviews, site visits and reverse roadshows for investors. The team has also actively attended investors' forums 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 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, Mr. Liu Ping 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 and Mr. Yuan Shengzhou.

By order of the Board

Leng Weiqing

Chairlady and CEO

Shanghai, the PRC

29 August 2022

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Current assets			
Cash at bank and on hand		27,021,683	25,359,181
Clearing settlement funds		15,420	25,214
Placements with banks and other financial institutions		20,538,562	28,992,175
Held-for-trading financial assets		7,741,165	7,603,097
Derivative financial assets		48,010	44,101
Notes receivable		6,458,461	7,811,332
Accounts receivable	14	37,370,943	33,429,218
Receivables financing		1,120,664	1,145,493
Prepayments		14,252,526	13,424,089
Other receivables		9,875,731	8,710,708
Financial assets purchased under resale agreements		1,872,149	188,202
Inventories		33,492,937	32,879,469
Contract assets		33,564,692	31,193,824
Assets held for sale		-	43,708
Non-current assets due within one year		2,833,838	2,820,830
Other current assets		10,673,928	16,105,203
Total current assets		206,880,709	209,775,844
Non-current assets			
Loans and advances		1,833,495	2,138,138
Other debt investments		-	81,874
Long-term receivables		3,782,817	4,258,199
Long-term equity investments		10,731,411	11,401,990
Other non-current financial assets		7,485,763	6,966,597
Investment properties		776,401	822,975
Fixed assets	13	20,187,179	19,889,387
Constructions in progress		4,403,757	5,024,094
Right-of-use assets		1,339,012	1,441,832
Intangible assets		12,797,233	12,956,893
Research and development expenditures		52,614	40,636
Goodwill		3,890,434	3,954,704
Long-term deferred expenses		578,268	608,848
Deferred tax assets		8,147,741	8,078,305
Other non-current assets		14,101,850	13,361,874
Total non-current assets		90,107,975	91,026,346
TOTAL ASSETS		296,988,684	300,802,190

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Current liabilities			
Short-term borrowings	16	9,088,819	11,836,366
Held-for-trading financial liabilities		27,875	28,569
Derivative financial liabilities		25,336	9,625
Notes payable		15,013,632	16,578,854
Accounts payable	15	61,529,522	61,303,577
Advances from customers		796,204	738,047
Contract liabilities		38,987,569	39,160,400
Deposits from customers, banks and other financial institutions		5,254,073	5,198,722
Employee benefits payable		3,712,606	4,358,557
Taxes payable		1,437,485	2,180,202
Other payables		8,016,260	8,602,557
Liabilities held for sale		-	35,568
Non-current liabilities maturing within one year		10,075,770	8,274,340
Other current liabilities		10,632,618	10,573,957
Total current liabilities		164,597,769	168,879,341
Non-current liabilities			
Long-term borrowings	17	24,707,070	23,845,417
Bonds payable	18	3,241,462	2,490,445
Lease liabilities		974,076	1,027,996
Long-term payables		491,534	583,015
Deferred income		1,574,164	1,651,556
Long-term employee benefits payable	19	213,624	224,673
Provisions		3,105,995	2,912,930
Deferred tax liabilities		721,475	775,648
Other non-current liabilities		180,933	266,816
Total non-current liabilities		35,210,333	33,778,496
Total liabilities		199,808,102	202,657,837
Owners' equity			
Share capital	20	15,579,809	15,705,971
Capital surplus		21,850,237	22,045,560
Less: treasury stocks		-	(382,271)
Other comprehensive income		(393,079)	(509,829)
Special reserve		164,237	149,948
Surplus reserve		5,906,524	5,906,524
Retained earnings		14,227,085	15,218,425
Total equity attributable to equity owners of the Company		57,334,813	58,134,328
Minority interests		39,845,769	40,010,025
Total owners' equity		97,180,582	98,144,353
Total liabilities and owners' equity		296,988,684	300,802,190

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENTS

	Notes	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Total revenue		50,292,790	62,527,712
Including: Operating revenue	8	50,010,830	62,208,889
Interest income	8	281,883	317,821
Income from handling charges and commissions	8	77	1,002
Total cost of sales		(49,602,344)	(60,587,356)
Including: Operating cost	8	(41,723,987)	(51,928,897)
Interest expenses	8	(29,963)	(44,734)
Handling charges and commissions expenses	8	(443)	(490)
Taxes and surcharges	9	(238,786)	(243,375)
Selling and distribution expenses		(1,574,347)	(2,397,265)
General and administrative expenses		(3,447,486)	(3,276,208)
Research and development expenditures		(1,905,529)	(2,144,225)
Financial expenses - net		(681,803)	(552,162)
Including: Interest expenses		(853,592)	(630,639)
Interest income		239,461	255,543
Add: Other income		470,011	358,436
Investment income		435,495	1,303,752
Including: Share of profit of associates and joint ventures		391,337	731,766
Exchange gain		9,829	975
(Losses)/Gains on changes in fair value		(160,396)	676,492
Losses from credit impairment		(1,112,059)	(6,561,384)
Losses from asset impairment		(344,192)	(2,516,519)
Gains on disposals of assets		74,904	145,624
Operating profit/(loss)		64,038	(4,652,268)
Add: Non-operating income		55,153	148,294
Less: Non-operating expenses		(23,158)	(21,471)
Total profit/(loss)		96,033	(4,525,445)
Less: Income tax expenses	10	(213,584)	(412,695)
Net loss		(117,551)	(4,938,140)
Including: Net profit of the acquiree in a business combination under common control before the combination date		-	-
Attributable to equity owners of the Company		(991,340)	(4,970,832)
Minority interests		873,789	32,692

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENTS (CONTINUED)

		Unaudited Six months ended 30 June	
	Notes	2022 RMB'000	2021 RMB'000
Other comprehensive income, net of tax		117,389	14,412
Attributable to shareholders of the parent company		116,750	(45,906)
Other comprehensive income that will not be subsequently reclassified to profit or loss		-	(1,901)
Changes arising from remeasurement of net liability or net asset of defined benefit plan		-	(1,901)
Other comprehensive income that will be subsequently reclassified to profit or loss		116,750	(44,005)
Changes in fair value of other debt investments		29,729	(63,103)
Changes in fair value of receivables financing		-	51,396
Provision for credit impairment of other debt investments and receivables financing		(621)	26,020
Cash flow hedges, net of tax		-	(6)
Exchange differences on translation of foreign operations		87,642	(58,312)
Attributable to minority shareholders		639	60,318
Total comprehensive income		(162)	(4,923,728)
Attributable to equity owners of the parent company		(874,590)	(5,016,738)
Attributable to minority shareholders		874,428	93,010
Earnings per share			
Basic earnings per share (RMB Yuan)		11 RMB(0.06)Yuan	RMB(0.32)Yuan
Diluted earnings per share (RMB Yuan)		11 RMB(0.06)Yuan	RMB(0.32)Yuan

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Item	Note	Attributable to shareholders of the parent company								Total shareholders' equity	
		Share capital RMB'000	Capital surplus RMB'000	Treasury stocks RMB'000	Other comprehensive income RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Minority interests RMB'000	RMB'000
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

Item	Note	Attributable to shareholders of the parent company							Sub-total RMB'000	Minority interests RMB'000	Total shareholders' equity RMB'000
		share capital RMB'000	Capital surplus RMB'000	Treasury stocks RMB'000	Other comprehensive income RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000			
Balance at 31 December 2021		15,705,971	22,045,560	(382,271)	(509,829)	149,948	5,906,524	15,218,425	58,134,328	40,010,025	98,144,353
Movements for the six months ended 30 June 2022											
Total comprehensive income											
Net loss		-	-	-	-	-	-	(991,340)	(991,340)	873,789	(117,551)
Other comprehensive income		-	-	-	116,750	-	-	-	116,750	639	117,389
Total comprehensive income for the period		-	-	-	116,750	-	-	(991,340)	(874,590)	874,428	(162)
Capital contribution and withdrawal by shareholders											
Capital contribution by minority shareholders		-	28,510	-	-	-	-	-	28,510	5,268	33,778
Disposal of subsidiaries		-	-	-	-	-	-	-	-	(25,444)	(25,444)
Share Incentive Buyback and Cancellation		(126,162)	(256,109)	382,271	-	-	-	-	-	-	-
Employee share schemes - value of employee services - Staff service value		-	32,276	-	-	-	-	-	32,276	-	32,276
Profit distribution											
Distribution to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(1,024,900)	(1,024,900)
Special reserve											
Appropriation in the current period		-	-	-	-	60,256	-	-	60,256	38,985	99,241
Use in the current period		-	-	-	-	(45,967)	-	-	(45,967)	(32,593)	(78,560)
Balance at 30 June 2022		15,579,809	21,850,237	-	(393,079)	164,237	5,906,524	14,227,085	57,334,813	39,845,769	97,180,582

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows used in operating activities		
Cash received from sales of goods or rendering of services	48,397,299	55,917,810
Refund of taxes and surcharges	888,355	369,712
Cash received relating to other operating activities	5,711,214	4,242,263
Sub-total of cash inflows	<u>54,996,868</u>	<u>60,529,785</u>
Cash paid for goods and services	(46,916,146)	(60,343,219)
Cash paid to and on behalf of employees	(6,882,501)	(6,472,784)
Payments of taxes and surcharges	(2,439,142)	(3,446,925)
Cash paid relating to other operating activities	(5,382,003)	(8,901,931)
Sub-total of cash outflows	<u>(61,619,792)</u>	<u>(79,164,859)</u>
Net cash flows used in operating activities	<u>(6,622,924)</u>	<u>(18,635,074)</u>
Cash flows from investing activities		
Cash received from disposal of investments	4,650,123	9,269,655
Cash received from returns on investments	330,125	510,661
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	206,801	84,689
Net cash received from disposal of subsidiaries and other business units	10,743	226,951
Cash received relating to other investing activities	169,282	1,732,686
Sub-total of cash inflows	<u>5,367,074</u>	<u>11,824,642</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(1,432,261)	(1,954,650)
Cash paid to acquire investments	(2,468,581)	(4,089,134)
Net cash repayments from acquisition of subsidiaries and other business units	-	(28,461)
Cash paid relating to other investing activities	(390,665)	(349,298)
Sub-total of cash outflows	<u>(4,291,507)</u>	<u>(6,421,543)</u>
Net cash flows from investing activities	<u>1,075,567</u>	<u>5,403,099</u>
Cash flows (used in)/from financing activities		
Cash received from capital contributions	33,778	2,859,171
Including: Cash received by subsidiaries from capital contributions by minority shareholders	<u>33,778</u>	<u>2,859,171</u>
Cash received from borrowings	9,723,250	17,217,588
Cash received from debentures	750,000	1,500,000
Cash received relating to other financing activities	353,214	-
Sub-total of cash inflows	<u>10,860,242</u>	<u>21,576,759</u>
Cash repayments of borrowings	(9,365,870)	(14,563,580)
Cash repayments of debentures	-	(2,848,169)
Cash payments for distribution of dividends, profits or interest expenses	(1,585,947)	(1,460,795)
Including: Cash payments for dividends or profits to minority shareholders by subsidiaries	<u>(547,336)</u>	<u>(543,944)</u>
Cash paid relating to other financing activities	(1,437,932)	(1,493,324)
Sub-total of cash outflows	<u>(12,389,749)</u>	<u>(20,365,868)</u>
Net cash flows (used in)/from financing activities	<u>(1,529,507)</u>	<u>1,210,891</u>
Effect of foreign exchange rate changes on cash and cash equivalents	112,315	(73,754)
Net decrease in cash and cash equivalents	(6,964,549)	(12,094,838)
Add: Cash and cash equivalents at the beginning of the period	43,581,329	46,254,915
Cash and cash equivalents at the end of the period	36,616,780	34,160,077

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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; property management services mainly based on industrial real estate and etc.

In the opinion of the directors of the Company, the parent and the ultimate holding company of the Group is Shanghai Electric Holding Group Co., Ltd (“SEGC”), 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 Shanghai Stock Exchange.

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 CSRC.

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance came into effect on 3 March 2014. Certain related matters in the financial statements have been disclosed in accordance with the requirements of the Hong Kong Companies Ordinance.

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

The financial statements of the Company for the six months ended 30 June 2022 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 2022 and their financial performance, cash flows and other information for the six months ended 30 June 2022.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 15.10% 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 30.34% of the voting rights of Suzhou Thvow. 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 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 2022, 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 2022, the Group evaluated 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	4.95%	3.00%	5.90%
production price index	3.02%	0.50%	4.00%
industrial added value	4.93%	3.50%	6.00%
broad money supply	8.43%	7.40%	9.20%
completed investments in fixed assets	5.67%	4.50%	7.80%

For the year 2021, the key macroeconomic parameters applied in various scenarios were mainly as follow:

	various scenarios		
	benchmark	unfavourable	favourable
gross domestic product	5.30%	4.60%	5.90%
production price index	3.02%	0.50%	4.00%
industrial added value	4.93%	3.50%	6.00%
broad money supply	8.43%	7.40%	9.20%
completed investments in fixed assets	5.67%	4.50%	7.80%

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

4. ESTIMATES (CONT'D)

(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.

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.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. ESTIMATES (CONT'D)

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

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.

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.

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.

4. ESTIMATES (CONT'D)

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

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.

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 gross profit margin, forecast period growth rate and stable period growth rate used in the calculation of future cash flows of an asset group or combination of asset groups, and the revised gross profit margin, forecast period growth rate and stable period growth rate are lower than / Higher than the currently adopted gross profit margin, forecast period growth rate, and stable period growth rate, the Group needs to make provision for impairment of goodwill increase/decrease.

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.

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.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2021.

There have been no changes in the risk management department or risk management policy 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 2022, 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	5,962,275	-	-	5,962,275
Investments in equity instrument held for trading	426,830	-	-	426,830
Investments in debenture held for trading	575,459	-	-	575,459
Wealth management products	-	450,715	-	450,715
Non-hedging derivative financial assets	-	325,886	-	325,886
Derivative financial assets -				
Forward exchange contracts	-	48,010	-	48,010
Receivables Financing -				
Notes receivable at fair value through other comprehensive income	-	-	1,037,270	1,037,270
Accounts receivable at fair value through other comprehensive income	-	-	83,394	83,394
Other current assets-				
Interbank deposits	-	5,551,170	-	5,551,170
Other non-current financial assets	530,950	-	6,954,813	7,485,763
Total assets	7,495,514	6,375,781	8,075,477	21,946,772

As at 30 June 2022, 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	-	25,336	-	25,336
Financial liabilities held for trading	-	27,875	-	27,875
	-	53,211	-	53,211

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 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	5,754,200	-	-	5,754,200
Investments in equity instrument held for trading	423,721	-	-	423,721
Investments in debenture held for trading	681,833	-	-	681,833
Wealth management products	-	430,793	-	430,793
Non-hedging derivative financial assets	-	312,550	-	312,550
Derivative financial assets -				
Forward exchange contracts	-	44,101	-	44,101
Receivables Financing -				
Notes receivable at fair value through other comprehensive income	-	-	1,091,644	1,091,644
Accounts receivable at fair value through other comprehensive income	-	-	53,849	53,849
Other current assets -				
Inter-bank deposits	-	7,570,419	-	7,570,419
Other non-current financial assets	535,365	-	6,431,232	6,966,597
Other debt investments	-	81,874	-	81,874
Total assets	7,395,119	8,439,737	7,576,725	23,411,581

As at 31 December 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	-	9,625	-	9,625
Financial liabilities held for trading	-	28,569	-	28,569
	-	38,194	-	38,194

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; property management services mainly based on industrial real estate 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 2022

6. SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the six months ended 30 June 2022 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:							
Revenue from external customers	22,989,900	16,243,738	11,051,150	8,002	-	-	50,292,790
Inter-segment revenue	1,269,625	515,732	570,106	47,776	47,916	(2,451,155)	-
	<u>24,259,525</u>	<u>16,759,470</u>	<u>11,621,256</u>	<u>55,778</u>	<u>47,916</u>	<u>(2,451,155)</u>	<u>50,292,790</u>
Cost of sales	20,096,730	14,039,161	10,019,181	37,181	10	(2,437,870)	41,754,393
Losses from credit impairment	414,282	82,252	774,623	(232)	85,513	(244,379)	1,112,059
Losses from asset impairment	340,330	(7,465)	13,319	-	(1,339)	(653)	344,192
Depreciation and amortization	(679,663)	(413,832)	(295,931)	(14,967)	(117,177)	-	(1,521,570)
Finance costs – net	-	-	-	-	681,803	-	681,803
Share of profits and losses of joint ventures and associates	-	-	-	-	385,212	-	385,212
Operating profit/(loss)	<u>316,783</u>	<u>562,520</u>	<u>493,042</u>	<u>(59,007)</u>	<u>(1,103,654)</u>	<u>(145,646)</u>	<u>64,038</u>
Other gains and losses							31,995
Profit before tax							<u>96,033</u>
Assets and liabilities							
Total assets	<u>118,559,861</u>	<u>64,374,354</u>	<u>143,870,016</u>	<u>736,146</u>	<u>63,464,486</u>	<u>(94,016,179)</u>	<u>296,988,684</u>
Total liabilities	<u>78,035,768</u>	<u>45,348,366</u>	<u>100,979,381</u>	<u>412,139</u>	<u>67,029,693</u>	<u>(91,997,245)</u>	<u>199,808,102</u>
Non-cash expenses other than depreciation and amortisation	<u>294,956</u>	<u>160,578</u>	<u>431,219</u>	<u>104,920</u>	<u>32,276</u>	<u>-</u>	<u>1,153,531</u>
Increase in non-current assets	<u>771,144</u>	<u>301,662</u>	<u>396,655</u>	<u>12,352</u>	<u>31,562</u>	<u>-</u>	<u>1,513,375</u>

6. SEGMENT INFORMATION (CONT'D)

(b) 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:							
Revenue from external customers	26,388,737	18,677,377	17,401,431	11,057	49,110	-	62,527,712
Inter-segment revenue	2,353,637	1,805,526	1,277,268	57,919	-	(5,494,350)	-
	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
Non-cash expenses other than depreciation and amortisation	702,728	22,762	68,914	-	49,993	-	844,397
Increase in non-current assets	707,595	703,432	907,993	214,874	145,377	-	2,679,271

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. SEGMENT INFORMATION (CONT'D)

(c) Revenue from external customers

	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the six months ended 30 June 2021 RMB'000 (Unaudited)
Mainland China	41,785,691	50,893,198
Other countries and geographical areas	8,507,099	11,634,514
	50,292,790	62,527,712

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

(d) Total non-current assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Mainland China	60,043,871	60,547,694
Other countries and geographical areas	8,269,234	8,955,539
	68,313,105	69,503,233

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 2022, 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	
PMC Nedschroef Precision Machinery Co., Ltd.	Shanghai	Shanghai	General Equipment Manufacturing	-	52.00	80,000,000
PMC Fasteners Co., Ltd.	Shanghai	Shanghai	Wholesale industry	-	100.00	50,000,000
Shencheng Electric Power Company	Israel	Israel	Electricity, heat, gas and water production and supply	-	100.00	USD1,300,000
Nantong Zhichu New Energy Technology Co., Ltd.	Jiangsu	Jiangsu	Research and Experimental Development	-	100.00	17,550,000
Shanghai Electric Wind Power Group Binhai Wind Power Equipment Co., Ltd.	Jiangsu	Jiangsu	Electrical machinery and equipment manufacturing	-	100.00	50,000,000
Shanghai Electric Wind Power Blade Technology (Taonan) Co., Ltd.	Jilin	Jilin	Electrical machinery and equipment manufacturing	-	100.00	60,000,000
Shanghai Electric Wind Power Equipment Manufacturing (Taonan) Co., Ltd.	Jilin	Jilin	Electricity, heat, gas and water production and supply	-	100.00	15,000,000
Shanghai Electric Wind Power Equipment (Jilin) Co., Ltd.	Jilin	Jilin	Electrical machinery and equipment manufacturing	-	100.00	15,000,000
Shanghai Electric Digital Smart Energy (Zaozhuang) Co., Ltd.	Shandong	Shandong	Electricity and heat production and supply industry	-	100.00	30,000,000
Shanghai Electric Digital Smart Energy (Shantou) Co., Ltd.	Guangdong	Guangdong	Research and Experimental Development	-	100.00	5,000,000
Shanghai Electric Digital Smart Energy (Jiaxing) Co., Ltd.	Zhejiang	Zhejiang	Electricity and heat production and supply industry	-	100.00	5,000,000
Shanghai Electric Wind Power Group Shandong Equipment Manufacturing Co., Ltd.	Shandong	Shandong	Electrical machinery and equipment manufacturing	-	100.00	51,720,000
Zhangye Longan Equipment Manufacturing Co., Ltd.	Gansu	Gansu	Non-metallic mineral products industry	-	100.00	5,000,000
Zhangye Lilong New Energy Development Co., Ltd.	Gansu	Gansu	Electricity and heat production and supply industry	-	100.00	650,000,000
Zhangye Longrui Equipment Manufacturing Co., Ltd.	Gansu	Gansu	General Equipment Manufacturing	-	100.00	5,000,000
Jinchang Yongneng New Energy Co., Ltd.	Gansu	Gansu	Electricity and heat production and supply industry	-	100.00	160,000,000
Jinchang Jinkai New Energy Co., Ltd.	Gansu	Gansu	Electricity and heat production and supply industry	-	100.00	160,000,000
Yinghe Technology GmbH	Germany	Germany	Manufacturing	-	100.00	EUR350,000
Zhejiang Yinghe Technology Co., Ltd.	Zhejiang	Zhejiang	Technology promotion and application service industry	-	100.00	20,000,000

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(2) Disposal of subsidiary

(a) For the six months ended 30 June 2022, subsidiaries newly disposed and thus included in the consolidation scope are 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
Shanghai Electric Matechstone Engineering (Yancheng) Co., Ltd.	11,932	100%	Equity transfer	May 28, 2022	Completed the equity delivery	(6,996)	-
Shanghai Electric Nantong Guohai Water Treatment Co., Ltd.	13,106	100%	Equity transfer	May 28, 2022	Completed the equity delivery	5,360	-

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:

(i) Shanghai Electric Matechstone Engineering (Yancheng) Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	11,932
Less: Share of net assets of Shanghai Electric Concrete (Yancheng) Construction Technology Co., Ltd. at the level of consolidated financial statements	(18,928)
Losses on disposal recognised in the income statement	<u>(6,996)</u>

(ii) Shanghai Electric Nantong Guohai Water Treatment Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount RMB'000
Fair value of residual equity	13,106
Less: Share of net assets of Shanghai Electric Nantong Guohai water treatment Co., Ltd at the level of consolidated financial statements	(7,746)
Losses on disposal recognised in the income statement	<u>5,360</u>

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. REVENUE AND COST OF SALES

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Revenue from main operations	48,729,792	60,804,425
Revenue from other operations	1,281,038	1,404,464
Interest income	281,883	317,821
Income from handling charges and commissions	77	1,002
	50,292,790	62,527,712

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Cost of sales from main operations	41,071,867	51,056,995
Cost of sales from other operations	652,120	871,902
Interest expenses	29,963	44,734
Handling charges and commissions	443	490
	41,754,393	51,974,121

Details of revenue from main operations are as follows:

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Sales of goods	36,416,213	44,201,999
Engineering construction	7,888,041	11,784,215
Rendering of services	4,425,538	4,818,211
	48,729,792	60,804,425

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.

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

Details of revenue from other operations are as follows:

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Sales of raw materials	529,954	527,329
Leasing income	257,233	366,827
Finance lease income	89,815	158,655
Rendering of non-industrial services	18,183	73,300
Sales of energy	11,151	14,410
Others	374,702	263,943
	1,281,038	1,404,464

For the six months ended 30 June 2022

	Sales of Goods			Engineering construction			Rendering of services (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	In other Asian countries/ geographical		Other regions (Unaudited) RMB'000	In other Asian countries/ geographical		Other regions (Unaudited) RMB'000			
	China (Unaudited) RMB'000	areas (Unaudited) RMB'000		China (Unaudited) RMB'000	areas (Unaudited) RMB'000				
Revenue from main operations	32,436,602	464,065	3,515,546	3,385,601	4,325,061	177,379	4,425,538	-	48,729,792
Including:									
Recognised at a time of point	32,436,602	464,065	3,515,546	-	-	-	59,699	-	36,475,912
Recognised overtime	-	-	-	3,385,601	4,325,061	177,379	4,365,839	-	12,253,880
Revenue from other operations	504,906	3,625	21,423	-	-	-	18,183	732,901	1,281,038
	32,941,508	467,690	3,536,969	3,385,601	4,325,061	177,379	4,443,721	732,901	50,010,830

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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
	Other Asian countries/ geographical areas		Other regions (Unaudited) RMB'000	Other Asian countries/ geographical areas		Other regions (Unaudited) RMB'000			
	China (Unaudited) RMB'000	(Unaudited) RMB'000		China (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

9. TAXES AND SURCHARGES

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Stamp duty	66,488	64,003
City maintenance and construction tax	59,101	53,740
Real estate tax	50,991	54,248
Educational surcharge	34,485	42,962
Others	27,721	28,422
	238,786	243,375

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 Municipality, the Municipal Finance Bureau, the State Administration of Tax Municipal Office and the 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 Power Environmental Engineering Co., Ltd.	2022	2024
Thales SEC Transportation System Limited Company	2022	2024
Shanghai Electric Distributed Energy Ltd., Co.	2022	2024
Shanghai Electric Guoxuan New Energy Technology Co., Ltd.	2022	2024
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
Shanghai Power Station Auxiliary Plant Co. LTD	2021	2023
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 Group Digital Technology Co. LTD	2020	2022
Shanghai Truth-Detector Laser Technology Co. LTD	2020	2022

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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%

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Current tax charger for the period	370,977	1,270,700
Annual filing differences for the current period	(33,784)	(12,552)
Deferred income tax	(123,609)	(845,453)
	213,584	412,695

10. TAXATION(CONT'D)

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

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Total profit /(loss)	96,033	(4,525,445)
Tax at the statutory tax rate (Note 1)	24,008	(1,131,361)
Lower tax rates for specific districts or concessions	(66,794)	(85,251)
Adjustments for current income tax of prior periods	(33,784)	(12,552)
Profits and loss attributable to joint ventures and associates	(97,834)	(156,504)
Income not subject to tax	(34,098)	(25,204)
Expenses not deductible for tax	39,383	43,128
Tax incentives on eligible expenditures	(70,410)	(57,747)
Utilization of previously unrecognised tax loss and deductible temporary differences	(11,444)	-
Tax loss and deductible temporary differences for which no deferred tax assets was recognised	464,557	1,838,186
Income tax expenses	213,584	412,695

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 2022

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 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Consolidated net profit attributable to ordinary shareholders of the parent company	(991,340)	(4,970,832)
Weighted average number of ordinary shares outstanding (i) (Unit: 1,000 shares)	15,632,377	15,662,253
Basic earnings per share	RMB(0.06) yuan	RMB(0.32) yuan
Including:		
- Basic earnings per share from continuing operations (i):	RMB(0.06) yuan	RMB(0.32) yuan
- Basic earnings per share from discontinued operations:	-	-

(i) The Company implemented 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.

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-month period ended 30 June 2022, the Company has no dilutive potential ordinary shares. Therefore, diluted earnings per share equals basic earnings per share.

12. DIVIDENDS

For the six-month period ended 30 June 2022, the Group has not declared or distributed any dividends.

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 2021	15,255,312	20,018,902	515,043	2,050,180	37,839,437
Additions					
Purchase	111,870	106,140	8,954	59,630	286,594
Transfer from Construction in Progress	827,114	351,115	2,244	24,642	1,205,115
Disposals					
Disposal and scrap	(23,657)	(82,413)	(6,893)	(23,028)	(135,991)
Translation reserve	(85,457)	(107,747)	(2,728)	(11,037)	(206,969)
At 30 June 2022	16,085,182	20,285,997	516,620	2,100,387	38,988,186
Accumulated depreciation:					
At 31 December 2021	4,637,267	11,298,535	390,193	1,415,014	17,741,009
Depreciation for the year	269,083	616,394	14,949	114,236	1,014,662
Deduction of depreciation due to the disposals	(4,190)	(48,071)	(5,728)	(7,968)	(65,957)
Translation reserve	(25,897)	(59,325)	(1,439)	(10,995)	(97,656)
At 30 June 2022	4,876,263	11,807,533	397,975	1,510,287	18,592,058
Impairment:					
At 31 December 2021	85,157	120,868	635	2,381	209,041
Disposals	-	(92)	-	-	(92)
At 30 June 2022	85,157	120,776	635	2,381	208,949
Net carrying amount:					
At 30 June 2022	11,123,762	8,357,688	118,010	587,719	20,187,179
At 31 December 2021	10,532,888	8,599,499	124,215	632,785	19,889,387

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. FIXED ASSETS (CONT'D)

- (a) As at 30 June 2022, Intangible assets with a carrying amount of RMB 51,794,000 (31 December 2021: RMB 85,954,000) fixed assets with a carrying amount of RMB 144,934,000 (31 December 2021: RMB 125,451,000), and investment real estate mortgage with a book value of RMB 6,611,000 (December 31, 2021: RMB 6,774,000) were pledged as collateral for short-term bank mortgage borrowings amounting to RMB 382,000,000 (31 December 2021: RMB 366,406,000).

As at 30 June 2022, fixed assets and intangible assets with a carrying amount of RMB 605,810,000 (31 December 2021: RMB 389,685,000) and intangible assets with a carrying amount of RMB 1,027,376,000 (31 December 2021: RMB 1,010,138,000) were pledged as collateral for long-term borrowings amounting to RMB 1,749,852,000 (31 December 2021: RMB 1,706,910,000).

On June 30, 2022, the Group pledged fixed assets with a book value of RMB 1,143,707,000 (31 December 2021: RMB 881,858,000) to obtain bank credit lines.

- (b) For the six months ended 30 June 2022, depreciation charged to fixed assets amounted to RMB 1,014,662,000 (for the six months ended 30 June 2021: RMB 985,290,000), including RMB 756,640,000, RMB 4,997,000, RMB 198,951,000 and RMB 54,074,000 (for the six months ended 30 June 2021: RMB 654,341,000, RMB 9,769,000, RMB 259,788,000 and RMB 61,392,000) 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 1,205,115,000 (for the six months ended 30 June 2021: RMB 1,244,483,000).

13. FIXED ASSETS (CONT'D)

- (d) As at 30 June 2022, the carrying amounts of fixed assets lent out through operating leases were analysed as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Machinery and equipment	9,712	10,617

- (e) Temporarily idle fixed assets

As at 30 June 2022, buildings, machinery and equipment, and office equipment with a carrying amount of approximately RMB 893,000 (a cost of RMB 20,544,000) (31 December 2021: machinery and equipment with a carrying amount of RMB 775,000 and a cost of RMB 16,650,000) were temporarily idle.

- (f) As at 30 June 2022, the Group's buildings with a net carrying amount of RMB 160,431,000 (a cost of RMB 178,103,000) 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.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. ACCOUNTS RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Accounts receivable	55,797,423	50,989,672
Less: Provision for bad debts	(18,426,480)	(17,560,454)
	37,370,943	33,429,218

The aging of accounts receivable was analysed as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Not overdue	15,910,508	15,635,655
Overdue within 1 year	14,581,313	14,364,601
Overdue 1 to 2 years	9,317,578	8,284,690
Overdue 2 to 3 years	7,170,232	6,081,529
Overdue 3 to 4 years	3,519,925	1,644,027
Overdue 4 to 5 years	1,147,717	1,095,355
Overdue over 5 years	4,150,150	3,883,815
	55,797,423	50,989,672

The aging of accounts receivable based on the date of entry was analysed as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 year	26,342,263	27,367,203
1 to 2 years	11,457,434	8,424,793
2 to 3 years	8,336,241	8,088,301
3 to 4 years	4,200,956	1,814,957
4 to 5 years	1,269,957	1,125,568
over 5 years	4,190,572	4,168,850
	55,797,423	50,989,672

15. ACCOUNTS PAYABLE

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Accounts payable	61,529,522	61,303,577

The aging of accounts payable was analysed as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 year	42,667,556	43,330,538
Over 1 year	18,861,966	17,973,039
	61,529,522	61,303,577

As at 30 June 2022, accounts payable with aging over one year amounted to RMB18,861,966,000 (31 December 2021: RMB17,973,039,000), which mainly comprised payables for construction projects and payables for materials. Such accounts are unsettled as the projects are still under construction.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

16. SHORT-TERM BORROWINGS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Credit borrowings	6,786,482	9,092,899
Mortgage borrowings(a)	382,000	366,406
Pledge borrowings(b)	112,797	22,174
Guaranteed borrowings(c)	1,169,000	1,209,510
Discounted borrowing(d)	58,070	234,050
Discount borrowings(e)	580,470	911,327
	9,088,819	11,836,366

(a) As at 30 June 2022, Intangible assets with a carrying amount of RMB 144,934,000 (31 December 2021: RMB 125,451,000) fixed assets with a carrying amount of RMB 51,794,000 (31 December 2021: RMB 85,954,000) and investment properties with a carrying amount of RMB6,611,000 (31 December 2021: RMB6,774,000) were pledged to secure short-term borrowings of RMB382,000,000 (31 December 2021: RMB366,406,000).

(b) As at 30 June 2022, accounts receivable with a carrying amount of RMB 160,761,000 (31 December 2021: RMB 50,472,000) were pledged as collateral for short-term pledge borrowings amounting to RMB 112,797,000 (31 December 2021: RMB 22,174,000).

(c) As at 30 June 2022, the company and its subsidiaries guaranteed the short-term borrowings amounting to RMB 1,169,000,000 (31 December 2021: RMB 1,209,510,000) of several subsidiaries.

(d) As at 30 June 2022, the Group discounted RMB18,858,000 (31 December 2021: RMB110,988,000) of commercial promissory notes and RMB39,212,000 (31 December 2021: RMB123,062,000) of banker's acceptances to obtain short-term bank borrowings.

(e) As at 30 June 2022, the Group obtained bank borrowings of RMB580,470,000 (31 December 2021: RMB911,327,000) by entering into factoring contracts with banks with recourse on its accounts receivable.

As at 30 June 2022, the annual interest rate of short-term borrowings was 0.50% to 6.00% (31 December 2021: 0.4% to 6.00%).

17. LONG-TERM BORROWINGS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Credit borrowings	16,768,049	14,380,371
Pledge borrowings(a)	1,749,852	1,706,910
Mortgage borrowings(b)	4,801,500	4,300,515
Factoring borrowings(c)	11,495	34,088
Guaranteed borrowings(d)	10,133,513	9,937,598
	33,464,409	30,359,482
Less: Current portion of long-term borrowings		
Credit borrowings	(2,686,169)	(843,956)
Pledge borrowings	(326,747)	(256,019)
Mortgage borrowings	(194,346)	(180,452)
Factoring borrowings	(11,495)	(34,088)
Guaranteed borrowings	(5,538,582)	(5,199,550)
Sub-total	(8,757,339)	(6,514,065)
	24,707,070	23,845,417

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. LONG-TERM BORROWINGS (CONT'D)

- (a) As at 30 June 2022, fixed assets and intangible assets with a carrying amount of RMB 605,810,000 (31 December 2021: RMB 389,685,000) and intangible assets with a carrying amount of RMB 1,027,376,000 (31 December 2021: RMB 1,010,138,000) were pledged as collateral for long-term borrowings amounting to RMB 1,749,852,000 (31 December 2021: RMB 1,706,910,000).
- (b) As at 30 June 2022, accounts receivable with a carrying amount of RMB1,408,670,000 (31 December 2021: RMB 1,290,291,000) were pledged as collateral for long-term pledge borrowings amounting to RMB 1,867,150,000 (31 December 2021: RMB 1,873,700,000).

As at 30 June 2022, Long-term accounts receivable with a carrying amount of RMB 530,088,000 (31 December 2021: RMB 880,086,000) were pledged as collateral for long-term pledge borrowings amounting to RMB 80,562,000 (31 December 2021: RMB 151,888,000).

As at 30 June 2022, the future charge rights of thirteen projects were pledged by the Group as collateral for long-term borrowings of RMB 2,853,788,000 (31 December 2021: eleven projects RMB 2,274,927,000).

- (c) As at 30 June 2022, the Group signed account receivable factoring contracts with recourse with the bank and obtained bank borrowings amounting to RMB 11,495,000 (31 December 2021: RMB 34,088,000).
- (d) As at 30 June 2022, the company and its subsidiaries guaranteed the long-term borrowings amounting to RMB 10,133,513,000 (31 December 2021: RMB9,937,598,000) of several subsidiaries.

As at 30 June 2022, the annual interest rate of long-term borrowings was 0.55% to 5.85% (31 December 2021: 0.55% to 5.635%).

18. BONDS PAYABLE

	31 December 2021 (Audited) RMB'000	Increase in the current period RMB'000	Interest accrued at par value RMB'000	Amortisation of premium or discount RMB'000	Repayment in the current period RMB'000	30 June 2022 (Unaudited) RMB'000
Medium-term notes (a)	2,490,445	-	51,449	2,718	-	2,544,612
22 MTN001 (b)	-	750,000	4,098	(1,701)	-	752,397
	2,490,445					3,297,009
Less: Current portion of bonds payable	-					(55,547)
	2,490,445					3,241,462

- (a) The Group issued on 13 December 2018 the first tranche of medium-term notes of 2018 of Shanghai Electric Group Company Limited with a term of 5 years, interest commencement date of 17 December 2018 and payment date of 17 December 2023, with a planned total issue amount of RMB2.5 billion and an actual total issue amount of RMB2.5 billion. The interest rate was 4.15% (1% above the 3-month Shanghai Interbank Offered Rate as at 14 December 2018) and was issued at par.
- (b) Shanghai Electric Wind Power Group Co., Ltd., a subsidiary of the Group, issued its 2022 green middle-term notes on 29 April 2022 with a term of 3 years. The value date and the redemption date of such notes are 29 April 2022 and 29 April 2025 respectively. The planned total issuance equals the actual total issuance, reaching RMB 750 million. The notes are issued at face value with the interest rate of 3.18%.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

a) The composition of the defined benefit plan is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Non-current liabilities	125,892	132,023
Current liabilities	3,279	5,913
	129,171	137,936

19. DEFINED BENEFIT PLAN (CONT'D)

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Discount rate	1.31%	1.31%
Expected future increase in retirement cost ratio	1.75%	1.75%
Expected salary ratio increase	2.25%	2.25%

(c) 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 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Service cost:		
Current service cost	1,387	1,118
Net interest expense	743	842
Expected return on plan assets	(34)	(39)
Defined benefit cost composition recognized in profit or loss	2,096	1,921
Remeasured net defined benefit liabilities:		
Obligation actuarial loss	88	348
Actuarial loss of planned assets	(88)	74
Defined benefit cost composition recognized in other comprehensive expenses	-	422
Total	2,096	2,343

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

19. DEFINED BENEFIT PLAN (CONT'D)

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

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Defined benefit obligation at the beginning of the year	144,540	177,734
Current service cost	1,387	1,118
Interest expenses	743	842
Obligation actuarial loss	88	348
Benefits paid	(7,012)	(3,741)
Exchange differences for overseas plans	(13,652)	(18,799)
Defined benefit obligation at the end of the year	<u>126,094</u>	<u>157,502</u>

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

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Fair value of planned assets at the beginning of the year	6,604	11,560
Expected return	35	40
Actuarial gain/(loss) of planned assets	88	(74)
Benefits paid	(86)	(121)
Exchange differences for overseas plans	(195)	(487)
Fair value of planned assets at the end of the year	<u>6,446</u>	<u>10,918</u>

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

	For the year ended 30 June 2022 (Unaudited) RMB'000	For the year ended 31 December 2021 (Audited) RMB'000
Insurance company investment funds	<u>6,446</u>	<u>10,918</u>

20. SHARE CAPITAL

	31 December 2021 (Audited) RMB'000	Movements in the current period				Sub-total RMB'000	30 June 2022 (Unaudited) 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	12,781,489	-	-	-	(126,162)	(126,162)	12,655,327
Foreign shares listed overseas	2,924,482	-	-	-	-	-	2,924,482
	15,705,971	-	-	-	(126,162)	(126,162)	15,579,809

	31 December 2020 (Audited) RMB'000	Movements in the current period				Sub-total RMB'000	30 June 2021 (Unaudited) 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	12,256,871	-	-	-	524,618	524,618	12,781,489
Foreign shares listed overseas	2,924,482	-	-	-	-	-	2,924,482
	15,181,353	-	-	-	524,618	524,618	15,705,971

- (a) On 17 January 2022, pursuant to the resolutions at 2022 first extraordinary shareholders' meeting, the 1st A-share shareholders' meeting in 2022 and the 1st H-share shareholders' meeting in 2022, the equity incentive plan of the Company was terminated in January 2022 and underlying 126,162 thousand restricted shares were repurchased and canceled in March 2022.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

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. In 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.

In December 2021, the company received the arbitration acceptance notice issued by the SIAC. The buyer of the above-mentioned Indian project applied for arbitration against Shanghai Electric Group. The loss of approximately USD 389 million mainly includes the loss of electricity revenue from the operation of the power plant, maintenance costs, and liquidated damages for delivery delays.

21. CONTINGENT LIABILITIES(CONT'D)

In July 2022, the Company's attorneys were informed through public information that First Litigation has been disposed by the Bombay High Court of India on the grounds that the plaintiff did not meet the requirements for filing a complaint and failed to amend the complaint within the prescribed time.

To date, the above arbitration cases and lawsuits have not yet been finalized. Management believed that it was unlikely that the court would uphold the claims against the Company and thus no provisions were made for the lawsuits.

Except for the above-mentioned litigation matters, as at June 30, 2022, the Group had RMB 1,018,572,000 of contingent liabilities arising from pending litigation and arbitration. As the management believes that the opponent's claim is unlikely to be supported, no provision for estimated liabilities was made for the accused case (31 December 2021: RMB 818,556,000).

As at 30 June 2022, the Group provided borrowing guarantees of RMB 272,458,000 (31 December 2021: RMB 604,150,000) to related parties and provided SEC with counter guarantees of no more than USD 166.8 million (equivalent to RMB 1.12 billion), and Financial Company issued no non-financial guarantees (31 December 2021: Nil) to related parties. Bank acceptances notes of RMB339,000 (31 December 2021: RMB455,386,000) were issued for related parties. Provisions relevant to the above matters amounting to RMB 271,314,000 are recognised by the Group.

As at 30 June 2022, non-financial guarantee letters issued by financial institutions for the Group amounted to RMB 26,181,160,000 (31 December 2021: RMB 27,527,907,000).

As at 30 June 2022, 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 2022

22. COMMITMENTS

(1) Capital commitments

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contracted	1,921,064	2,542,351
Authorised but not contracted	14,078	71,783
	1,935,142	2,614,134

(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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 year (inclusive)	73,241	69,302
1 to 2 years (inclusive)	46,947	47,877
2 to 3 years (inclusive)	40,472	39,356
Over 3 years	169,009	166,286
	329,669	322,821

(3) Investment commitments

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contracted but not fulfilled	411,510	493,878

23. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
Purchase of materials from:		
SEC group companies	35,872	91,378
Joint ventures	-	4,218
Associates	1,744,259	1,337,790
Other related companies	135,880	1,422,612
	1,916,011	2,855,998
Sales of goods to:		
Ultimate holding company	138,949	18,964
SEC group companies	85,002	762,665
Joint ventures	10	401
Associates	233,916	181,785
Other related companies	1,452,830	1,501,705
	1,910,707	2,465,520

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (CONT'D)

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

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
As a lessor:		
Lease income:		
SEGC	8,081	7,696
SEC group companies	14,174	20,308
Associates	6,650	4,089
Other related companies	8,998	7,864
	37,903	39,957
Right-of-use assets recognized as a lessee:		
Lessor:		
SEC group companies	10,283	4,937

23. RELATED PARTY TRANSACTIONS (CONT'D)

(2) Deposits and loan provided by related parties

	For the six months ended 30 June 2022 (Unaudited) RMB'000	For the six months ended 30 June 2021 (Unaudited) RMB'000
SEC group companies	345,630	-
Associates	7,584	-
	353,214	-

(3) Guarantees provided to related parties

	30 June 2022 Unaudited		31 December 2021 Audited	
	Maximum amount RMB'000	Actual guarantee amount RMB'000	Maximum amount RMB'000	Actual guarantee amount RMB'000
Nabtesco (China) Precision Machinery Co., Ltd.	19,458	19,458	51,150	21,944
Chongqing Shenhua Thin Film Solar Technology Co., Ltd.	-	-	300,000	241,165
Tianjin Qingyuan Water Treatment Technology Co., Ltd.	253,000	231,533	253,000	201,325

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 1.12 billion). As at 30 June 2022, the counter-guarantee was in Stage 1.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. RELATED PARTY TRANSACTIONS (CONT'D)

(4) Compensation of key management personnel of the Group (Unit:HKB'000)

	For the six months ended 30 June 2022 (Unaudited) HKB'000	For the six months ended 30 June 2021 (Unaudited) HKB'000
Director	2,044	2,442
Supervisor	691	565
Senior management	3,472	3,475
	6,207	6,482

(5) Other matters

On December 27th 2019, the Group publicly issued the "Shanghai Electric Accounts Receivable Asset Backed Special Project" on the Shanghai Stock Exchange, which matured in June 2022 as planned. 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.

24. SUBSEQUENT EVENTS

In July 2022, the Company held its 2022 second extraordinary shareholders' meeting, at which the Proposal on Related Party Transaction concerning Shanghai Electric Group Company Limited Transferring 15.24% Stake it Held in SuZhou THVOW Technology Co., Ltd. to Shanghai Electric (Group) Corporation was approved. As at the date of this report, the transaction is still in progress.

On 15 November 2021, SEGC entered into the Agreement on the Gratuitous Transfer of 5% shares of Shanghai Electric Group Company Limited from SEGC to Shanghai State-owned Capital Investment Co., Ltd. with Shanghai State-owned Capital Investment Co., Ltd., to gratuitously transfer 785,298,555 A shares to Shanghai State-owned Capital Investment Co., Ltd. The share transfer registration of the Gratuitous Transfer of the Shares was completed on 11 July 2022.

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 29 August 2022.