上海电气
SHANGHAI ELECTRIC

SHANGHAI ELECTRIC GROUP COMPANY LIMITED
上海電氣集團股份有限公司

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

(Stock Code: 2727)

2006 INTERIM RESULTS

Performance Highlights

- Revenue for the first half of 2006 was RMB21,195 million, representing an increase of 29.6% over the corresponding period last year
- Profit attributable to equity holders of the parent for the first half of 2006 was RMB1,173 million, representing an increase of 42.0% over the corresponding period last year
- Basic earnings per share was RMB9.87 cents
- Successfully secured the following major contracts during the period:
  (1) 3 large scale domestic contracts with total value of RMB6.58 billion for supply of 1,000 MW coal-fired equipment and for 600 MW EPC projects
  (2) an overseas contract of USD193 million for the provision of two sets of 300 MW coal-fired power generation equipment to Jindal, India
  (3) an overseas power transmission and distribution EPC contract of RMB415 million for supply of 5 sets of 220kV substations to Sudan
  (4) an overseas contract of USD9.32 million for supply of 20 ship-use crankshafts to South Korea
  (5) a domestic contract for supply of 48 railcars

The Board of Shanghai Electric Group Company Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 (the "Period"). The Group's interim results have not been audited but have been reviewed by Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2006	**2005**
		(Unaudited)	**(Unaudited)**
	Notes	*RMB'000*	*RMB'000*
REVENUE	3	21,195,406	16,360,222
Cost of sales		(17,420,470)	(13,111,986)
Gross profit		3,774,936	3,248,236
Other income and gains	3	591,331	358,700
Selling and distribution costs		(495,348)	(443,261)
Administrative expenses		(1,380,688)	(1,264,690)
Other expenses		(354,206)	(159,058)
Finance costs		(40,595)	(42,957)
Share of profits and losses of associates		154,616	128,967
Impairment of investments in associates		(7,910)	(72,013)
PROFIT BEFORE TAX	4	2,242,136	1,753,924
Tax	5	(562,014)	(499,901)
PROFIT FOR THE PERIOD		1,680,122	1,254,023
ATTRIBUTABLE TO:			
Equity holders of the parent		1,173,204	826,350
Minority interests		506,918	427,673
		1,680,122	1,254,023
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
– Basic (RMB cents)	6	9.87	8.16
DIVIDEND PER SHARE	7	Nil	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,769,826	6,350,712
Prepaid land premiums/land lease payments		1,102,200	1,056,332
Goodwill		187,044	130,736
Other intangible assets		363,156	315,444
Investments in associates		2,355,919	2,234,150
Loans receivable		114,940	12,147
Other financial assets		634,416	721,317
Other long term assets		166,028	191,929
Deferred tax assets		311,543	289,808
Total non-current assets		13,005,072	11,302,575
CURRENT ASSETS			
Inventories		13,451,231	12,053,209
Trade receivables	*8*	8,503,728	5,986,400
Loans receivable		109,528	83,395
Discounted bills receivable		67,889	68,547
Bills receivable		1,539,176	925,765
Prepayments, deposits and other receivables		5,761,935	5,276,271
Other financial assets		6,071,309	6,500,397
Due from the central bank		608,129	670,945
Restricted deposits		1,750,001	1,416,673
Cash and cash equivalents		8,134,254	10,881,171
Total current assets		45,997,180	43,862,773
CURRENT LIABILITIES			
Trade payables	*9*	6,817,495	5,141,664
Bills payable		710,145	357,380
Other payables and accruals		26,024,860	25,580,858
Debentures		692,756	682,898
Customer deposits		173,055	146,909
Interest-bearing bank and other borrowings		286,951	249,238
Tax payable		941,919	885,917
Provisions		344,527	216,874
Repurchase agreements		300,000	–
Total current liabilities		36,291,708	33,261,738
NET CURRENT ASSETS		9,705,472	10,601,035
TOTAL ASSETS LESS CURRENT LIABILITIES		22,710,544	21,903,610
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		104,575	69,499
Provisions		67,794	80,125
Government grants		142,618	128,191
Other long term payables		104,474	66,503
Deferred tax liabilities		418,340	373,010
Total non-current liabilities		837,801	717,328
Net assets		21,872,743	21,186,282
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		11,891,648	11,891,648
Reserves		3,671,928	2,500,801
Proposed final dividend		–	487,558
		15,563,576	14,880,007
Minority interests		6,309,167	6,306,275
Total equity		21,872,743	21,186,282

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2006

1. Basis of presentation and accounting policies

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time for current period's financial statements:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosure
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment

The adoption of these new and revised HKFRSs has had no material impact on the Group's results of operations or financial position.

2. Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2006 (the "Period"):

Six months ended 30 June 2006 (Unaudited)	**Power equipment** *RMB'000*	**Electro–mechanical equipment** *RMB'000*	**Transportation equipment** *RMB'000*	**Environmental systems** *RMB'000*	**Financial business** *RMB'000*	**Others** *RMB'000*	**Corporate and other unallocated amounts** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Segment revenue:									
Sales to external customers	12,689,121	6,012,293	1,638,542	717,151	–	138,299		–	21,195,406
Inter segment sales	365,329	93,782	–	36,796	–	12,959		(508,866)	–
Other revenue	74,539	157,096	34,266	2,714	163,187	3,032		(3,776)	431,058
Total	13,128,989	6,263,171	1,672,808	756,661	163,187	154,290		(512,642)	21,626,464
Segment results	1,390,735	488,149	4,674	24,971	128,829	(2,401)		(14,900)	2,020,057
Interest and dividend income and unallocated gains							171,833	(11,560)	160,273
Corporate and other unallocated expenses							(44,305)		(44,305)
Finance costs							(52,409)	11,814	(40,595)
Share of profits and losses of associates	108,008	39,205	7,403	–	–	–		–	154,616
Impairment of investments in associates	(7,910)	–	–	–	–	–		–	(7,910)
Profit before tax									2,242,136
Tax									(562,014)
Profit for the period									1,680,122

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2005:

Six months ended 30 June 2005 (Unaudited)	**Power equipment** *RMB'000*	**Electro–mechanical equipment** *RMB'000*	**Transportation equipment** *RMB'000*	**Environmental systems** *RMB'000*	**Financial business** *RMB'000*	**Others** *RMB'000*	**Corporate and other unallocated amounts** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
Segment revenue:									
Sales to external customers	8,756,638	5,277,929	1,854,648	328,631	–	142,376		–	16,360,222
Inter segment sales	155,992	44,797	–	29,357	–	854		(231,000)	–
Other revenue	34,897	44,484	16,326	8	81,673	7,924		(2,120)	183,192
Total	8,947,527	5,367,210	1,870,974	357,996	81,673	151,154		(233,120)	16,543,414
Segment results	1,084,375	381,205	36,420	862	122,912	(8,004)		(19,576)	1,598,194
Interest and dividend income and unallocated gains							195,480	(19,972)	175,508
Corporate and other unallocated expenses							(33,775)		(33,775)
Finance costs							(45,720)	2,763	(42,957)
Share of profits and losses of associates	72,647	53,031	3,289	–	–	–		–	128,967
Impairment of investments in associates	(1,438)	(66,672)	(3,903)	–	–	–		–	(72,013)
Profit before tax									1,753,924
Tax									(499,901)
Profit for the period									1,254,023

3. **Revenue, other income and gains**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered during the Period, net of sale taxes and surcharges.

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

	For the six months ended 30 June	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Revenue		
Sales of goods	20,206,883	15,825,289
Rendering of services	988,523	534,933
	21,195,406	16,360,222
Other income		
Interest income	114,829	163,811
Gross rental income	38,580	25,109
Dividend income from investments	29,045	3,528
Profit/(losses) from the sale of raw materials, spare parts and semi-finished goods	32,982	(15,428)
Subsidy income	5,236	8,735
Forfeiture of purchase deposits from customers	2,859	1,820
Compensation income	17,047	21,079
Others	24,529	71,685
	265,107	280,339
Gains		
Gain on disposal of items of property, plant and equipment	11,347	9,228
Fair value gains/(losses), net:		
Investments at fair value through profit or loss	86,926	(2,459)
Gain on disposal of subsidiaries	13,452	–
Gain on disposal of associates	3,364	–
Gain on reduction of equity interests in a jointly-controlled entity	10,190	–
Gain on disposal of current other financial assets	95,271	58,264
Gain on disposal of non-current other financial assets	89,275	5,159
Excess over the cost of a business combination	14,807	–
Exchange gains, net	1,592	8,169
	326,224	78,361
Total	591,331	358,700

4. **Profit before tax**

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

	For the six months ended 30 June	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Cost of inventories sold	16,606,853	12,708,855
Cost of services provided	813,617	403,131
Depreciation	319,745	295,046
Recognition of prepaid land premiums/land lease payments	17,319	14,413
Amortisation of patents and licences	12,837	11,725
Amortisation of other intangible assets	1,790	266
Research and development costs:		
Amortisation of technology know-how	14,776	12,699
Current period expenditure	124,164	62,639
	138,940	75,338
Goodwill:		
Impairment arising during the period	10,398	4,903
Minimum lease payments under operating leases:		
Land and buildings	45,693	45,372
Plant, machinery and motor vehicles	5,462	–
Staff costs	1,411,012	1,265,160
Write-down of inventories to net realisable value	20,723	28,167
Provision for bad and doubtful receivables	140,319	29,404
Reversal of provision for loans receivable	(144)	(47,044)
Product warranty provisions:		
Additional provisions	111,026	56,798
Reversal of unutilised provision	(404)	(153)
Impairment of items of property, plant and equipment	69	825
Onerous contract provisions:		
Additional provisions	11,993	173,720
Reversal of unutilised provision	–	(1,141)
Impairment of investments in associates	7,910	72,013

5. **Tax**
The Group is subject to the statutory corporate income tax rate of 33% for the Period under the income tax rules and regulations of the People's Republic of China ("the PRC"), except that:

- certain subsidiaries are subject to a corporate income tax rate of 15% as they are registered in the Pudong New Area, Shanghai;
- certain subsidiaries are subject to a corporate income tax rate of 27% as they are located in the coastal economic and technology development area and special economic region with foreign investment in production business in the old city area;
- certain subsidiaries are subject to a corporate income tax rate of 15% as they are registered in the Shanghai Minhang Economic and Technological Development Zone with foreign investment in production business; and
- certain subsidiaries were entitled to full exemption on corporate income tax as they were established as local research institutes.

In addition, foreign investment manufacturing enterprises are exempt from PRC state corporate income tax for two years starting from the first year they make assessable profits, after deducting the tax losses carried forward, and are granted a 50% reduction in tax for three years thereafter. Enterprises assessed as "Hi-tech company" are entitled to an extended period of tax deduction. During the Period, certain of the Group companies were entitled to such tax concessions.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the Period.

	For the six months ended 30 June	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	RMB'000	*RMB'000*
Group:		
Current – PRC		
Charge for the period	606,686	570,461
Over provision in prior years	(37,432)	(45,138)
Deferred tax	(7,240)	(25,422)
Total tax charge for the period	562,014	499,901

The share of tax attributable to associates amounting to RMB45,272,000 (six months ended 30 June 2005: RMB40,787,000) is included in "Share of profits and losses of associates" on the face of the interim condensed consolidated income statement.

6. **Earnings per share**
The calculation of basic earnings per share amounts is based on the net profit for the Period attributable to ordinary equity holders of the parent of RMB1,173,204,000 (six months ended 30 June 2005: RMB826,350,000) and the weighted average number of 11,891,648,000 ordinary shares in issue during the Period (six months ended 30 June 2005: 10,129,701,000 ordinary shares).

No diluted earnings per share is presented as no diluting events occurred.

7. **Dividend**
The directors do not recommend the payment of interim dividend (six months ended 30 June 2005: Nil).

8. **Trade receivables**
An ageing analysis of trade receivables, based on the invoice date, and net of provision for bad and doubtful debts, is as follows:

	30 June 2006	**31 December 2005**
	(Unaudited)	**(Audited)**
	RMB'000	*RMB'000*
Within 3 months	3,379,933	2,140,213
Over 3 months but within 6 months	1,345,175	1,056,252
Over 6 months but within 1 year	1,622,188	1,215,414
Over 1 year but within 2 years	1,539,441	1,197,674
Over 2 years but within 3 years	469,581	245,885
Over 3 years	147,410	130,962
	8,503,728	5,986,400

For sales of large-scale products, deposits and progress payments are required from customers. Retention money is calculated mainly at 5% to 10% of total sales value and with retention periods of one to two years.

For other sales, the Group's trading terms with customers are mainly on credit except for new customers, where payment in advance or cash on delivery is normally required. The credit period is generally for a period of three months and may extend to six months for key customers.

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

	30 June 2006	**31 December 2005**
	(Unaudited)	**(Audited)**
	RMB'000	*RMB'000*
Within 3 months	5,928,920	4,508,946
Over 3 months but within 6 months	319,040	290,462
Over 6 months but within 1 year	350,206	142,982
Over 1 year but within 2 years	108,104	98,766
Over 2 years but within 3 years	30,245	27,964
Over 3 years	80,980	72,544
	6,817,495	5,141,664

Review of Operations

Revenue for the first half of 2006 was RMB21,195 million (1H05: RMB16,360 million), an increase of 29.6% over the same period last year. Profit attributable to equity holders of the parent was RMB1,173 million (1H05: RMB826 million), an increase of 42.0% over the same period last year. Basic earnings per share was RMB9.87 cents (1H05: RMB8.16 cents).

As at 30 June 2006, total assets of the Group were RMB59,002 million (2005: RMB55,165 million) while total liabilities amounted to RMB37,130 million (2005: RMB33,979 million). Total shareholders' equity was RMB21,873 million (2005: RMB21,186 million), of which RMB15,564 million (2005: RMB14,880 million) was attributable to the equity holders of the parent. Net asset value (attributable to equity holders of the parent) per share was RMB1.31, an increase of RMB0.06 per share compared to the beginning of the year.

Management Discussion and Analysis

The Group achieved further growth in its operating results in the first half of 2006. The increase in profits was mainly attributable to the growth of our Power Equipment Division, which accounted for 69.8% of the Group's profit attributable to equity holders of the parent for this interim period. Meanwhile, our Electromechanical Equipment Division, Environmental Systems Division and Financial Business Division experienced growth in performance as well. Influenced by the implementation of macro-economic control measures by the PRC government last year, market demand in certain sectors remained relatively weak during the interim period. Sales of certain products, such as diesel engines, decreased consequently, resulting in a drop in sales and operating profit of our Transportation Equipment Division.

Business Review of Major Divisions

Power Equipment Division

To cope with the robust market demand for power equipment in PRC during the first half of 2006, the Group has made elaborate efforts to integrate operation and has achieved initial success. During the period under review, we have completed orders for power generation equipment with a total capacity of over 14.52GW. Total turnover of the Power Equipment Division amounted to RMB13,054 million (1H05: RMB8,913 million), representing a rise of 46.5% over the corresponding period last year. Operating profit was RMB1,492 million (1H05: RMB1,210 million), representing an increase of 23.3% over the corresponding period last year. The Group will strive to develop new systems to upgrade product capability and quality and by then build up company reputation. We will also upgrade our power plant equipment, improve after-sales service and expand our business areas. To meet the strong market demand for electricity in Southeast Asia, the Group is exploring opportunities in these overseas markets in pursuit of continuous positive growth of our Power Equipment Division.

Electromechanical Equipment Division

During the first half of 2006, turnover and operating profit of our Electromechanical Equipment Division increased by 14.7% and 27.2% respectively as compared to that for the first half of 2005, primarily due to the increase in sales of heavy machinery and machine tools.

Transportation Equipment Division

During the first half of 2006, turnover and operating profit of the Transportation Equipment Division decreased by 11.6% and 69.8% respectively as compared to the same period last year. This was mainly attributable to the decrease in the sales of diesel engines and in gross margin. The Group will endeavour to raise its competitiveness through diesel engine market differential strategy, exploration into high-end product market and widening of sales channels. Following the scheduled delivery of railcars in the second half of the year, operating profit of this division is expected to increase.

Environmental Systems Division

During the first half of 2006, turnover and operating profit of the Environmental Systems Division increased by 111.2% and 2,400.0% respectively as compared to the corresponding period last year, this is mainly due to expansion of our solar energy business.

Financial Business Division

During the first half of 2006, operating profit of the Financial Business Division increased by 17.3% as compared to the corresponding period last year, primarily due to further centralization of company funds and management consolidation, which brought forth an increase in the return on investment.

Finance Costs

Finance costs for the first half of 2006 were RMB41 million (1H05: RMB43 million), representing a slight decrease over the same period of last year.

Other Significant Events

During the report period, the Group won 3 large-scale domestic contracts with total value of RMB6.58 billion for the supply of 1000 MW coal-fired power generation equipment and for 600 MW EPC Projects. In addition, the Group obtained overseas contracts valued at US$193 million in respect of two sets of 300MW coal-fired power generation equipment for India, at RMB415 million in respect of an overseas power transmission and distribution EPC contract for the supply of 5 sets of 220kV substations in Sudan, and at US$9.32 million in respect of an order of 20 ship-use crankshafts to South Korea. The Group also obtained a domestic contract for the supply of 48 metropolitan railcars.

Apart from the above, the Group did not have any other discloseable significant event.

Prospects

Power Equipment Division

During the first half of 2006, the Group received new orders for the provision of power generation equipment with a total capacity of approximately 10,000 MW (including EPC projects). As at 30 June 2006, the total outstanding orders for power generation equipment remained at a capacity of over 70,000 MW. We will continue expanding both our markets and manufacturing capacities in power generation equipment of 1000 MW nuclear power, 1000 MW thermal power as well as for power plant EPC projects, power plant equipment services, and wind power equipment. The purchase of 100% of the equity interests in Shanghai Relay Works Co., Ltd early this year extends our supply chain in the power transmission and distribution business. Meanwhile, according to its 11th Five-Year Plan, the budget set by the Chinese government for the construction of power transmission and distribution network for the period 2006–2010 is RMB1,100 billion, an all-time high figure representing a golden opportunity for growth of our power transmission and distribution business. In this connection, for the second half of 2006 and the next few years, our power equipment division will continue to be the core business division of the Group in terms of contribution in sales and operating profits to the Group.

Electromechanical Equipment Division

With the completion of the acquisition of Shanghai Ship-use Crankshaft Co., Ltd, Magine Machine Tool Co., Ltd, SMAC Werkzeugamaschine GmbH and Japan Ikegai Corporation in the first half of 2006, the Group has further strengthened the overall capability of this business division. With respect to different characteristics and developmental trends of a variety of businesses in this division, the Group has set forth the following strategic targets:

1. Elevator – maintain our leading position in the domestic market by further expanding our business into high-end products and after-sales services;
2. Heavy machinery – become a global supplier of large-scale marine casting and forging items, large-scale marine crankshafts in a golden market where demand continues to outstrip supply;
3. Printing equipment – maintain our leading position in the domestic market and increase our global competitiveness; and
4. Machine tool – become gradually a major domestic supplier of high-end machine tools through integration of relevant assets and resources within the Group and continuous improvement of R&D capability.

Transportation Equipment Division

Our diesel engine business will strive to become a top-notch domestic player in the areas of product adaptability, reliability, technological advancement, value-for-money, and service quality. The outlook of our metropolitan rail transportation equipment business remains positive as it continues to benefit from the strong demand resulted from extensive metropolitan rail construction plans in Shanghai and in the PRC.

Environmental Systems Division
The Group will:

- continue our expansion in desulphurization and denitration systems, and gas treatment systems for small and medium power generators;
- maintain the fast growth trend of photovoltaic cell business;
- build up company reputation and expand our business in engineering works for environmental projects based on experiences accumulated from EPC projects in environmental systems.

Model Code for Securities Transactions by Directors
The Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") as set out in Appendix 10 of the Listing Rules. Further to the Company's enquiry, all Directors confirmed that they had complied with the Model Code in the interim period.

Corporate Governance
For the first half of 2006, the Board of the Directors are of the view that the Company had complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code") except for code provision A.2.1 concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2006, the duties of the Chief Executive Officer and the Chairman of the Board have been carried out by the same individual person. However, Mr. Huang Dinan, an Executive Director and the President, is fully responsible for the day-to-day operations of the Company and execution of instructions from the Board of Directors. The Company is of the opinion that segregation of duties and responsibilities between the Board of Directors and the senior management has been well maintained and there exists no problem of over-centralization of management power on one person.

Audit Committee
Our audit committee, comprising Mr. Cheung Wai Bun, Mr. Yao Fusheng, Mr. Lei Huai Chin and Mr. Wang Minwen, has reviewed the accounting policies adopted by the Group with the management and the Company's external auditors, and discussed on matters concerning internal control and financial report, including review and approval of the unaudited interim financial statements of the period.

Pursuant to the Articles of Association of the Company, the extraordinary general meeting of shareholders approved the terms of reference of the Audit Committee on 27 March 2006.

Remuneration Committee
The Board of Directors established a Remuneration Committee which comprises Mr. Wang Qiang, Mr. Yao Fusheng and Mr. Lei Huai Chin on 29 June 2005. Pursuant to the Articles of Association of the Company, the extraordinary general meeting of shareholders approved the terms of reference of the Remuneration Committee on 27 March 2006.

Purchase, Sale or Redemption of the Company's Listed Securities
During the interim period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend
The Directors do not recommend the payment of interim dividend for the Period.

Events post 30 June 2006
Mr. Wang Chengming, Mr. Han Guozhang and Mr. Zhang Rongkun have resigned as directors of the Company on 18 August 2006.

Board of Directors and Supervisors
As at the date of this announcement, the Board of Directors consists of executive directors, namely Mr. Chen Longxing, Mr. Huang Dinan, Mr. Wang Qiang, Ms. Li Manping, Mr. Yu Yingui, and non-executive directors, namely Mr. Zhu Kelin, Mr. Yao Qun, Mr. Lin Haitao, Mr. Wang Minwen and Mr. Li Songjian, as well as independent non-executive directors, namely Mr. Yao Fusheng, Mr. Cheung Wai Bun and Mr. Lei Huai Chin.

As at the date of this announcement, the Supervisors of the Company are Mr. Cheng Zuomin, Mr. Xie Tonglun, Ms. Ling Feifei, Mr. Zheng Weijian, Mr. Zhang Jun and Ms. Miu Xiufeng.

By order of the Board
Huang Dinan
Executive Director and President

18 August 2006
Shanghai, China

"Please also refer to the published version of this announcement in South China Morning Post."