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

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

(Stock Code: 02727)

2013 INTERIM RESULTS

Performance Highlights

- **Revenue for the first half of 2013 reached RMB38,349 million, basically stayed flat compared with that of the corresponding period last year**
- **Profit attributable to owners of the parent for the first half of 2013 was RMB1,410 million, representing a decrease of 24.5% over the corresponding period last year**
- **Basic earnings per share were RMB11.00 cents, representing a decrease of 24.5% over the corresponding period last year**
- **The Board of Directors did not recommend interim dividend during the period**

The board of directors (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 2013. The results have not been audited but have been reviewed by audit committee of the Company.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
REVENUE	3	38,349,410	38,450,691
Cost of sales		(31,625,849)	(31,206,349)
GROSS PROFIT		6,723,561	7,244,342
Other income and gains	3	580,386	530,515
Selling and distribution costs		(1,158,684)	(1,018,564)
Administrative expenses		(2,380,446)	(2,395,099)
Other expenses		(1,233,512)	(1,404,281)
Finance costs		(115,339)	(85,585)
Share of profits and losses of:			
Jointly-controlled entities		3,545	3,235
Associates		327,244	305,088
PROFIT BEFORE TAX	4	2,746,755	3,179,651
Income tax expense	5	(607,352)	(528,671)
PROFIT FOR THE PERIOD		2,139,403	2,650,980
ATTRIBUTABLE TO:			
Owners of the parent		1,410,077	1,866,827
Non-controlling interests		729,326	784,153
		2,139,403	2,650,980
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted			
- For profit for the period (RMB)		11.00 cents	14.56cents

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
PROFIT FOR THE PERIOD	2,139,403	2,650,980
Changes in fair value and disposal of available-for-sale investments net of income tax	(77,179)	187,891
Effective portion of changes in fair value of hedging instruments net of income tax	65,427	(71,764)
Exchange realignment	(102,089)	(20,384)
Others	4,727	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(109,114)	95,743
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,030,289	2,746,723
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	1,331,471	1,944,949
Non-controlling interests	698,818	801,774
	2,030,289	2,746,723

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2013

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		15,003,067	15,226,213
Investment properties		142,416	145,036
Prepaid land lease payments		1,638,640	1,641,656
Goodwill		167,519	167,519
Other intangible assets		1,070,315	995,556
Investments in jointly-controlled entities		82,436	92,537
Investments in associates		3,825,958	3,603,746
Loans and lease receivable		1,343,085	1,318,545
Other investments		1,177,455	1,417,835
Derivative financial instruments		2,156	4,460
Other non-current assets		347,152	395,297
Deferred tax assets		1,911,546	1,874,894
Total non-current assets		26,711,745	26,883,294
CURRENT ASSETS			
Inventories		20,912,879	21,933,836
Construction contracts		1,668,287	1,476,431
Trade receivables	8	25,900,852	20,605,697
Loans and lease receivable		1,972,051	2,621,208
Discounted bills receivable		227,515	881,170
Bills receivable		3,833,776	5,090,174
Prepayments, deposits and other receivables		11,446,422	10,665,546
Investments		4,402,738	3,105,546
Derivative financial instruments		67,441	90,105
Due from the Central Bank		3,120,901	2,580,698
Restricted deposits		602,935	624,122
Cash and cash equivalents		22,259,036	22,141,703
Total current assets		96,414,833	91,816,236

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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2013

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	9	26,075,862	24,031,249
Bills payable		3,080,978	2,456,807
Other payables and accruals		40,812,463	38,625,985
Derivative financial instruments		48,766	76,155
Customer deposits		1,018,730	1,294,409
Interest-bearing bank and other borrowings		2,156,776	3,419,300
Tax payable		795,117	1,278,581
Provisions		2,734,229	2,604,205
Total current liabilities		76,722,921	73,786,691
NET CURRENT ASSETS		19,691,912	18,029,545
TOTAL ASSETS LESS CURRENT LIABILITIES		46,403,657	44,912,839
NON-CURRENT LIABILITIES			
Bonds		1,989,764	-
Interest-bearing bank and other borrowings		1,850,866	2,028,585
Provisions		29,214	48,095
Government grants		356,054	387,942
Derivative financial instruments		32,452	117,878
Other non-current liabilities		1,164,593	1,109,884
Deferred tax liabilities		528,524	538,197
Total non-current liabilities		5,951,467	4,230,581
Net assets		40,452,190	40,682,258

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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2013

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital		12,823,627	12,823,627
Reserves		18,147,294	16,866,070
Proposed final dividend		-	816,865
		30,970,921	30,506,562
Non-controlling interests		9,481,269	10,175,696
Total equity		40,452,190	40,682,258

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2013

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012, 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 the current period's unaudited interim condensed consolidated financial statements:

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

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

2. 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.

Detailed descriptions of business segments are as follow:

(a) the new energy equipment segment is engaged in the design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components;
(b) the high efficiency and clean energy equipment segment is engaged in the design, manufacture and sale of thermal power equipment products, nuclear power conventional island equipment products and power transmission and distribution equipment products;
(c) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, electrical motors, machine tools, printing and packaging equipment, marine crankshafts and other electromechanical equipment products;
(d) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial services and functional services including international trading services; and
(e) the "others" segment includes components such as the central research institute.

2. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2013 (the "Period"):

Six months ended 30 June 2013 (Unaudited)	New energy equipment RMB'000	High efficiency and clean energy equipment RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	1,980,755	14,236,366	11,626,821	9,533,986	971,482	-	38,349,410
Intersegment sales	133,838	1,788,415	424,703	229,396	271,940	(2,848,292)	-
Total	2,114,593	16,024,781	12,051,524	9,763,382	1,243,422	(2,848,292)	38,349,410
Operating profit/(loss)	(54,468)	1,040,746	797,509	953,751	(15,431)	(190,802)	2,531,305
Finance costs							(115,339)
Share of profits and losses of jointly-controlled entities	-	-	-	3,545	-	-	3,545
Share of profits and losses of associates	-	114,021	210,398	8,855	(6,030)	-	327,244
Profit before tax							2,746,755
Income tax expense							(607,352)
Profit for the period							2,139,403

2. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2012:

Six months ended 30 June 2012 (Unaudited/Restated)	New energy equipment RMB'000	High efficiency and clean energy equipment RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,012,337	14,833,480	11,097,764	8,989,002	518,108	-	38,450,691
Intersegment sales	216,182	3,972,514	372,388	290,257	117,956	(4,969,297)	-
Total	3,228,519	18,805,994	11,470,152	9,279,259	636,064	(4,969,297)	38,450,691
Operating profit/(loss)	53,649	1,675,932	891,277	474,897	(8,246)	(130,596)	2,956,913
Finance costs							(85,585)
Share of profits and losses of jointly-controlled entities	-	-	504	2,731	-	-	3,235
Share of profits and losses of associates	-	146,288	155,605	408	2,787	-	305,088
Profit before tax							3,179,651
Income tax expense							(528,671)
Profit for the period							2,650,980

2. SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue information on the Group's geographical segments for the six months ended 30 June 2013 and 30 June 2012:

	Six months ended 30 June 2013 (Unaudited)			Six months ended 30 June 2012 (Unaudited/Restated)		
	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000
Segment revenue						
Sales to external customers	31,869,075	6,480,335	38,349,410	29,486,886	8,963,805	38,450,691

3. REVENUE, OTHER INCOME AND GAINS

Revenue includes turnover and other revenue that arise from the ordinary course of business of the Group. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered, net of sale taxes and surcharges.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Revenue		
Turnover		
Sales of goods	28,530,753	29,033,458
Construction contracts	7,202,986	6,875,064
Rendering of services	1,832,365	1,605,118
	37,566,104	37,513,640

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3. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows (continued):

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	294,617	365,145
Finance lease income	129,790	129,548
Operating lease income	40,054	59,044
Shanghai Electric Group Finance Company ("Finance Company"):		
Interest income from banks and other financial institutions	145,488	164,284
Interest income on loans receivable and discounted bills receivable	38,553	60,737
Others	134,804	158,293
	783,306	937,051
	38,349,410	38,450,691
Other income		
Interest income on bank balances and time deposits	149,707	116,797
Dividend income from equity investments and investment funds	7,920	2,728
Subsidy income	372,760	138,650
Others	80,513	36,672
	610,900	294,847

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3. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows (continued):

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Gains		
Gain on disposal of items of property, plant and equipment	8,897	7,753
(Losses)/Gain on disposal of subsidiaries	(158,993)	156,024
Investments at fair value through profit or loss:		
Unrealised fair value (losses)/gains, net	(3,318)	941
Realised fair value (losses)/gains, net	(4,694)	4,425
Derivative financial instruments- transactions not qualifying as hedges:		
Unrealised fair value gains, net	1,368	1,800
Realised gain on available-for-sale investments (transfer from equity)	154,760	22,288
Gain on Debt restructuring	9,875	-
Exchange losses, net	(42,656)	(16,548)
Others	4,247	58,985
	(30,514)	235,668
	580,386	530,515

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Cost of inventories sold	23,323,313	23,800,312
Cost of construction contracts	6,215,161	5,634,069
Cost of services provided	1,661,819	1,334,088
Finance Company:		
Interest expense due to banks and other financial institutions	8,500	8,575
Interest expense on customer deposits	9,285	14,128
Interest expense on bonds	-	24,000
	17,785	46,703
Depreciation of property, plant and equipment	629,218	592,696
Depreciation of investment properties	2,620	2,852
Recognition of prepaid land lease payments*	17,781	16,022
Amortisation of patents and licences*	12,577	11,098
Amortisation of concession intangible assets*	8,765	10,137
Amortisation of other intangible assets*	9,377	7,201
Research and development costs:*		
Amortisation of technology know-how	26,860	11,337
Current period expenditure	823,338	760,685
	850,198	772,022
Minimum lease payments under operating leases:		
Land and buildings	97,701	93,406
Plant, machinery and motor vehicles	44,443	49,426
Staff costs	3,258,680	3,042,554
Write-down of inventories to net realisable value	89,096	109,026
Impairment on trade receivables and other receivables*	211,964	600,997
Addition of impairment of loans receivable*	46,840	1,108
Impairment of lease receivables*	4,697	19,711
(Reversal)/addition of impairment of discounted bills receivable*	(6,574)	7,889

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4. PROFIT BEFORE TAX (continued)

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
		(Restated)
Product warranty provision:		
Additional provision	302,237	98,597
Onerous contract provision:		
Additional provision	426,295	227,820

* These items are included in "Other expenses" on the face of the unaudited interim condensed consolidated income statement.

5. INCOME TAX

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% for the period of the six months ended 30 June 2013 (for the six months ended 30 June 2012: 25%) under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law for the successive three years from 2011.

Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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5. INCOME TAX (continued)

	For the six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000 (Restated)
Group:		
Current – Mainland China		
Charge for the period	668,383	657,698
Under/Overprovision in prior years	2,315	(25,097)
Current – Elsewhere		
Charge for the period	1,528	4,868
Underprovision in prior years	-	643
Deferred	(64,874)	(109,441)
Total tax charge for the period	607,352	528,671

6. DIVIDEND

The Board of Directors did not recommend interim dividend during the period.

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,410,077,000 (the six months ended 30 June 2012: RMB1,866,827,000) and the weighted average number of 12,823,626,660 ordinary shares in issue during the Period (for the period of six months ended 30 June 2012: 12,823,626,660 ordinary shares).

8. TRADE RECEIVABLES

An ageing analysis of trade receivables, based on the due date, and net of provision for bad and doubtful debts, is as follows:

	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Undue	16,223,792	12,889,096
Within 3 months	4,332,826	2,426,041
Over 3 months but within 6 months	1,786,190	1,806,303
Over 6 months but within 1 year	1,565,510	1,950,840
Over 1 year but within 2 years	1,388,034	1,256,106
Over 2 years but within 3 years	498,581	234,455
Over 3 years	105,919	42,856
	25,900,852	20,605,697

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, with retention periods of one to two years.

For the sale of other products, 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 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 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Within 3 months	12,428,327	12,752,683
Over 3 months but within 6 months	3,313,941	3,937,657
Over 6 months but within 1 year	4,507,220	2,974,824
Over 1 year but within 2 years	3,446,535	2,498,839
Over 2 years but within 3 years	1,905,646	1,465,551
Over 3 years	474,193	401,695
	26,075,862	24,031,249

10. COMPARATIVE AMOUNTS

Due to the business combinations under common control in the second half of 2012, the comparative amounts of the financial statements have been restated.

REVIEW OF OPERATIONS

In the first half of 2013, the global economic growth showed an unbalanced regional development. Meanwhile, domestic economic climate was not optimistic with many industries experiencing severe overcapacity and inadequate domestic market demand, resulting in a new characteristic of “slower growth but more rapid structural adjustment” in economic growth. Facing such extremely complicated international and domestic economic situations, Shanghai Electric strictly adhered to its principle of “transform amid difficulties and develop in transformation.”

New Energy Equipment

During the reporting period, we continued to develop steadily the nuclear power nuclear island equipment business. Our nuclear power nuclear island equipment products included all major product models of nuclear power nuclear island equipment such as gen Ⅰ nuclear power, gen Ⅱ nuclear power, gen Ⅱ improved nuclear power, gen Ⅲ nuclear power AP1000, EPR and CAP1400, and gen Ⅳ nuclear power high temperature gas cooled reactor. Our 1,000MW nuclear power nuclear island major equipment had applied to all China’s large scale nuclear power plant projects which had commenced their construction. During the reporting period, China’s wind power industry, upon the adjustment, would enter a stable development period. Through perfecting our techniques, we continuously strengthened our cooperation with Siemens, intensified our research and development of offshore wind turbines, so as to strive for an advantage in offshore wind turbines market in the future; we actively expanded the market, explored cooperation opportunities with wind field bases and innovated upon the new development model of our wind power equipment business.

High Efficiency and Clean Energy Equipment

During the reporting period, we owned a stable thermal power equipment market share with new orders amounted to RMB12.7 billion, representing a significant increase as compared with the same period last year; we continuously dedicated to the development of 1000MW ultra-supercritical high efficiency and clean thermal power equipment. We hold a leading position in the 1000MW ultra-supercritical thermal power projects, which reflected the world’s highest standard. We were gradually changing from passive manner in product development in satisfying the market need to proactive and innovative manner in research and development to induce products trend to increase market demand. The manufacturing of the first 1000MW double reheat thermal power demonstrating project in mainland China secured by the Company had started. We accelerated the domesticalisation of gas turbine. The advanced techniques introduced and mastered had enabled us to manufacture advanced gas turbines and combined cycle units to reach a production capacity of one gas turbine per month, which was able to respond to and satisfy the rapid growth of the domestic gas turbine market. During the reporting period, on the foundation of full array of power transmission and distribution equipment industrial chain and led by the technology, we capitalized on the advantages of the shareholders of both Shanghai Electric and Shanghai Municipal Electric Power Company, a subsidiary of State Grid, to expand the market proactively, and promoted our power transmission and distribution equipment development toward a trend characterized by high voltage technology, smart grid technology and power electronics technology.

REVIEW OF OPERATIONS (continued)

Industrial Equipment

During the reporting period, our elevator business stuck to a technological strategy of introduction and self-development in respect of technology being conducted simultaneously, a market strategy highlighting the high-end and high-speed products but with a consideration given to affordable houses, and a management strategy with a focus on quality and safety, with an effort to the transformation in a mode from production operation to operation service and from market expansion to quality and efficiency, so as to further strengthen our leading position in the industry. We have successively obtained orders such as 35 elevator products of Wuhan Center, the tallest building in Wuhan, PRC and 137 elevator products of Shizimen Central Business District, the tallest building in Zhuhai, PRC. During the reporting period, we have been proceeding in full swing to develop extra-large, extra-heavy and special electrical motors, as well as affiliated electrical motors for new energy, and extend the associated businesses, so as to establish the business of frequency converter and full array of control devices to provide the users with integrated services and overall solutions. We won the tender for frequency converter of plunger pump test bench and control system project in Shandong Kerui Holding Group Co., Ltd., and made a breakthrough in the solution business of full array of high voltage frequency converter system.

Modern Services

After years of diligent operation, our power plant EPC has tapped into overseas markets in countries and regions such as India, Indonesia, Vietnam, Iraq, Thailand, UAE and Africa, keeping pace with our equipment business in terms of business scale, for which we will achieve steady development according to our own strengths and the market situation in the future. During the reporting period, again we have achieved great success in our overseas market for transmission and distribution engineering by undertaking a power transmission and distribution project from a power company in Sri Lanka. During the reporting period, leveraging on financing lease, we succeeded in expanding markets for power plant EPC, and the financial service business of the Group would continue to support and facilitate the development of its core businesses.

MANGEMENT DISCUSSION AND ANALYSIS

Review of Operating Results

During the reporting period, turnover of the Group amounted to RMB38,349 million, basically stayed flat compared with that of the corresponding period last year, and its profit attributable to owners of the parent amounted to RMB1,410 million, representing a decrease of 24.5% over the corresponding period last year.

New Energy Equipment

During the reporting period, the new energy equipment recorded sales revenue of RMB2,115 million, representing a decrease of 34.5% over the corresponding period of last year. Both gross profit margin and operating profit margin of this segment had different levels of decrease, which were mainly due to the drop of revenue during the reporting period caused by adjustments and intensified competition in the wind power equipment industry and a weak market demand for the forging components, resulting in a decline in profit.

MANGEMENT DISCUSSION AND ANALYSIS(continued)

High Efficiency and Clean Energy Equipment

During the reporting period, the high efficiency and clean energy equipment recorded sales revenue of RMB16,025 million, which was 14.8% lower than that of the corresponding period of last year. Gross profit margin of this segment was 19.1% which was close to that of the corresponding period of last year while the operating profit margin of this segment was 6.5%, representing a decrease of 2.4 percentage points over the corresponding period of last year. The decrease was primarily attributable to a decrease in operating profit resulted from the lower sales of thermal power equipment and heavy machinery equipment due to the impacts of macroeconomic environment during the reporting period.

Industrial Equipment

During the reporting period, the industrial equipment achieved sales revenue of RMB12,052 million, representing an increase of 5.1% over the corresponding period of last year. Gross profit margin of this segment was 19.7%, representing a year-on-year increase of 0.5 percentage point, mainly due to more orders because of the increase in the market demand of elevator business. During the reporting period, the revenue of our elevator business increased by 23.5% year-on-year while the operating profit increased by 35.0% year-on-year, our profitability kept staying ahead in the industry. The operating profit margin of this segment was 6.6%, representing a decrease of 1.2 percentage points over the corresponding period of last year, mainly due to the business consolidation of subsidiaries within this segment during the reporting period.

Modern Services

During the reporting period, the modern services recorded sales revenue of RMB9,763 million, representing a growth of 5.2% over the corresponding period of last year, which was primarily boosted by the rise in revenue from our power plant engineering projects and the power plant services during the reporting period. Gross profit margin of this segment was 10.4%, which was close to that of the corresponding period of last year. The operating profit margin of this segment was 9.8%, representing an increase of 4.7 percentage points over the corresponding period of last year, mainly due to the increase in the profit as a result of reversal of provision for doubtful debts for prior years because of successful recovery of trade debts from certain power plant engineering projects in this segment.

Outlook

2013 is a critical year for us to “transform amid difficulties and develop in transformation”. We need to be in a push to transform by tackling difficulties ahead, and spare no efforts to register a stable growth, speed up research and development on science and technology, enhance core competitiveness, actively explore market, increase its market share, focus on the quality of economic operation and continue with organic growth, promote the development of emerging businesses and nurture new growth drivers, in an attempt to achieve sustainable development for Shanghai Electric.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the provisions as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its model code for securities transactions by directors (the "Directors"), supervisors (the "Supervisors") and relevant employees of the Company. Further to the Company's enquiry, all Directors and Supervisors confirmed that they had complied with the Model Code and the relevant provisions as set out in Appendix 10 of the Listing Rules during the period from 1 January 2013 to 30 June 2013. No violation of the Model Code by relevant employees has been found by the Company.

CORPORATE GOVERNANCE

For the first half of 2013, the Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules except for deviation from code provision A.2.1 of the Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the Code, 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 2013, the duties of the Chairman of the Board and the Chief Executive Officer have been carried out by Mr. Xu Jianguo. 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. The Company is of the opinion that segregation of duties and responsibilities between the Board and the senior management has been well maintained and there exists no problem of over-centralization of management power.

STRATEGY COMMITTEE

The strategy committee comprises Mr. Xu Jianguo, Mr. Huang Dinan, Ms. Xu Ziying, Mr. Zhu Sendi and Dr. Lui Sun Wing. During the reporting period, the strategy committee has discussed and reviewed the Company's future development plans with the management team.
On 31 July, 2013, Ms. Xu Ziying resigned as a member of the strategy committee and Mr. Zheng Jianhua was appointed by the Board to take her place, effective from the date when he becomes an appointed executive director of the Company.

NOMINATION COMMITTEE

The nomination committee comprises Mr. Zhu Sendi, Mr. Huang Dinan and Dr. Cheung Wai Bun. The nomination committee is primarily responsible for studying the criteria, procedures and methods for selecting candidates for directors and making recommendations to the Board on the selection and appointment of directors of the Company.

AUDIT COMMITTEE

Our audit committee, comprising Dr. Cheung Wai Bun, Mr. Zhu Sendi, Dr. Lui Sun Wing and Ms. Yao Minfang, has reviewed the accounting policies adopted by the Company and credit limits of the Company's connected transactions with the management and the Company's external auditors, and discussed on matters concerning internal controls and financial reporting of the Group, including review and approval of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013.

REMUNERATION COMMITTEE

The remuneration committee, which comprises Dr. Lui Sun Wing, Mr. Huang Dinan and Mr. Zhu Sendi, is mainly responsible for providing recommendations to the Board in respect of the remuneration policy and structure of the Directors, Supervisors and operating team of the Company, and determining applicable and transparent procedures.

DIVIDEND

The Board of Directors did not recommend interim dividend during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

The results announcement will be published on the Company's website (http://www.shanghai-electric.com) and the Stock Exchange's website (http://hkexnews.hk). The 2013 Interim Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

BOARD OF DIRECTORS AND SUPERVISORS

As at the date of this announcement, the executive directors of the Company are Mr. Xu Jianguo, Mr. Huang Dinan and Mr. Yu Yingui; the non-executive directors of the Company are Mr. Zhu Kelin and Ms. Yao Minfang; and the independent non-executive directors of the Company are Mr. Zhu Sendi, Dr. Cheung Wai Bun and Dr. Lui Sun Wing.

During the reporting period, the Supervisors of the Company are Mr. Dong Jianhua, Mr. Xie Tonglun, Mr. Li Bin, Mr. Zhou Changsheng and Mr. Zheng Weijian.

By order of the Board
Shanghai Electric Group Company Limited
Xu Jianguo
Chairman

Shanghai, the PRC
30 August 2013

 # For identification purpose only