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 company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02727)

2014 INTERIM RESULTS

Performance Highlights

- **Revenue for the first half of 2014 reached RMB35,883 million, representing a decrease of 6.43% over the corresponding period last year**
- **Profit attributable to owners of the parent for the first half of 2014 was RMB1,297 million, representing a decrease of 8.05% over the corresponding period last year**
- **Basic earnings per share were RMB10.11 cents, representing a decrease of 8.09% 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 2014. 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 2014

	Notes	For the six months ended 30 June 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
REVENUE	3	35,882,648	38,349,410
Cost of sales		(28,929,079)	(31,625,849)
GROSS PROFIT		6,953,569	6,723,561
Other income and gains	3	619,680	580,386
Selling and distribution costs		(1,216,953)	(1,158,684)
Administrative expenses		(2,175,818)	(2,380,446)
Other expenses		(1,475,613)	(1,233,512)
Finance costs		(136,594)	(115,339)
Share of profits and losses of:			
Jointly-controlled entities		135	3,545
Associates		274,573	327,244
PROFIT BEFORE TAX	4	2,842,979	2,746,755
Income tax expense	5	(580,038)	(607,352)
PROFIT FOR THE PERIOD		2,262,941	2,139,403
ATTRIBUTABLE TO:			
Owners of the Company		1,296,529	1,410,077
Non-controlling interests		966,412	729,326
		2,262,941	2,139,403
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic and diluted (RMB)		10.11cents	11.00cents

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	2,262,941	2,139,403
Changes in fair value and disposal of available-for-sale investments net of income tax	104,279	(77,179)
Effective portion of changes in fair value of hedging instruments net of income tax	(62,971)	65,427
Exchange differences	806	(102,089)
Others	(7,657)	4,727
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	34,457	(109,114)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,297,398	2,030,289
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	1,310,807	1,331,471
Non-controlling interests	986,591	698,818
	2,297,398	2,030,289

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION 30 JUNE 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,046,148	15,126,716
Investment properties		137,348	140,201
Prepaid land lease payments		1,594,757	1,581,477
Goodwill		148,073	148,073
Other intangible assets		1,073,297	990,499
Investments in jointly-controlled entities		6,405	6,270
Investments in associates		4,141,095	3,881,944
Loans and lease receivable		2,856,540	2,410,803
Other investments		921,917	969,356
Derivative financial instruments		2,122	20,625
Other non-current assets		409,944	429,180
Deferred tax assets		2,203,838	2,116,923
Total non-current assets		27,541,484	27,822,067
CURRENT ASSETS			
Inventories		24,055,702	20,644,804
Construction contracts		2,218,617	1,505,713
Trade receivables	8	27,129,249	25,268,380
Loans and lease receivable		5,211,611	5,441,146
Discounted bills receivable		286,906	548,702
Bills receivable		5,199,080	4,868,920
Prepayments, deposits and other receivables		12,534,362	10,807,108
Investments		3,973,184	6,224,328
Derivative financial instruments		9,402	50,584
Due from the Central Bank		3,543,643	4,087,577
Restricted deposits		686,634	614,629
Cash and cash equivalents		22,095,048	21,408,756
Total current assets		106,943,438	101,470,647

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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	9	28,169,923	25,098,974
Bills payable		4,023,513	4,144,473
Other payables and accruals		45,933,669	43,212,906
Derivative financial instruments		32,800	8,376
Customer deposits		1,237,039	1,762,404
Interest-bearing bank and other borrowings		3,594,080	3,764,512
Tax payable		838,523	995,932
Provisions		3,364,270	3,248,962
Total current liabilities		87,193,817	82,236,539
NET CURRENT ASSETS		19,749,621	19,234,108
TOTAL ASSETS LESS CURRENT LIABILITIES		47,291,105	47,056,175
NON-CURRENT LIABILITIES			
Bonds		1,992,056	1,990,910
Interest-bearing bank and other borrowings		206,228	217,661
Provisions		60,321	23,246
Government grants		291,215	511,194
Other non-current liabilities		1,260,995	992,926
Deferred tax liabilities		522,843	611,670
Total non-current liabilities		4,333,658	4,347,607
Net assets		42,957,447	42,708,568

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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital		12,823,627	12,823,627
Reserves		19,758,182	18,425,043
Proposed final dividend		-	957,284
		32,581,809	32,205,954
Non-controlling interests		10,375,638	10,502,614
Total equity		42,957,447	42,708,568

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSs.

Accounting policy

Other amendments to HKFRSs effective for the financial year ending 31 December 2014 are not expected to have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

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 2014 (the "Period"):

Six months ended 30 June 2014 (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	2,943,757	11,126,288	12,084,202	8,884,590	843,811	-	35,882,648
Intersegment sales	147,990	1,148,827	445,201	237,562	406,082	(2,385,662)	-
Total	3,091,747	12,275,115	12,529,403	9,122,152	1,249,893	(2,385,662)	35,882,648
Operating profit/(loss)	22,764	590,921	1,048,009	1,315,927	(59,687)	(213,069)	2,704,865
Finance costs							(136,594)
Share of profits and losses of jointly-controlled entities	-	-	-	135	-	-	135
Share of profits and losses of associates	-	89,016	185,557	-	-	-	274,573
Profit before tax							2,842,979
Income tax expense							(580,038)
Profit for the period							2,262,941

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:

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)

Geographical segments

The following table presents revenue information on the Group's geographical segments for the six months ended 30 June 2014 and 30 June 2013:

	Six months ended 30 June 2014 (Unaudited)			Six months ended 30 June 2013 (Unaudited)		
	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	28,908,397	6,974,251	35,882,648	31,869,075	6,480,335	38,349,410

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	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue		
Turnover		
Sales of goods	26,784,560	28,530,753
Construction contracts	5,840,948	7,202,986
Rendering of services	2,211,376	1,832,365
	34,836,884	37,566,104

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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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	333,001	294,617
Finance lease income	175,141	129,790
Operating lease income	44,967	40,054
Shanghai Electric Group Finance Company ("Finance Company"):		
Interest income from banks and other financial institutions	181,524	145,488
Interest income on loans receivable and discounted bills receivable	135,516	38,553
Others	175,615	134,804
	1,045,764	783,306
	35,882,648	38,349,410
Other income		
Interest income on bank balances and time deposits	98,441	149,707
Interest income from debt investment	9,430	-
Dividend income from equity investments and investment funds	37,672	7,920
Subsidy income	149,806	372,760
	295,349	530,387

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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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Gains		
Gain on disposal of items of property, plant and equipment	97,626	8,897
(Losses)/Gain on disposal of subsidiaries	-	(158,993)
Investments at fair value through profit or loss:		
Unrealised fair value (losses), net	(2,317)	(3,318)
Realised fair value gains/(losses), net	1,698	(4,694)
Derivative financial instruments- transactions not qualifying as hedges:		
Unrealised fair value (losses)/gains, net	(208)	1,368
Realised gain on available-for-sale investments (transfer from equity)	121,222	154,760
Gain on Debt restructuring	698	9,875
Exchange gains/(losses), net	44,695	(42,656)
Others	60,917	84,760
	324,331	49,999
	619,680	580,386

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	21,783,498	23,323,313
Cost of construction contracts	4,882,948	6,215,161
Cost of services provided	1,905,115	1,661,819
Finance Company:		
Interest expense due to banks and other financial institutions	7,521	8,500
Interest expense on customer deposits	8,147	9,285
	15,668	17,785
Depreciation of property, plant and equipment	659,177	629,218
Depreciation of investment properties	2,853	2,620
Recognition of prepaid land lease payments*	21,630	17,781
Amortisation of patents and licences*	20,656	12,577
Amortisation of concession intangible assets*	8,643	8,765
Amortisation of other intangible assets*	14,508	9,377
Research and development costs:*		
Amortisation of technology know-how	11,754	26,860
Current period expenditure	956,890	823,338
	968,644	850,198
Minimum lease payments under operating leases:		
Land and buildings	80,369	97,701
Plant, machinery and motor vehicles	29,050	44,443
Staff costs	3,425,412	3,258,680
(Reversal)/write-down of inventories to net realisable value	(38,287)	89,096
Impairment on trade receivables and other receivables*	385,376	211,964
(Reversal)/addition of impairment of loans receivable*	(5,945)	46,840
Impairment of lease receivables*	22,451	4,697
(Reversal)/addition of impairment of discounted bills receivable*	2,126	(6,574)

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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	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Product warranty provision:		
Additional provision	87,054	302,237
Onerous contract provision:		
Additional provision	260,202	426,295

* 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 were subject to the statutory corporate income tax rate of 25% for the six months ended 30 June 2014 under the income tax rules and regulations of the PRC, except that:

Fifteen subsidiaries directly held by the Company were subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises", approved by certain government bureaus, under the Corporate Income Tax Law for the three successive years from 2011. The subsidiaries includes Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., Shanghai Boiler Works, Ltd., Shanghai Electric Wind Power Equipment Co., Ltd., Shanghai Heavy Machine Tool Works Co., Ltd., Shanghai Electric Nuclear Power Equipment Co., Ltd., Shanghai Heavy Machinery Plant Co., Ltd., Shanghai No.1 Machine Tool Works Co., Ltd., Shanghai Machine Tool Works Ltd., Shanghai Centrifuge Institute Co., Ltd., Shanghai Electric Automation R&D Institute Ltd Inc., Shanghai Capital Numerical Control Co., Ltd., Shanghai Marine Crankshaft Co., Ltd., Shanghai Institute of Mechanical & Electric Engieering Co., Ltd., Shanghai Institute of Machine Building Technology Co., Ltd. and Shanghai Electric SPX Engineering Techonology Co., Ltd.. Shanghai Electric Nuclear Power Equipment Co., Ltd., Shanghai Marine Crankshaft Co., Ltd. and Shanghai Electric SPX Engineering Techonology Co., Ltd.are subject to tax rate of 15% in 2014. Other entities are no longer valid for High-New Technology Enterprises after 31 December 2013.During the six months period ended 30 June 2014, these subsidiaries have submit the application for the High-New Technology Enterprises. The management of the Company is of the view that these subsidaires will be subject to a corporate income tax rate of 15% as they will be assessed as "High-New Technology Enterprises", approved by certain government bureaus, under the Corporate Income Tax Law for the three successive years since 2014. Therefore, these subsidaireis calculated taxes on profit at the rates of 15% for the period ended 30 June 2014.

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 2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Group:		
Current – Mainland China		
Charge for the period	764,058	668,383
Over/Underprovision in prior years	(16,590)	2,315
Current – Elsewhere		
Charge for the period	2,338	1,528
Underprovision in prior years	73	-
Deferred income tax	(169,841)	(64,874)
Total tax charge for the period	580,038	607,352

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 RMB1,296,529,000 (the six months ended 30 June 2013: RMB1,410,077,000) 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 2013: 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Undue	18,197,343	17,411,100
Within 3 months	3,319,067	2,210,641
Over 3 months but within 6 months	2,123,213	2,012,003
Over 6 months but within 1 year	1,744,581	1,844,327
Over 1 year but within 2 years	1,270,791	1,380,238
Over 2 years but within 3 years	451,713	386,405
Over 3 years	22,541	23,666
	27,129,249	25,268,380

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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 3 months	15,733,667	14,915,112
Over 3 months but within 6 months	3,956,109	3,187,148
Over 6 months but within 1 year	3,824,645	3,067,758
Over 1 year but within 2 years	2,054,835	1,944,389
Over 2 years but within 3 years	2,156,745	1,503,348
Over 3 years	443,922	481,219
	28,169,923	25,098,974

REVIEW OF OPERATIONS

During the first half of 2014, the global economic growth momentum was sluggish and the outlook remained uncertain. The domestic economy in China, as a whole, was stable. Demand in the power market was still in a downward trend. Adhering to the development theme of innovation and development, Shanghai Electric pushes ahead development with a direction towards high-end technology, asset-light business structure, group level centralized management and controls, simplified operation structure, together with a pragmatic and result-oriented work approach. The Group stayed close to the principle of "transform amid difficulties and develop in transformation". During the reporting period, the Company achieved a turnover of RMB35,883 million, representing a decrease of 6.43% over the corresponding period last year. The net profit attributable to the shareholders of the parent amounted to RMB1,297 million, representing a decrease of 8.05% over the corresponding period last year.

New Energy Equipment

During the reporting period, the domestic nuclear power market revived gradually. Most of the nuclear power projects under construction were resumed one after another. New nuclear power projects also started to proceed at a relatively slow pace. In line with the national strategy of "safe and high efficiency development of nuclear power", we proactively advanced the progress of nationalization of production of nuclear power equipment. We had become a well-equipped and technologically advanced manufacturing group providing nuclear power equipment of various types of reactors and complete sets of equipment in China, with top-notch integrated capabilities in the domestic nuclear power equipment manufacturing area. The nuclear power equipment orders we secured involve many domestic nuclear power projects under construction, while export orders are on the rise. During the reporting period, the domestic wind power market continued to pick up with the momentum emerged in the second half of last year. We grasped this opportunity and received RMB4.6 billion worth of wind power equipment orders, representing a year-on-year growth of 142%.

High Efficiency and Clean Energy Equipment

The Group continued to develop its thermal power equipment business. The fact that China continues to have its coal-fired power as its mainstream energy consumption structure indicates that thermal power equipment is still the pillar product category in the power generation equipment manufacturing industry in the future. We consider that large capacity, high performance parameters, energy-saving and environment friendly thermal power equipment products will be the direction of the upgrade for future products. During the reporting period, the Group officially commenced the design and manufacturing of 1,200MW-class thermal power generation unit which is currently the largest capacity of this kind in the world. This has continued to reinforce Shanghai Electric's leading position in the 1000MW-class ultra-supercritical thermal power equipment market. In the gas turbine area, the Group successfully entered into an equity purchase agreement with Fondo Strategico Italiano S.p.A. to acquire a 40% equity interest in Italy's Ansaldo Energia S.p.A. ('Ansaldo'), and to tap the heavy gas turbine market with Ansaldo, a move that can help us accelerate internationalization of our gas turbine business. During the reporting period, our power transmission and distribution equipment business followed the prevailing trend in the industry chain to rationalize and integrate power transmission and distribution equipment products. Meanwhile, we consolidated our foothold in the domestic power transmission and distribution equipment market in Shanghai while proactively extended our presence in markets outside Shanghai. By focusing on key projects, we further kept track of the end-user market and enhanced our market share.

REVIEW OF OPERATIONS (continued)

Industrial Equipment

At the beginning of 2014, sales in the property market in China was subdued due to the persisting credit tightening policy. As China continues to implement its urbanization policy, we expect the demand from the domestic elevator market will maintain a modest yet steady pace of growth in 2014. During the reporting period, adhering to the marketing strategies of "cover market in full, highlight market focuses, deepen business development, extend beyond market limits", Shanghai Mitsubishi Elevator captured business opportunities arising from construction of public facilities (in particular, the large-scale metro construction development) while we secured our foothold in the low-end social security housing market by launching elevator products that accommodate customized needs of different users. Meanwhile, we also focused on developing high-end and high-speed elevator products. During the reporting period, Shanghai Mitsubishi Elevator successfully received large orders including CITIC Pacific, Suzhou Center, and Chongqing Wanhui Center, which helped it strengthen its leading industry position. During the reporting period, a new joint venture engaging in electric motors high-voltage frequency conversion field jointly established by the Group and Fuji Electric of Japan, officially commenced operation, realizing a parallel pursuit of development of corporate establishment and market development. The Group will proactively explore the domestic high voltage frequency conversion market in the future and proactively seek orders.

Modern Services

The Group continued to achieve steady development in the power plant engineering business. During the reporting period, there were further progresses in some power plant projects within China and in some overseas countries including India, Iraq, Vietnam, Xinjiang and Beijing. For our power plant service business, we capitalized on growing awareness of the need for energy saving and environment protection in the society and proactively explored markets for unit enhancement and various services for power plants, and achieved further development in the domestic and overseas markets. In the domestic market, we received a ventilation enhancement project order for new model heat regenerative system of Jia Hua Phase III 1000MW ultra-supercritical thermal power generation unit. In the overseas market, we entered into a long term service agreement with a subsidiary of PT Perusahaan Listrik Negara, the National Electric Power Company of Indonesia, under which we provide power plant equipment spare parts and components as well as other services for its 43 power plants in total. The business model of our power plant services has shifted to provision of solutions, which combined energy saving, environmental redevelopment and installation together, and realized a model with general integration and general contracting of the enhancement services. During the reporting period, under the business model of ‘integrating business and finance, boosting business development by financial services’ for our financial services business, we continued to enhance the constructive interaction between the Group’s financial services and manufacturing business. Our financial leasing business had boosted the sales of the Group’s products by almost RMB5 billion. By capitalizing on the opportunity of the development of the China (Shanghai) Pilot Free Trade Zone (the “FTZ”), we set up a financial leasing subsidiary in the FTZ, establishing an important platform for enhancing the service capability of overseas businesses, innovation business models and financial leasing products.

MANGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group achieved a turnover of RMB35,883 million, representing a decline of 6.43% compared with that of the same period of last year. The net profit attributable to equity holders of the parent amounted to RMB1,297 million, representing a decline of 8.05% compared with that of the same period of last year.

New Energy Equipment

During the reporting period, the New Energy Equipment Segment achieved a turnover of RMB3,092 million, representing a surge of 46.2% compared with that of the same period of last year. Segment gross profit margin was 12.6% while operating profit margin improved by 3.3 percentage points year on year to 0.7%. The substantial increases in turnover and profitability in this segment were mainly due to the overall recovery of wind turbine industry during the period and the steady price increases of wind turbine products. Meanwhile, the nuclear island equipment business further strengthened its cost control, resulting in an enhancement in profitability.

High Efficiency and Clean Energy Equipment

During the reporting period, the High Efficiency and Clean Energy Equipment segment achieved a turnover of RMB12,275 million, representing a decline of 23.4% compared with that of the same period last year. The segment gross profit margin and operating profit margin decreased by different magnitudes as a result of lower prices prompted by dwindling demand for power plant equipment due to the weaker macroeconomic environment, which in turn led to lower product sales and profit.

Industrial Equipment

During the reporting period, the Industrial Equipment Segment achieved a turnover of RMB12,529 million, representing an increase of 4.0% compared with that of the same period last year. Segment gross profit margin was 21.1%, 1.4 percentage points higher than that of the same period last year, and operating profit margin was 8.4%, 1.8 percentage points higher than that of the same period last year. The movements were mainly attributable to the significant growth in turnover and operating profit of the elevator business during the reporting period.

Modern Services

During the reporting period, the Modern Services Segment achieved a turnover of RMB 9,122 million, representing a decline of 6.6% compared with that of the same period last year. Segment gross profit margin was 18.0%, representing a marked improvement from the same period last year, while the operating profit margin was 14.4%, 4.6 percentage points higher than that of the same period last year. Substantial growth in both operating profit and operating margin was mainly due to a higher gross margin of power plant engineering projects delivered during the reporting period.

Outlook

2014 is a year of breakthroughs for Shanghai Electric, which seeks transformational development. The Group will adopt a strategic development approach, adhere to scientific development perspectives and pursue an innovation-driven transformation to enhance our core competitiveness so as to maintain a healthy and sustainable growth trend for the Group.

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 2014 to 30 June 2014. No violation of the Model Code by relevant employees has been found by the Company.

CORPORATE GOVERNANCE

For the first half of 2014, 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 a 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 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 2014, the duties of the Chairman of the Board and the Chief Executive Officer have been carried out by Mr. Xu Jianguo (resigned on 22 May 2014) and Mr. Huang Dinan (appointed on 22 May 2014). However, Mr. Zheng Jianhua, an Executive Director and the President, has been responsible for all 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 authority.

STRATEGY COMMITTEE

The Strategic Committee is currently composesd of Mr. Huang Dinan (appointed on 22 May 2014), Mr. Xu Jianguo (resigned on 22 May 2014), Mr. Wang Qiang (appointed on 30 June 2014), Mr. Zheng Jianhua, Mr. Zhu Sendi and Dr. Lui Sun Wing. During the reporting period, the Strategic Committee has discussed and studied the Company's future development plans with management.

NOMINATION COMMITTEE

The Nomination Committee currently comprises Mr. Zhu Sendi, Mr. Huang Dinan (resigned on 30 June 2014), Mr. Wang Qiang (appointed on 30 June 2014), Mr. Kan Shun Ming (appointed on 26 February 2014) and Dr. Cheung Wai Bun (resigned on 26 February 2014). The primary functions of our Nomination Committee include studying the criteria, procedures and methods for selecting candidates for directors and making recommendations to the Board.

To realize a sustainable and balanced development, the Company adopted the written policy of board member diversification. A diversified board enables the Company to reach its strategic goals and promote a sustainable development. When deciding the board member composition, the Company takes several elements into the consideration, including but not limited to gender, age, culture and educational background, region, expertises, skills, knowledge and terms of service. The Nomination Committee sticks to the principle of meritocracy in the nomination of the directors and fully considers the above mentioned goals and requirements.

AUDIT COMMITTEE

The Audit Committee, currently comprises Mr. Kan Shun Ming (appointed on 26 February 2014), Dr. Cheung Wai Bun (resigned on 26 February 2014), Mr. Zhu Sendi, Dr. Lui Sun Wing and Ms. Yao Minfang. The Audit Committee has reviewed the accounting policies adopted by the Group with the management and the Company's external auditors, and conducted a review of the credit limits for connected transactions of the Company. They also discussed internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim condensed consolidated financial statements for the period under review.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprises Dr. Lui Sun Wing, Mr. Huang Dinan (resigned on 30 June 2014), Mr. Wang Qiang (appointed on 30 June 2014) 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 operation 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 2014 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. Huang Dinan, Mr. Zheng Jianhua and Mr. Yu Yingui; the non-executive directors of the Company are Mr. Wang Qiang, Mr. Zhu Kelin and Ms. Yao Minfang; and the independent non-executive directors of the Company are Dr. Lui Sun Wing, Mr. Kan Shun Ming and Dr. Chu Junhao.

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
Huang Dinan
Chairman

Shanghai, the PRC
15 August 2014

 # For identification purpose only