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)

2015 INTERIM RESULTS

Financial Highlights

- **Revenue for the first half of 2015 reached RMB36,221 million, representing an increase of 0.94% over the corresponding period last year**
- **Profit attributable to owners of the Company for the first half of 2015 was RMB1,319 million, representing an increase of 1.70% over the corresponding period last year**
- **Basic earnings per share were RMB10.28 cents, representing an increase of 1.68% over the corresponding period last year**
- **The Board of Directors did not recommend the payment of an interim dividend in respect of the reporting 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 2015. 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

	Notes	Unaudited For the six months ended 30 June 2015 RMB'000	2014 RMB'000
Revenue	3	36,220,598	35,882,648
Cost of sales		(29,650,733)	(28,929,079)
Gross profit		6,569,865	6,953,569
Other income and gains, net	3	1,110,237	591,829
Distribution expenses		(1,000,290)	(1,216,953)
Administrative expenses		(3,823,280)	(3,623,580)
Finance costs		(211,663)	(136,594)
Share of profits and losses accounted for using the equity method :			
Joint ventures		(23,596)	135
Associates		281,832	274,573
Profit before income tax	4	2,903,105	2,842,979
Income tax expense	5	(515,918)	(580,038)
Profit for the period		2,387,187	2,262,941
Profit attributable to:			
Owners of the Company		1,318,596	1,296,529
Non-controlling interests		1,068,591	966,412
		2,387,187	2,262,941
		Cents per share	**Cents per share**
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic earnings per share		10.28 cents	10.11 cents
Diluted earnings per share		10.28 cents	10.11 cents

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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June 2015 RMB'000	2014 RMB'000
Profit for the period	2,387,187	2,262,941
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets, net of tax	678,399	104,279
Cash flow hedges, net of tax	4,690	(62,971)
Currency translation differences	(14,088)	806
Others	(310)	-
	668,691	42,114
Items that will not be reclassified subsequently to profit or loss		
Remeasurements losses of defined benefit obligations	(7,182)	(7,657)
Other comprehensive income for the period, net of tax	661,509	34,457
Total comprehensive income for the period	3,048,696	2,297,398
Attributable to:		
Owners of the Company	1,891,732	1,310,807
Non-controlling interests	1,156,964	986,591
	3,048,696	2,297,398

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		13,603,688	14,066,470
Investment properties		133,826	137,643
Prepaid land lease payments		1,642,377	1,684,582
Goodwill		148,073	148,073
Intangible assets		896,139	915,289
Investments in joint ventures		2,791,130	3,040,806
Investments in associates		4,150,765	3,791,884
Other investments		1,700,373	1,284,617
Deferred tax assets		2,739,677	2,683,479
Loans and lease receivables		4,274,736	4,068,514
Other non-current assets		492,422	497,127
Total non-current assets		**32,573,206**	**32,318,484**
Current assets			
Inventories		24,409,370	24,073,027
Construction contracts		2,682,860	2,111,976
Trade receivables	8	28,399,478	26,055,777
Loans and lease receivables		4,974,760	6,859,079
Discounted bills receivable		319,514	185,741
Bills receivable		6,107,444	6,390,123
Prepayments, deposits and other receivables		12,108,727	10,164,719
Investments		13,366,775	4,780,396
Derivative financial instruments		632,917	624,797
Due from the Central Bank*		2,739,284	4,244,973
Restricted deposits		714,729	628,005
Cash and cash equivalents		27,677,256	25,113,467
Total current assets		**124,133,114**	**111,232,080**
Total assets		**156,706,320**	**143,550,564**

*Central Bank is the abbreviation of the People’s Bank of China.

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SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds		10,949,067	1,993,201
Interest-bearing bank and other borrowings		804,550	853,644
Provisions		94,094	77,339
Government grants		460,935	424,834
Other non-current liabilities		959,754	1,086,963
Deferred tax liabilities		270,673	391,343
Total non-current liabilities		**13,539,073**	**4,827,324**
Current liabilities			
Trade payables	9	28,466,117	26,937,592
Bills payable		4,131,307	4,898,054
Other payables and accruals		51,835,665	47,273,941
Derivative financial instruments		2,017	3,819
Customer deposits		4,035,603	4,271,030
Interest-bearing bank and other borrowings		2,087,855	5,008,663
Tax payable		953,447	1,439,514
Provisions		4,032,713	3,465,559
Total current liabilities		**95,544,724**	**93,298,172**
Total liabilities		**109,083,797**	**98,125,496**
Equity			
Equity attributable to owners of the Company			
Ordinary shares		12,823,627	12,823,627
Reserves		24,048,568	20,659,633
Retained earnings			
-Proposed final dividends		-	753,132
		36,872,195	**34,236,392**
Non-controlling interests		**10,750,328**	**11,188,676**
Total equity		**47,622,523**	**45,425,068**
Total equity and liabilities		**156,706,320**	**143,550,564**
Net current assets		**28,558,390**	**17,933,908**
Total assets less current liabilities		**61,161,596**	**50,252,392**

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014 (the “Annual Financial Statements”), which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Accounting policy

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended 31 December 2014.

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

New amendment and improvements of HKFRSs adopted by the Group in 2015

• Amendment to HKAS 19 “Defined Benefit Plans: Employee Contributions”

• Annual improvements 2012, affecting the following 4 standards: HKFRS 8 “Operating Segments”, HKAS 16 “Property, Plant and Equipment”, HKAS 24 “Related Party Disclosures” and HKAS 38 “Intangible Assets”

• Annual improvements 2013, affect the following 3 standards: HKFRS 3 “Business Combinations’’, HKFRS 13 “Fair Value Measurement” and HKAS 40 “Investment Property’’

The adoption of the above new amendment and improvements starting from 1 January 2015 did not give rise to any significant impact on the Group’s results of operations and financial position for the six months ended 30 June 2015.

The Group has not early adopted any new accounting and financial reporting standards, amendments and improvements to existing standards which have been issued but are not yet effective for the financial year beginning on or after 1 January 2016.

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.

The details of operating segments are as follows:

(1) 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;

(2) the high efficiency and clean energy equipment segment is engaged in the design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products;

(3) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, printing and packaging equipment, machine tools, marine crankshafts, electric motors and other electromechanical equipment products;

(4) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial products and services, international trading services and other functional services;

(5) the “others” segment includes components such as the central research institute.

2. SEGMENT INFORMATION (continued)

Business segments

The revenue and profit or loss of each business segment of the Group for the period and as at 30 June 2015 are presented below:

	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
At 30 June 2015 (Unaudited)							
Segment revenue							
Sales to external customers	2,974,074	12,304,075	11,709,056	8,399,720	833,673	-	36,220,598
Intersegment sales	50,747	239,532	449,035	261,744	491,160	(1,492,218)	-
Total	3,024,821	12,543,607	12,158,091	8,661,464	1,324,833	(1,492,218)	36,220,598
Operating profit/(loss)	(50,199)	185,625	987,387	1,729,781	44,103	(40,165)	2,856,532
Financial expenses							(211,663)
Share of profits and losses of:							
Joint ventures							(23,596)
Associates							281,832
Profit before tax							2,903,105
Income tax expense							(515,918)
Profit for the period							2,387,187
Assets and Liabilities							
Total assets	22,767,380	46,962,202	35,392,298	65,376,631	23,849,596	(37,641,787)	156,706,320
Total liabilities	13,860,481	32,870,669	25,189,816	55,980,384	14,006,754	(32,824,307)	109,083,797

2. SEGMENT INFORMATION (continued)

Business segments (continued)

The revenue and profit or loss of each business segment of the Group for the period and as at 30 June 2014 are presented below:

	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
At 30 June 2014 (Unaudited)							
Segment revenue							
Revenue from 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
Financial expenses							(136,594)
Share of profits and losses of:							
Joint ventures							135
Associates							274,573
Profit before tax							2,842,979
Income tax expense							(580,038)
Profit for the period							2,262,941
Assets and Liabilities							
Total assets	20,908,663	46,993,747	34,083,574	49,446,461	16,639,255	(33,586,778)	134,484,922
Total liabilities	11,750,672	33,192,370	24,760,373	41,712,495	7,829,233	(27,717,668)	91,527,475

2. SEGMENT INFORMATION (continued)

Geographical segment

Information on revenue of geographical segments of the Group for the six months ended 30 June 2015 and the six months ended 30 June 2014 is listed below:

	Unaudited					
	For the six months ended 30 June 2015			For the six months ended 30 June 2014		
	Mainland China RMB'000	Other countries/ jurisdictions RMB'000	Total RMB'000	Mainland China RMB'000	Other countries/ jurisdictions RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	32,209,030	4,011,568	36,220,598	28,908,397	6,974,251	35,882,648

3. REVENUE, OTHER INCOME AND GAINS, NET

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.

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

	Unaudited For the six months ended 30 June 2015 RMB'000	2014 RMB'000
Revenues		
Revenues from main operations	35,086,969	34,836,884
Revenues from other operations	1,133,629	1,045,764
	36,220,598	35,882,648
Revenues from other operations		
Sales of raw materials, spare parts and semi-finished goods	259,533	333,001
Finance lease income	169,446	175,141
Rental income under operating leases	46,217	44,967
Finance Company*:		
Interest income from banks and other financial institutions	263,616	181,524
Interest income on loans receivable and discounted bills receivable	199,509	135,516
Others	195,308	175,615
	1,133,629	1,045,764

*Finance Company is the abbreviation of Shanghai Electric Group Finance Co., Ltd..

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3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

	Unaudited	
	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Other income		
Interest income on bank balances and time deposits	131,916	98,441
Interest income on debt investment	10,306	9,430
Dividend income from equity investments and investment funds	72,918	37,672
Subsidy income	220,237	149,806
	435,377	295,349
Other gains, net		
Gain on disposal of property, plant and equipment	3,906	97,626
Gain on disposal of a subsidiary	76,997	-
Investments at fair value through profit or loss:		
Unrealised fair value losses, net	(12,812)	(2,317)
Realised fair value gains, net	78,420	1,698
Derivative financial instruments - transactions not qualifying as hedges:		
Unrealised fair value gains/(losses), net	1,636	(208)
Realised gains on available-for-sale investments (transfer from equity)	481,018	121,222
Debt restructure gain, net	1,300	698
Exchange (loss)/gain, net	(1,760)	44,695
Others	46,155	33,066
	674,860	296,480
	1,110,237	591,829

4. PROFIT BEFORE TAX

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

	Unaudited For the six months ended 30 June 2015 RMB'000	Unaudited For the six months ended 30 June 2014 RMB'000
Cost of inventories sold	23,194,336	21,783,498
Cost of construction contracts	3,697,307	4,882,948
Cost of services provided	2,195,625	1,905,115
Finance Company:		
Interest expense due to banks and other financial institutions	28,666	7,521
Interest expense on customer deposits	14,750	8,147
	43,416	15,668
Depreciation of property, plant and equipment	667,794	659,177
Depreciation of investment properties	3,817	2,853
Recognition of prepaid land lease payments	27,015	21,630
Amortisation of patents and licences	16,349	20,656
Amortisation of concession intangible assets	8,692	8,643
Amortisation of other intangible assets	4,421	14,508
Amortisation of other non-current assets	42,142	44,015
Research and development costs:		
Amortisation of technology know-how	21,385	11,754
Current period expenditure	989,240	956,890
	1,010,625	968,644
Minimum lease payments under operating leases:		
Land and buildings	97,902	80,369
Plant, machinery and motor vehicles	21,072	29,050
Staff costs	2,810,628	2,838,888
Impairment / (write-down) of inventories to net realisable value	86,983	(38,287)
Impairment of trade receivable and other receivables	398,090	385,376
Impairment of loans receivable	-	(5,945)
Impairment of lease receivables	23,942	22,451
Impairment of discounted notes receivable	-	2,126
Product warranty provision:		
Additional provision	272,246	87,054
Onerous contract provision:		
Additional provision	747,759	260,202

5. INCOME TAX

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 2015 under the income tax rules and regulations of the PRC, except that:

Twelve subsidiaries of 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. These 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 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 Institute of Mechanical & Electric Engineering Co., Ltd. and Shanghai Institute of Machine Building Technology Co., Ltd.. As of 30 June 2015, Shanghai Electric Nuclear Power Equipment Co., Ltd. ("Nuclear Power") and Shanghai Electric SPX Engineering Technology Co., Ltd. ("SPX Engineering"), subsidiaries of the Company, have submitted the application for the High-New Technology Enterprises. The board of the Company is of the view that Nuclear Power and SPX Engineering are virtually certain to be subject to a corporate income tax rate of 15% in the year of 2015 as they will be assessed as "High-New Technology Enterprises", to be approved by certain government bureaus. Therefore, all the above mentioned subsidiaries calculated taxes on profit at the rates of 15% for the six months ended 30 June 2015.

Taxes 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.

	Unaudited For the six months ended 30 June 2015 RMB'000	 2014 RMB'000
The Group:		
Current - Mainland China		
Charge for the period	736,622	764,058
Overprovision in prior years	(27,109)	(16,590)
Current - Elsewhere		
Charge for the period	(151)	2,338
Underprovision in prior years	151	73
Deferred	(193,595)	(169,841)
Total tax charge for the period	515,918	580,038

6. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend in respect of the period.

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

Basic

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent company amounting to RMB 1,318,596,000 (for the six months ended 30 June 2014: RMB1,296,529,000), and the weighted average number of ordinary shares of 12,823,626,660 (for the six months ended 30 June 2014: 12,823,626,660) in issue during the period.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has potential ordinary shares arisen from a total of RMB 6 billion A share convertible corporate bonds (the “Electric Convertible Bonds”) issued by the Company on 2 February 2015 and outstanding as of 30 June 2015. The Electric Convertible Bond is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate interest expense less the tax effect. The result is anti-dilutive and therefore there is no dilutive ordinary share for the calculation of diluted earnings per share for the six month ended 30 June 2015.

8. TRADE RECEIVABLES

The aging of trade receivables net of provision for bad debts calculated based on maturity date is analysed below:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Undue	18,266,149	17,730,784
Within 3 months	3,499,162	3,443,210
Over 3 months but within 6 months	2,446,435	1,318,811
Over 6 months but within 1 year	2,075,222	1,662,242
Over 1 year but within 2 years	1,491,557	1,297,115
Over 2 years but within 3 years	457,919	515,059
Over 3 years past due	163,034	88,556
	28,399,478	26,055,777

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

For the sale of other products, the Group’s trading terms with its 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 aging analysis of the trade payables based on the invoice date is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	17,584,032	17,057,835
Over 3 months but within 6 months	4,555,131	3,557,033
Over 6 months but within 1 year	2,946,415	2,755,782
Over 1 year but within 2 years	1,528,690	2,196,139
Over 2 years but within 3 years	965,752	901,156
Over 3 years	886,097	469,647
	28,466,117	26,937,592

REVIEW OF OPERATIONS

During the first half of 2015, adhering to the general theme of "taking innovation and development as the theme and adhering to the 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, to enhance asset quality, stay healthy and improve competitiveness and profitability", Shanghai Electric made orderly progress in various work and kept healthy and stable development trend with the continuous slowdown in the domestic economic growth. During the reporting period, the Group achieved a turnover of RMB36,221 million, representing an increase of 0.94% over the corresponding period last year. The net profit attributable to the shareholders of the parent company amounted to RMB1,319 million, representing an increase of 1.70% over the corresponding period last year.

New Energy Equipment
During the reporting period, the domestic nuclear power market resumed gradually. Most of the nuclear power projects under construction were resumed one after another. Newly-commissioned nuclear power projects also started to proceed at a relatively slow pace. Adopting a customer-value oriented approach, we established a comprehensive market, technology, manufacturing, quality and service system for our nuclear power equipment business. As at the end of the reporting period, the Company secured outstanding nuclear power nuclear island equipment orders with an aggregate value at approximately RMB14.7 billion. These nuclear power project orders cover all current types of nuclear power plants and principal equipment in China. During the reporting period, AREVA NP SAS subcontracted to us the manufacturing of six nuclear power steam generators on a processing of customer's materials basis. The project marks the Company's first move in the international market for nuclear island-related principal equipment manufacturing. At the same time, we proactively developed a cooperative platform for research and development seeking to nurture our innovative capacities in the areas of integration of design, equipment and services, and to gradually shift from a pure manufacturer and seller of nuclear power equipment to a business development model of "equipment integration plus technology services".

During the reporting period, the wind power market in China as a whole was in a good condition. The user requirements for wind power equipment began to shift gradually from "low price" to "high quality", highlighting on the overall return within the operating cycle of wind power products. We strived to provide users with comprehensive services that cover the full operating cycles, and to enlarge our share in the wind power market with reliable products and quality services. During the reporting period, we proactively enhanced our capabilities in research and development of wind power technologies and construction services, explored the business model of the investment and operation and construction contracting of wind farms, and conducted follow-up development of advanced technologies for ocean current power generation units and wind-power heating. During the reporting period, we received wind power equipment orders that value RMB5.95 billion in aggregate, keeping the positive growth trend.

High Efficiency and Clean Energy Equipment
During the reporting period, under the macroscopic backdrop of prolonged downturn in domestic thermal power market, we took proactive actions and were gradually transforming from the passive product development model to an active innovation model with product research and development leading the market demand. At the same time, leveraging on the national strategy of "One Belt, One Road", we achieved a breakthrough in the overseas markets and will invest in the construction of two 660MW power plants at the mine mouth of Thar Coalfield Block I in Pakistan. This power plant project will install the 660MW high parameter and supercritical power generation units we made, and will establish a firm footing for our further expansion in overseas supercritical coal-fired power equipment market. In the gas turbine area, taking the advantage of our acquisition of 40% equity interest in Ansaldo Energia S.p.A. ("Ansaldo") in Italy, and through the concerted efforts with Ansaldo in the heavy gas turbine market, we enhanced the ability of the Company in absorbing and mastering gas turbine design skills and core technologies of providing such services, as well as accelerating the accomplishment of proprietary development of the Company's gas turbine business, thereby improved the Company's competitive strength in the global energy equipment sector.

REVIEW OF OPERATIONS (continued)

During the reporting period, we continued to push on the development of high voltage technology, power electronics technology, smart grid building and modern services for the power transmission and distribution equipment businesses. We appropriated much effort in developing the power transmission and distribution equipment market, improving the sales network, strengthening market segmentation management and monitoring breakthrough in key projects and areas. We also enhanced the end-user market tracking, expanded our product range and enlarged our market share in the power transmission and distribution equipment business.

Industrial Equipment
During the reporting period, on one hand, the property market was under the continuing impact of structural adjustments in the domestic economy, showing slower development pace; on the other hand, factors, including the progress of new urbanization, continuous investment in public transportation and infrastructure, energy conservation and upgrading as well as replacement and retrofit of old elevators, were conducive to sustainable development of the elevator industry. Accommodating conditions in the market, Shanghai Mitsubishi Elevator attached more importance to maintaining and developing relationships with major strategic customers. While maintaining close cooperation with core strategic partners including Wanda（萬達）, Evergrande（恒大）, China Overseas (中海), Greenland（綠地）, Country Garden（碧桂園）, COSCO（遠洋）, Longfor（龍湖）, Forte（復地）and Luneng（魯能）, etc., we introduced new cooperation relationships with Vanke（萬科）and CITIC（中信）, while staying vigilant to the core and large projects in second and third tier cities. We received orders for significant projects including Beijing Samsung Mansion（北京三星大廈）, Qingdao International Shipping Center（青島航運中心）, Shenzhen Construction Bank Tower（深圳建行大廈）, Wuhan Tianhe Airport Terminal 3（武漢天河機場T3航站樓）, Xiamen Metro Line 1（廈門地鐵1號線）, Chengdu Metro Line 7（成都地鐵7號線）and Chongqing West Railway Station（重慶西客站）, etc. During the reporting period, Shanghai Mitsubishi Elevator continued to explore industrialized development of its service business. While accelerating the establishment of outlets taking maintenance and repair orders, Shanghai Mitsubishi Elevator improved the success rate and efficiency in taking maintenance orders by applying information technology infrastructure establishment supplemented by various formats in delivering the maintenance works, while continuing to expand into maintenance and repairs of existing elevators, and replacement and retrofit of obsolete elevators. During the first half of 2015, Shanghai Mitsubishi Elevator generated revenue of almost RMB2 billion from service businesses including installation and maintenance of elevators, contributing to over 23% of the overall operating revenue of the elevator business. It is expected that the revenue from the service business of Shanghai Mitsubishi Elevator will maintain steady growth.

During the reporting period, adhering to the strategy of the overall exit from the printing and packaging equipment business, we actively accelerated reforms and adjustments of the overall printing and packaging equipment business. SMEI, a subsidiary of the Company, proposed a debt-to-equity swap for the outstanding indebtedness of Goss International Corporation, together with Shanghai Electric (Group) Corporation. A disposal of SMEI's entire shareholding in Goss International Corporation has also been proposed. Upon completion of the strategic adjustment in the printing and packaging equipment business, the negative impact of the printing and packaging equipment business on the Company will cease to exist.

Modern Services
During the reporting period, we continued to achieve steady development in the power plant engineering business. Building on the national strategy of "One Belt, One Road", we target at more than 50 countries and regions in relation to the "One Belt, One Road" as the principal markets of the engineering business, and plan to establish overseas sales network presences in Malaysia, Turkey, Poland, Pakistan and Columbia, to actively accelerate the establishment of network sales outlets and achieve multi-region sales capability. Our power plant engineering business ceased to focus solely on thermal power business. We are exploring the markets of new energy and distributed energy. Meanwhile, we strived to move forward the

REVIEW OF OPERATIONS (continued)

integration between business and finance and further strengthened project investments and project financing. During the reporting period, our service business made remarkable progress in the market of circulation re-engineering for energy conservation, as well as gas turbine, environmental protection, nuclear power and overseas service markets. Under the current environment that emphasizes energy saving and environment protection for the society, the service business proactively explored markets for equipment reengineering and servicing of power generation units; explored new business models, shifting from selling products and spare parts and components to provision of solutions, which combined energy saving, environmental redevelopment and installation together and realized the general integration and general contracting of enhancement services; and opened a remote monitoring and remote service platform.

MANGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group achieved a turnover of RMB36,221 million, representing an increase of 0.94% compared with that of the same period of last year. The net profit attributable to owners of the Company amounted to RMB1,319 million, representing an increase of 1.70% 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 RMB3,025 million, representing a decline of 2.17% compared with that of the same period last year. Segment gross profit margin was 11.5%, 1.1 percentage points lower than that of the same period last year, and segment operating profit margin declined 2.4 percentage points from the same period last year to -1.7%. The profitability in this segment was impaired mainly due to the increase in expenses in relation to after-sale services for wind power equipment business during the reporting period.

High Efficiency and Clean Energy Equipment

During the reporting period, the high efficiency and clean energy equipment segment achieved a turnover of RMB12,544 million, representing a decline of 2.19% compared with that of the same period last year. The segment gross profit margin and operating profit margin decreased by different magnitudes year on year, mainly because of the intensifying competition in coal-fired power equipment market which has been adversely affected by the weaker macroeconomic environment during the reporting period. As a result, prices for products sold during the period were lower and profit declined.

Industrial Equipment

During the reporting period, the industrial equipment segment achieved a turnover of RMB12,158 million, representing a decline of 2.96% compared with that of the same period last year. Segment gross profit margin was 21.0%, basically level to that of the same period last year, and segment operating profit margin was 8.1%, 0.3 percentage points lower than that of the same period last year. The movements were mainly attributed to lower sales from printing and packaging machinery during the reporting period, resulting in decline in profits of the segment as a whole.

Modern Services

During the reporting period, the modern services segment achieved a turnover of RMB8,661 million, representing a decline of 5.05% compared with that of the same period last year. Segment gross profit margin was 18.4%, representing a slight improvement from the same period last year, while the operating profit margin was 20.0%, 5.6 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 return on financial investments by our finance company during the reporting period.

Outlook

For the second half of 2015, the Group will continue to adopt a strategic development approach, proactively adjust to the new norm of the economic development, assure the quality of assets and enhance our competitiveness so as to maintain a healthy and sustainable growth trend for the Group.

ISSUANCE OF A SHARE CORPORATE BONDS

With the approval from the China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No.84 (證監許可[2015]84號文)), in February 2015, the Company issued a total of 60,000,000 (6 million lots) A share convertible corporate bonds with a nominal value of RMB100 each (the "Electric Convertible Bonds"), amounting to RMB6 billion in aggregate. The bonds code of the Electric Convertible Bonds is 113008, and the term commenced on 2 February 2015 and will end on 1 February 2021. The Electric Convertible Bonds were listed on the Shanghai Stock Exchange as from 16 February 2015, and its conversion period commenced on 3 August 2015 and will end on 1 February 2021, with conversion price changing from the initial price at RMB10.72 per A Share to RMB10.66 per A Share since 2 July 2015.

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 2015 to 30 June 2015. No violation of the Model Code by relevant employees has been found by the Company.

CORPORATE GOVERNANCE

For the first half of 2015, 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 2015, the duties of the Chairman of the Board and the Chief Executive Officer have been carried out by Mr. Huang Dinan. 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 Strategy Committee is currently composesd of Mr. Huang Dinan, Mr. Wang Qiang, Mr. Zheng Jianhua, Dr. Lui Sun Wing and Dr. Chu Junhao. During the reporting period, the Strategy Committee has discussed and studied the Company's future development plans with management.

NOMINATION COMMITTEE

The Nomination Committee currently comprises Dr. Chu Junhao, Mr. Wang Qiang and Mr. Kan Shun Ming. 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, cultural 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, Dr. Lui Sun Wing, Dr. Chu Junhao 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. Wang Qiang and Dr. Chu Junhao, is mainly responsible for providing recommendations to the Board in respect of the remuneration policy for 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 the payment of an interim dividend in respect of the reporting 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://www.hkexnews.hk). The 2015 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.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED
30 JUNE 2015

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. Huang Ou; 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
28 August 2015

 # For identification purpose only