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)

2017 INTERIM RESULTS

Performance Highlights

- ► **Revenue for first half of 2017 was RMB 36,115 million, a decrease of 2.0% over the corresponding period of last year**
- ► **Profit attributable to owners of the Company for first half of 2017 reached RMB 1,364 million, an increase of 9.6% over the corresponding period of last year**
- ► **Basic earnings per share for first half of 2017 were RMB10.15 cents, an increase of 4.5% over the corresponding period of last year**
- ► **New orders for first half year 2017 amounted to RMB50.3 billion**
- ► **The Board 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 2017. The results have not been audited but have been reviewed by audit committee of the Company.

 # For identification purpose only

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue	3	36,114,606	36,866,602
Cost of sales		(29,252,610)	(30,175,828)
Gross profit		6,861,996	6,690,774
Other income and gains, net	3	456,904	895,245
Distribution expenses		(924,502)	(1,025,469)
Administrative expenses		(4,202,307)	(3,587,370)
Operating Profit		2,192,091	2,973,180
Finance costs		(234,774)	(261,553)
Share of profits and losses accounted for using the equity method :			
Joint ventures		(19,836)	(23,838)
Associates		600,535	305,698
Profit before income tax	4	2,538,016	2,993,487
Income tax expense	5	(252,924)	(571,107)
Profit for the period		2,285,092	2,422,380
Profit attributable to:			
Owners of the Company		1,363,882	1,245,006
Non-controlling interests		921,210	1,177,374
		2,285,092	2,422,380
		Cents per share	**Cents per share**
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic earnings per share		10.15 cents	9.71 cents
Diluted earnings per share		10.15 cents	9.71 cents

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended 30 June	
	2017	**2016**
	RMB'000	**RMB'000**
Profit for the period	2,285,092	2,422,380
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets, net of tax	63,780	(216,312)
Cash flow hedges, net of tax	21,533	1,907
Currency translation differences	(16,007)	(22,011)
Others	-	586
	69,306	(235,830)
Items that will not be reclassified subsequently to profit or loss		
Remeasurements losses of defined benefit obligations	-	-
Other comprehensive income for the period, net of tax	69,306	(235,830)
Total comprehensive income for the period	2,354,398	2,186,550
Attributable to:		
− Owners of the Company	1,422,197	1,027,942
− Non-controlling interests	932,201	1,158,608
	2,354,398	2,186,550

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		13,038,206	12,989,838
Investment properties		342,547	353,969
Prepaid land lease payments		4,202,655	4,218,830
Goodwill		1,149,005	1,136,011
Intangible assets		1,328,883	1,354,462
Investments in joint ventures		2,965,623	2,808,979
Investments in associates		6,935,021	6,270,879
Other investments		1,657,337	1,740,936
Deferred income tax assets		3,306,527	2,897,838
Loans and lease receivables		8,236,000	7,974,836
Other non-current assets		286,968	103,234
Total non-current assets		**43,448,772**	**41,849,812**
Current assets			
Inventories		21,557,127	20,252,110
Construction contracts		7,098,197	4,631,149
Trade receivables	8	31,060,547	27,138,909
Loans and lease receivables		10,596,855	10,103,686
Discounted bills receivable		242,784	189,052
Bills receivable		6,114,472	6,653,165
Prepayments, deposits and other receivables		13,244,642	10,895,376
Investments		11,614,020	9,795,118
Derivative financial instruments		692,004	707,358
Due from the Central Bank*		3,026,843	3,197,369
Restricted deposits		906,943	749,901
Cash and cash equivalents		30,221,778	39,470,906
Total current assets		**136,376,212**	**133,784,099**
Total assets		**179,824,984**	**175,633,911**

*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 STATEMENT OF FINANCIAL POSITION (CONT'D)

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds		9,919,994	11,148,377
Interest-bearing bank and other borrowings		998,422	995,994
Provisions		123,108	133,437
Government grants		717,671	711,999
Other non-current liabilities		1,890,538	1,623,355
Deferred income tax liabilities		368,969	312,927
Total non-current liabilities		**14,018,702**	**14,926,089**
Current liabilities			
Trade payables	9	35,424,982	30,699,455
Bills payable		5,435,486	5,913,034
Other payables and accruals		56,791,398	56,519,986
Derivative financial instruments		5,607	26,788
Customer deposits		3,139,403	2,921,509
Interest-bearing bank and other borrowings		2,590,841	2,410,723
Tax payable		377,656	855,791
Provisions		3,364,213	3,713,405
Total current liabilities		**107,129,586**	**103,060,691**
Total liabilities		**121,148,288**	**117,986,780**
Equity			
Equity attributable to owners of the Company			
Share capital		13,431,158	13,431,156
Reserves		33,085,849	31,661,598
Retained earnings			
-Proposed final dividends		-	-
		46,517,007	**45,092,754**
Non-controlling interests		**12,159,689**	**12,554,377**
Total equity		**58,676,696**	**57,647,131**
Total equity and liabilities		**179,824,984**	**175,633,911**
Net current assets		**29,246,626**	**30,723,408**
Total assets less current liabilities		**72,695,398**	**72,573,220**

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016 (the “Annual Financial Statements”), which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Accounting policy

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

HKFRS 9, ‘Financial instruments’ addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group is in the process of making an assessment on the impact of HKFRS 9.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is in the process of making an assessment on the impact of HKFRS 15.

HKFRS 16, ‘Leases’ will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The new standard is mandatory for financial years commencing on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 ‘Revenue from contracts with customers’ at the same time. The Group is in the process of making an assessment on the impact of HKFRS 16.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the 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.

The details of operating segments are as follows:

(a) the new energy and environmental protection 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, and in the provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power station environment protection and distributed energy systems;

(b) 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;

(c) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, electric motors, machine tools, 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 products and services, international trading services, financial lease and related consulting services and insurance brokerage services;

(e) the “others” segment includes business of units such as the central research institute.

2. SEGMENT INFORMATION (continued)

Business segments

The revenue and profit or loss as well as assets and liabilities of each business segment of the Group for the period ended and as of 30 June 2017 are presented below:

	New energy and environmental protection 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
For period ended 30 June 2017 (Unaudited)							
Segment revenue							
Sales to external customers	4,918,831	11,510,687	11,372,020	7,726,340	586,728	-	36,114,606
Intersegment sales	426,950	2,199,508	181,107	555,796	3,027	(3,366,388)	-
Total	5,345,781	13,710,195	11,553,127	8,282,136	589,755	(3,366,388)	36,114,606
Operating profit/(loss)	209,970	367,513	1,007,625	739,996	(235,326)	102,313	2,192,091
Financial expenses							(234,774)
Share of profits and losses of:							
Joint ventures							(19,836)
Associates							600,535
Profit before tax							2,538,016
Income tax expense							(252,924)
Profit for the period							2,285,092
As of 30 June 2017 (Unaudited)							
Assets and Liabilities							
Total assets	26,305,859	60,622,834	36,848,991	80,700,436	24,254,567	(48,907,703)	179,824,984
Total liabilities	17,194,092	43,844,471	24,282,005	68,210,564	12,919,940	(45,302,784)	121,148,288

2. SEGMENT INFORMATION (continued)

Business segments (continued)

The revenue and profit or loss as well as assets and liabilities of each business segment of the Group for the period ended and as of 30 June 2016 are presented below:

	New energy and environmental protection 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
For period ended 30 June 2016 (Unaudited)							
Segment revenue							
Sales to external customers	4,624,520	12,196,199	11,532,586	8,144,444	368,853	-	36,866,602
Intersegment sales	324,300	1,332,307	107,719	230,646	4,453	(1,999,425)	-
Total	4,948,820	13,528,506	11,640,305	8,375,090	373,306	(1,999,425)	36,866,602
Operating profit	84,790	434,312	1,221,882	971,735	190,333	70,128	2,973,180
Financial expenses							(261,553)
Share of profits and losses of:							
Joint ventures							(23,838)
Associates							305,698
Profit before tax							2,993,487
Income tax expense							(571,107)
Profit for the period							2,422,380
As of 30 June 2016 (Unaudited)							
Assets and Liabilities							
Total assets	23,507,121	55,758,565	38,075,628	71,868,691	23,324,073	(48,247,910)	164,286,168
Total liabilities	14,682,919	38,356,858	24,841,763	62,324,162	11,365,608	(40,657,265)	110,914,045

2. SEGMENT INFORMATION (continued)

Geographical segment

Information on revenue of geographical segments of the Group for the six months ended 30 June 2017 and the six months ended 30 June 2016 is listed below:

	Unaudited					
	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	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	33,902,804	2,211,802	36,114,606	33,843,547	33,843,547	33,843,547

3. REVENUE, OTHER INCOME AND OTHER 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 other gains - net is as follows:

	Unaudited For the six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenues		
Revenues from main operations	34,868,692	35,721,563
Revenues from other operations	1,245,914	1,145,039
	36,114,606	36,866,602
Revenues from other operations		
Sales of raw materials, spare parts and semi-finished goods	202,838	401,411
Finance lease income	351,728	298,478
Rental income under operating leases	47,982	48,760
Finance Company*:		
Interest income from banks and other financial institutions	199,396	83,265
Interest income on loans receivable and discounted bills receivable	206,835	133,539
Others	237,135	179,586
	1,245,914	1,145,039

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

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

	Unaudited For the six months ended 30 June 2017 RMB'000	2016 RMB'000
Other income		
Interest income on bank balances and time deposits	77,263	130,941
Interest income on debt investment	55	7,088
Dividend income from equity investments and investment funds	26,493	117,449
Subsidy income	127,015	66,866
	230,826	322,344
Other gains, net		
Gain on disposal of property, plant and equipment	432	8,047
Gain on disposal of a subsidiary	-	210,989
Gain on disposal of an associate	10,451	48,700
Investments at fair value through profit or loss:		
Unrealised fair value (loss)/gain, net	(637)	391
Realised fair value gains, net	6,867	5,908
Derivative financial instruments - transactions not qualifying as hedges:		
Unrealised fair value gain/(loss), net	238	(653)
Realised gains on available-for-sale investments	133,776	219,222
Debt restructure gain, net	747	2,999
Exchange (loss)/gain, net	(37,226)	77,409
Litigation compensation	2,765	-
Inventory Profit	427	-
Relocation compensation	95,295	-
Others	12,943	(111)
	226,078	572,901
	456,904	895,245

4. PROFIT BEFORE TAX

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

	Unaudited For the six months ended 30 June 2017 RMB'000	2016 RMB'000
Cost of inventories sold	20,853,548	23,957,789
Cost of construction contracts	4,460,284	3,322,571
Cost of services provided	3,114,324	2,404,718
Finance Company:		
Interest expense due to banks and other financial institutions	3,401	17,691
Interest expense on customer deposits	8,923	6,877
	12,324	24,568
Depreciation of property, plant and equipment	634,117	658,420
Depreciation of investment properties	12,417	11,760
Amortisation of prepaid land lease payments	74,499	21,603
Amortisation of patents and licences	11,714	16,730
Amortisation of concession intangible assets	8,898	9,656
Amortisation of other intangible assets	23,377	14,968
Amortisation of other non-current assets	10,341	18,496
Research and development costs:		
Amortisation of technology know-how	13,552	13,147
Current period expenditure	956,115	939,471
	969,667	952,618
Minimum lease payments under operating leases:		
Land and buildings	88,140	88,992
Plant, machinery and motor vehicles	30,135	19,342
Staff costs	2,737,389	2,686,064
Impairment of inventories to net realisable value	408,868	342,505
Impairment of trade receivables and other receivables	730,500	516,995
Impairment of loans receivable	42,725	-
Impairment of lease receivables	61,028	82,894
Impairment of property, plant and equipment	-	864
Impairment of discounted bills receivable	1,874	-
Product warranty provision:		
Additional provision	421,609	169,533
Onerous contract provision:		
Additional provision	280,439	653,551

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 2017 under the income tax rules and regulations of the PRC, except that:

Sixteen 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 include Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., Shanghai Boiler Works, Ltd., Shanghai Electric Wind Power Equipment Co., Ltd., Shanghai Machine Tool Works Ltd., Shanghai Centrifuge Institute Co., Ltd., Shanghai Electric Automation R&D Institute Co., Ltd., Shanghai Capital Numerical Control Co., Ltd., Shanghai Mechanical & Electrical R&D Institute Ltd Inc., Shanghai Institute of Mechanical & Electric Engineering Co., Ltd., Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai Electric Nuclear Power Equipment Co., Ltd. ("Nuclear Power"), Shanghai Electric KSB Nuclear Pump Co., Ltd., Shanghai Blower Works Co., Ltd., Shanghai Denso Fuel Injection Co., Ltd., SEC Power Generation Environment Protection Engineering Co., Ltd., and Shanghai Electric SPX Engineering Technology Co., Ltd. ("SPX Engineering"). The above mentioned subsidiaries, upon receipt of the "High-New Technology Enterprise Certificate", are subject to corporate income tax rate of 15% for 3 years from the year of the receipt of the said certificate.

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	
	2017 **RMB'000**	**2016** **RMB'000**
The Group:		
Current - Mainland China		
Charge for the period	613,331	763,716
Overprovision in prior years	(17,424)	(48,641)
Current - Elsewhere		
Charge for the period	5	56
Deferred	(342,988)	(144,024)
Total tax charge for the period	252,924	571,107

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 1,363,882,000 (for the six months ended 30 June 2016: RMB1,245,006,000), and the weighted average number of ordinary shares of 13,431,157,877 (for the six months ended 30 June 2016: 12,824,307,029) 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 the Electric Convertible Bonds. 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 2017.

8. TRADE RECEIVABLES

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Undue	19,665,721	17,841,466
Within 3 months	4,480,411	3,791,875
Over 3 months but within 6 months	2,427,651	1,710,126
Over 6 months but within 1 year	1,867,569	1,499,447
Over 1 year but within 2 years	1,489,922	1,481,335
Over 2 years but within 3 years	927,165	635,792
Over 3 years past due	202,108	178,868
	31,060,547	27,138,909

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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 3 months	19,300,111	18,623,598
Over 3 months but within 6 months	3,698,710	3,080,371
Over 6 months but within 1 year	4,658,704	3,129,877
Over 1 year but within 2 years	5,530,877	4,366,096
Over 2 years but within 3 years	1,099,671	719,307
Over 3 years	1,136,909	780,206
	35,424,982	30,699,455

REVIEW OF OPERATIONS

In the first half of 2017, Shanghai Electric adhered to the principle of "One Company". The operation of the Group emphasized on making progress while maintaining stability and insisted on "cash is king". We further deepened our reform and accelerated innovation. Relying on innovation for promotion of the Group's shift from old to new kinetic energy and structural upgrading, the Company made steady progress in respect of work focuses determined at the beginning of the year and maintained a stable development trend. During the reporting period, the Group recorded a revenue of RMB36.115 billion, representing a decrease of 2.0% as compared to the corresponding period of the preceding year; the net profit attributable to shareholders of the parent company amounted to RMB1.364 billion, representing an increase of 9.6% as compared to the corresponding period of the preceding year.

During the reporting period, the Company obtained new orders in the amount of RMB50.3 billion, representing a decrease of 26.1% over the corresponding period of the preceding year, among which, new orders from new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 14.5%, 23.2%, 28.6% and 33.7% of the total new orders, respectively. As at the end of the reporting period, the Company's orders on hand amounted to RMB248.0 billion (with orders in the aggregate amount of RMB101.4 billion not yet coming into effect), representing an increase of 1.6% from that as of the end of the preceding year. The Company's orders on hand from new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 11.8%, 50.0%, 8.8% and 29.4% of the total orders on hand, respectively.

New Energy and Environmental Protection Equipment
During the reporting period, the domestic nuclear power market gradually entered into a stable development phase and Shanghai Electric carried forward the production of nuclear island equipment on hand in an orderly manner according to the delivery schedule of the orders. Shanghai Electric is a nuclear power equipment manufacturing group which possesses the comprehensive industry chain of nuclear island, conventional island and auxiliary equipment. We are vigorously promoting smart nuclear power and achieve the transformation of nuclear power production model from the "traditional discrete manufacturing" to "digital high-end manufacturing" through the seamless convergence between the design of three-dimensional model and the manufacturing process. During the reporting period, we continued to maintain our leading position in the offshore wind power equipment market in China. We successively undertook the orders of 44 units of 6.0MW offshore wind turbines in Fujian Putian Pinghai Bay (福建莆田平海灣) and 46 units of 4.0MW offshore wind turbines in Fujian Putian Nanri Island (福建莆田南日島). We are accelerating the development of wind resources and engineering services business, and speeding up the pace of research and development of new products while continuously improving the reliability and cost efficiency of the self-developed products. Our cloud computing and big data-based remote system management platform, "Feng Yun" system, had been put online, creating a new service model for wind power station in the technological revolution era. During the reporting period, our environmental protection business had preliminarily set up a comprehensive industry chain covering domains of "engineering + design, technology + product, operation + service" with focus on four main businesses, namely power station environment protection, solid waste treatment, water treatment and distributed energy. During the reporting period, we undertook the steam turbine equipment order for the Yu Men Xin Neng Molten Salt Tower 50MW Solar Thermal Power Project (玉門鑫能溶鹽塔式5萬千瓦光熱發電項目), which is the first steam turbine equipment order for solar thermal power project of the Company.

High Efficiency and Clean Energy Equipment
During the reporting period, facing the decreasing demands in the domestic thermal power market and increasingly fierce market competition, we effectively improve the profitability of thermal power products by continuously optimizing the business structure. We have also transformed from an "advanced product manufacturer" to a "comprehensive product supplier" to play an active role in providing system solutions to domestic and foreign users. Besides, we developed a comprehensive international strategic plan devised on

REVIEW OF OPERATIONS (continued)

the national strategy of “One Belt, One Road” to improve and enhance the overseas project management capacity in respect of the technology, quality, service and standard of export products, as well as enhancing overseas customers’ level of satisfaction and our overseas market share, offsetting the impact brought to us by the decreasing demand in the domestic thermal power market. For gas turbines, we worked together with Ansaldo through in-depth cooperation in aspects such as market expansion, technology transfer and technical collaboration, and have established "Four Globalization Strategies" for the industry development of gas turbines, namely, globalized research and development platform, globalized manufacture base, globalized sales network and globalized service team. During the reporting period, we entered into a maintenance work contract for E-class heavy duty gas turbines with CGN Wuhan Han-Neng Power Development Co., Ltd., which is the equipment maintenance service contract we obtained as a non-original equipment manufacturer for the first time. During the reporting period, we stressed on the further development of the industry strategic plan of "3+1", which refers to development direction towards "high voltage technology, intelligence based manufacturing, power electronics technology and engineering service" for our power transmission and distribution equipment business, continuously enhanced our industry capability level and proactively strived for market expansion. During the reporting period, we made a breakthrough in major client projects by winning the bid on the power transmission and distribution equipment general contract from Huali Microelectronics.

Industrial Equipment

During the reporting period, the competition in the elevator market intensified under the impact of factors such as increasing price of raw materials and overcapacity. The overall competition situation in respect of the performance of the elevator industry is shown in terms of price, quality, delivery schedule and services. Shanghai Mitsubishi Elevator Co., Ltd ("SMEC") focuses on the market situation and the trend of increasing concentration of strategic customers, and attaches high importance to the maintenance and development of the relationship with major strategic customers. We continue to work closely with core strategic partners such as Wanda, Evergrande, China Overseas, Greenland, Country Garden, COSCO, Longfor, Forte, Luneng, Vanke, CITIC and Ronshine. We also undertook major projects, which included Greenland Centre Chengdu (成都綠地中心), Shanghai Henderson Xuhui Riverside (上海恆基徐匯濱江), Shenzhen Shangsha City (深圳上沙城市), Hong Kong-Zhuhai-Macau Bridge Zhuhai Port(港珠澳大橋珠海口岸), Zhengzhou Metro Line 5, Hengda Venice Resort (恒大海上威尼斯). SMEC continues to explore the development of service industrialization. In light of the rapid growth in demands for services from elevators in use, especially for the business of retrofit of obsolete elevators, SMEC is speeding up the construction of service centers, logistics centers and training centers. By establishing the principle of “service marketing” and taking the business of retrofit of obsolete elevators as a breakthrough, we created a new growth stream for our services. Revenue generated from SMEC’s service business including installation, repairs and maintenance etc. exceeded RMB 2.8 billion for the first half of 2017, representing over 30% of the total revenue from elevator business. Our Broetje Company (寶爾捷公司) is a German supplier of aeronautical equipment and related automation system with a product portfolio covering the entire process chain for assembly of aero-structures and the related components and application solutions, offering complete assembly lines as well as fastening machines for all types of structured assemblies and final assemblies. Its major customers include large aircraft manufacturers such as Airbus SAS and the Boeing Company, etc. We are proactively helping Broetje to enter the domestic market for aviation industry, thus enhancing the technology capability level of the Company in the automation industry.

Modern Services

During the reporting period, we continued to develop our power plant engineering business at a steady pace. Devising upon the National Initiative of "One Belt, One Road", we regarded over 50 countries and regions

REVIEW OF OPERATIONS (continued)

covered by the "One Belt One Road" initiative as the core markets of our engineering industry. We have set up a new subsidiary in Pakistan and planned to extend our overseas sales network to South Africa, Malaysia, Turkey, Poland and Columbia, and actively promote the construction of sales networks, so as to achieve the sales capacity in multiple regions. We continue to work consistently and intensively in African power transmission and distribution market, and have entered into an order in respect of the power supply project in Port of Doraleh, Djibouti with a power company in Djibouti, Africa during the reporting period. Regarding our power plant engineering business, we are developing new energy and distributed energy markets instead of focusing merely on coal-fired market. We will also strive to facilitate the business model of "integrating business and finance" while enhancing the effort on project investment and project financing to increase market share. During the reporting period, Shanghai Electric Group Finance Co., Ltd has accelerated the development by adhering to three strategy subjects, namely “treasury with management and planning functionality, value-added financial service platform and becoming a growth engine with engagement in business that adhered to main business”, which has comprised a relatively comprehensive business portfolio and basically established a worldwide coverage in respect of treasury management, providing firm support for the members of the Group to “Go Global” through a lowered capital cost and finance cost. It will also provide investment and financing services for both domestic and overseas energy, environmental protection projects of the Group, and further widen the range of service to assist the Group in achieving centralized control of capital in the PRC and overseas.

MANAGEMENT DISCUSSION AND ANALYSIS
During the reporting period, the Group recorded a turnover of RMB36,115 million, representing a decrease of 2.0% compared with the corresponding period of the preceding year. The net profit attributable to shareholders of the parent company amounted to RMB1,364 million, representing an increase of 9.6% compared with that of the same period of the preceding year.

New Energy and Environmental Protection Equipment
During the reporting period, the new energy and environmental protection equipment segment achieved sales revenue of RMB5,346 million, representing an increase of 8.0% as compared to the corresponding period of the preceding year. The increase was mainly due to the increase of revenue from wind power equipment of 3.9% as compared to the corresponding period of the preceding year. Thanks to increase of revenue during the reporting period, the gross profit margin of the segment increased by 0.4 percentage point from that of the corresponding period of the preceding year to 15.0% and the operating profit margin of the segment increased by 2.2 percentage points from that of the corresponding period of the preceding year to 3.9%.

High Efficiency and Clean Energy Equipment
During the reporting period, the high efficiency and clean energy equipment segment achieved a turnover of RMB13,710 million, representing an increase of 1.3% as compared to the corresponding period of the preceding year. Gross profit margin of the segment decreased by 0.2 percentage point from that of the corresponding period of the preceding year to 15.3%, while operating profit margin of the segment decreased by 0.5 percentage point from that of the corresponding period of the preceding year to 2.7%. It was mainly due to provision made against risks in relation to coal-fired power generation equipment business during the reporting period.

Industrial Equipment
During the reporting period, the industrial equipment segment recorded a turnover of RMB11,553 million, maintaining at a similar level as compared to the corresponding period of the preceding year. Gross profit margin of the segment decreased by 1.9 percentage points from that of the corresponding period of the preceding year to 20.4%, while operating profit margin of the segment decreased by 1.8 percentage points from that of the corresponding period of the preceding year to 8.7%, mainly due to the increase in the price of materials and the decrease in the gross profit margin of elevators and electric motors during the reporting period.

Modern Services

During the reporting period, the modern services segment recorded a turnover of RMB8,282 million, representing a decrease of 1.1% as compared to the corresponding period of the preceding year. Gross profit margin of the segment increased by 2.7 percentage points from that of the corresponding period of the preceding year to 16.1%, mainly due to the fact that business with high gross profit made larger contribution to the revenue during the reporting period. Operating profit margin of the segment decreased by 2.7 percentage points from that of the corresponding period of the preceding year to 8.9%, mainly due to risk provision in relation to power plant engineering business during the reporting period.

Outlook

Looking forward to the second half of 2017, we will stay on the track of "adhering to the development theme of innovative development, insisting on pressing ahead development with a direction towards high-end technology, asset-light business structure, centralized management and control at group level, hierarchy-reduced operation structure, as well as intelligent products", insisting on the concept of "One Company", as well as expediting the Group's transformation into a quality and effectiveness focused corporate group, with an aim to build Shanghai Electric into a multinational company with global presence and operations, international competitiveness and brand influence.

Assets Restructuring and Placing of A Shares

On 14 November 2016, this assets reorganization and A shares placement was approved at the 37th meeting of the 4th session of Board of the Company. According to the Notice in relation to Decision on Amending the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《關於修改<上市公司非公開發行股票實施細則>的決定》) issued in February 2017 by CSRC and other relevant requirements, the Company revised the original A Share Placing Plan. On 17 March 2017, relevant resolutions for the revised assets reorganization and A shares placement (hereinafter referred to as the "Transaction") was considered and approved at the 42nd meeting of the 4th session of Board of the Company. The resolution relating to the Transaction has been considered and passed in the 1st Extraordinary General Meeting for 2017 and class meetings of the Company held on 8 May 2017. On 31 July 2017, the Transaction was duly approved by CSRC.

On 14 November 2016, the Company entered into the Agreement in relation to Assets Acquisition by Issuance of Shares (《發行股份購買資產協議》) with Shanghai Electric (Group) Corporation (the controlling shareholder of the Company, "SEC"), pursuant to which the Company proposed to issue 877,918,006 A Shares as consideration shares to SEC at the issue price of RMB7.55 per share to acquire its 47.18% domestic shares in Shanghai Prime Machinery Company Limited (a company listed on the Stock Exchange of Hong Kong Limited under the stock code of 02345, "Shanghai Prime"), 50.10% equity interest in Thales Saic Transportation System Limited Company, 100% equity interest in Shanghai Electric Group Property Company Limited and the land use rights of 26 pieces of land and related ancillary buildings on such lands held by SEC. With the exception of Shanghai Prime, the consideration for the aforesaid incoming assets was determined after arm's length negotiations based on the valuation of such assets as at Valuation Benchmark Date as confirmed in the assets valuation reports issued by the qualified PRC valuers. The consideration for Shanghai Prime was determined based on the arithmetic average of the daily weighted average stock price of H shares of Shanghai Prime for 30 trading days prior to the signing date of the Share Transfer Agreement (i.e. 14 November 2016) multiplying the number of domestic shares in Shanghai Prime held by SEC. This assets reorganization shall enhance the assets quality and overall strength of the Company, increase the high-quality resources reserves of the Company, and facilitate the vertical and horizontal business extension of the Company.

On 14 November 2016 and 17 March 2017, the Company entered into the Share Subscription Agreements and Supplemental Agreements to Share Subscription Agreement with SEC and Shanghai Guosheng Group Investment Company Limited, respectively. The Company proposed to issue and place additional A shares

ASSETS RESTRUCTURING AND PLACING OF A SHARES (continued)

to no more than 10 specific investors, including SEC and Shanghai Guosheng Group Investment Company Limited, raising funds not exceeding RMB 3 billion. The result of the placing of A Shares, whether successful or not, shall not affect the implementation of the transaction contemplated under the Agreement in relation to Assets Acquisition by Issuance of Shares. The funds to be raised by A shares placement are intended to be invested in the following projects: RMB1.055 billion shall be used for the Emerging Industrial Park Development Project at Gonghe Xin Road, RMB0.226 billion shall be used for the Innovative Industry Park Reformation Project at Beinei Road, RMB0.328 billion shall be used for the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, RMB1.166 billion shall be used for the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road, RMB0.225 billion shall be used for payment of relevant tax and other expenses of the Transactions. This A shares placement could further promote the business development of the Company, and enhance the integrated performance of this assets reorganization.

As the highest applicable percentage ratio of the Transaction and previous transactions, when aggregated, was more than 25% but less than 100%, it constituted a major transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). After obtaining consent from the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for applying an alternative size test, the highest applicable percentage ratio of the Transaction and previous transactions of the Company was more than 5% but less than 25%, thus constituted a discloseable transaction of the Company under the Listing Rules. Since SEC is a connected person of the Company, the Transaction also constituted a connected transaction of the Company under the Listing Rules.

As of the end of the reporting period, the Transaction was still in progress. For detailed information, please refer to the announcements dated 14 November 2016 and 17 March 2017 and the circular dated 23 March 2017 of the Company.

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 “Hong Kong 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 Hong Kong Listing Rules during the period from 1 January 2017 to 30 June 2017. No violation of the Model Code by relevant employees has been found by the Company.

CORPORATE GOVERNANCE

For the first half of 2017, 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 Hong Kong 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 2017, 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 of the Company, 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 composed of Mr. Huang Dinan, Mr. Zheng Jianhua, Dr. Lui Sun Wing and Dr. Chu Junhao.

NOMINATION COMMITTEE

The Nomination Committee currently comprises Dr. Chu Junhao 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 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. During the reporting period, 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 risk management, 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 and Dr. Chu Junhao, is mainly responsible for providing recommendations to the Board in respect of the remuneration policy for and the structure of the Directors, Supervisors and operation team of the Company, and determining applicable and transparent procedures.

INTERIM DIVIDEND

The Board 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

This 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 2017 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 2017

BOARD OF DIRECTORS AND SUPERVISORS

As at the date of this report, the executive directors of the Company are Mr. Huang Dinan and Mr. Zheng Jianhua; the non-executive directors of the Company are Mr. Li Jianjin, 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. 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, 30 August 2017