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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Performance Highlights

- ► **Revenue for 2017 was RMB79,544 million, a decrease of 10.13% year-on-year**
- ► **Profit attributable to owners of the Company for 2017 reached RMB2,627 million, an increase of 11.55% year-on-year**
- ► **Basic earnings per share for 2017 were RMB18.72 cents, an increase of 9.22% year-on-year**
- ► **The Board proposed to declare a final dividend of RMB9.195 cents per share for 2017**

The board of directors (the "**Board**") of Shanghai Electric Group Company Limited (the "**Company**" or "**Shanghai Electric**") is pleased to announce the results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017. The Group's results have been audited by PricewaterhouseCoopers.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Revenue	4	**79,543,794**	88,507,384
Cost of sales	5	**(63,701,557)**	(71,657,423)
Gross profit		**15,842,237**	16,849,961
Other income	4	**683,383**	724,055
Other gains - net	4	**1,656,244**	914,596
Other income and other gains - net	4	**2,339,627**	1,638,651
Distribution costs	5	**(2,254,100)**	(2,552,732)
Administrative expenses	5	**(11,446,749)**	(10,482,217)
Operating profit		**4,481,015**	5,453,663
Finance income		**198,847**	272,409
Finance costs		**(657,105)**	(626,737)
Finance costs - net		**(458,258)**	(354,328)
Share of net profits of investments accounted for using the equity method :			
Joint ventures		**570,118**	266,476
Associates		**772,374**	559,542
Profit before income tax		**5,365,249**	5,925,353
Income tax expense	6	**(522,422)**	(1,283,133)
Profit for the year		**4,842,827**	4,642,220

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Profit is attributable to:			
Owners of Shanghai Electric Group Company Limited		**2,626,668**	2,354,526
Non-controlling interests		**2,216,159**	2,287,694
		4,842,827	4,642,220
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in RMB per share)			
Basic earnings per share	8	**18.72 cents**	17.14 cents
Diluted earnings per share	8	**18.72 cents**	17.14 cents

Note: In 2017, pursuant to the approval from the board of directors, the A share class meeting and the H share class meeting, the Company completed the transactions to acquire 47.18% equity interest (domestic shares) in Shanghai Prime Machinery Co., Ltd., 50.10% equity interest in Thales Saic Transportation System Limited Company, 100% equity interest in Shanghai Electric Group Asset Management Co., Ltd. land use rights and the affiliated buildings from Shanghai Electric (Group) Corporation by issuance a total of 877,918,006 A Shares of the Company, Renminbi-denominated ordinary A shares with par value of RMB1.00 each. The issue price was RMB7.55 per A share and the total consideration was RMB6,628,281,000. As the transaction was qualified as business combination under common control, the acquired entities had been combined from the beginning of the earliest financial period presented. Accordingly, the comparative figure has been restated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2017

	Year ended 31 December	
	2017	**2016**
	RMB'000	**RMB'000**
		(Restated)
Profit for the year	**4,842,827**	4,642,220
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	**(1,151,531)**	58,513
Cash flow hedges	**29,730**	18,627
Exchange differences on translation of foreign operations	**(45,614)**	52,184
Others	**-**	584
	(1,167,415)	129,908
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligations	**4,042**	(5,402)
Other comprehensive income for the year, net of tax	**(1,163,373)**	124,506
Total comprehensive income for the year	**3,679,454**	4,766,726
Attributable to:		
– Owners of Shanghai Electric Group Company Limited	**1,598,416**	2,462,977
– Non-controlling interests	**2,081,038**	2,303,749
	3,679,454	4,766,726

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000 (Restated)
Assets			
Non-current assets			
Property, plant and equipment		**16,468,912**	15,501,009
Investment properties		**832,508**	944,490
Prepaid land lease payments		**5,828,581**	4,361,680
Goodwill		**2,648,897**	2,554,827
Intangible assets		**1,393,008**	1,420,863
Investments in joint ventures		**4,395,635**	3,788,258
Investments in associates		**6,309,326**	5,475,423
Available-for-sale investments		**1,393,811**	1,741,808
Deferred tax assets		**3,982,674**	3,050,997
Loans and lease receivables		**7,399,416**	7,974,836
Other non-current assets		**4,335,730**	2,112,498
Total non-current assets		**54,988,498**	48,926,689
Current assets			
Inventories		**29,057,351**	22,185,330
Construction contracts		**5,416,449**	4,830,046
Trade receivables	9	**27,905,847**	26,499,880
Loans and lease receivables		**10,956,118**	10,103,686
Discounted bills receivable		**179,926**	189,052
Bills receivable		**10,106,004**	7,241,022
Prepayments, deposits and other receivables		**12,170,116**	11,206,735
Investments		**11,325,754**	10,501,914
Derivative financial instruments		**15,604**	561
Due from the Central Bank*		**3,267,497**	3,197,369
Restricted deposits		**565,322**	801,444
Time deposits with original maturity over three months		**10,922,202**	9,720,983
Cash and cash equivalents		**22,469,071**	31,196,279
Total current assets		**144,357,261**	137,674,301
Total assets		**199,345,759**	186,600,990

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2017

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
Equity and liabilities			**(Restated)**
Liabilities			
Non-current liabilities			
Bonds		**10,058,027**	11,148,377
Bank and other borrowings		**4,144,184**	3,370,610
Provisions		**243,817**	223,712
Government grants		**1,055,960**	967,231
Other non-current liabilities		**1,464,926**	1,759,264
Deferred income tax liabilities		**337,530**	337,958
Total non-current liabilities		**17,304,444**	17,807,152
Current liabilities			
Bonds		**1,599,506**	499,043
Trade payables	10	**33,740,212**	32,208,257
Bills payable		**7,144,728**	6,335,179
Government grants		**439,973**	440,190
Other payables and accruals		**56,627,701**	57,097,255
Derivative financial instruments		**8,537**	31,505
Customer deposits		**3,324,568**	2,426,863
Bank and other borrowings		**3,224,101**	2,582,046
Taxes payable		**1,201,062**	979,050
Provisions		**4,009,340**	3,775,623
Total current liabilities		**111,319,728**	106,375,011
Total liabilities		**128,624,172**	124,182,163
Equity			
Equity attributable to owners of the Company			
Share capital		**14,725,181**	13,431,156
Reserves		**20,637,494**	16,435,066
Retained earnings		**20,174,408**	18,033,639
		55,537,083	47,899,861
Non-controlling interests		**15,184,504**	14,518,966
Total equity		**70,721,587**	62,418,827
Total equity and liabilities		**199,345,759**	186,600,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Shanghai Electric Group Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC") on 1 March 2004. The registered office of the Company is located on 30th floor, No. 8 Xing Yi Road, Shanghai, the PRC.

During the year, the Company and its subsidiaries (together the "Group") are engaged in the following principal activities:

- design, manufacture and sale of nuclear island equipment products, wind power equipment products and heavy machinery including large forging components, and provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power generation environment protection and distributed energy systems;

- design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear island equipment products and power transmission and distribution equipment products;

- design, manufacture and sale of elevators, automation equipment, electrical motors, machine tools, components and other electromechanical equipment products; and

- 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 other functional services such as insurance brokerage services, etc.

In the opinion of the directors, the parent company and the ultimate holding company of the Group is Shanghai Electric (Group) Corporation ("SE Corporation"), a state-owned enterprise established in the PRC.

The Company has its ordinary shares listed on both The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Shanghai Electric Group Company Limited and its subsidiaries.

2.1.1 Basis of preparation

The consolidated financial statements of Shanghai Electric Group Company Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and defined benefit pension plans – plan assets measured at fair value which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group adopts the going concern basis in preparing its consolidated financial statements.

2.1.2 New accounting policy and disclosure requirement

(a) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

•Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to HKAS 12, and
•Disclosure initiative – amendments to HKAS 7.

The group also elected to adopt the following amendments early.
•Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2
•Annual Improvements to HKFRS Standards 2014-2016 Cycle, and
•Transfers of Investment Property – Amendments to HKAS 40.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9 *Financial Instruments*

Nature of change

HKFRS 9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.2 New accounting policy and disclosure requirement (continued)

Impact

The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The majority of the group's debt instruments that are currently classified as available-for-sale (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. However, certain investments do not meet the criteria to be classified either as at FVOCI or at amortised cost will have to be reclassified to financial assets at fair value through profit or loss (FVPL). Related fair value gains will have to be transferred from the available-for-sale financial investment revaluation reserve to retained earnings on 1 January 2018.

The other financial assets held by the group include equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under HKFRS 9. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group expects a small increase in the loss allowance for trade debtors and in relation to debt investments held at amortised cost.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.2 New accounting policy and disclosure requirement (continued)

Date of adoption by group

Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated, except in relation to changes in the fair value of foreign exchange forward contracts attributable to forward points, which will be recognised in the costs of hedging reserve.

HKFRS 15 *Revenue from Contracts with Customers*

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the group's financial statements and the application of HKFRS 15 will not significantly impact the revenue recognition for the Group.

Date of adoption by group

Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16 *Leases*

Nature of change

HKFRS 16 was issued in 2016. It 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 accounting for lessors will not significantly change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.2 New accounting policy and disclosure requirement (continued)

Impact

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of RMB980,708,000.

However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. 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 segment is engaged in the design, manufacture and sale of nuclear power, nuclear island equipment products, wind power equipment products, environmental protection 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 generation environment protection, and distributed energy systems;

(b) the high efficiency and clean energy segment is engaged in the design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear 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, automation equipment, electrical motors, machine tools, components 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; and

(e) the ‘others’ segment includes components such as the central research institute and spare houses management.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that finance costs, share of profits and losses of joint ventures or associates.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to non-related parties at the then prevailing market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2017	New energy and environmental protection RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Corporate and other unallocated amounts RMB'000	Inter segmented eliminations RMB'000	Total RMB'000
Segment revenue:								
Sales to external customers	10,054,106	21,904,082	32,562,978	12,371,800	2,638,903	11,925	-	79,543,794
Intersegment sales	964,177	4,270,164	1,006,716	1,292,523	48,341	65,610	(7,647,531)	-
Total revenue	11,018,283	26,174,246	33,569,694	13,664,323	2,687,244	77,535	(7,647,531)	79,543,794
Operating profit/ (loss)	227,156	(80,949)	2,566,762	1,875,054	295,311	(573,564)	171,245	4,481,015
Finance costs - net								(458,258)
Share of profits and losses of:								
Joint ventures								570,118
Associates								772,374
Profit before tax								5,365,249
Income tax expense								(522,422)
Profit for the year								4,842,827
Assets and liabilities								
Total assets	26,104,629	64,135,894	47,618,372	82,394,440	4,726,846	33,781,049	(59,415,471)	199,345,759
Total liabilities	16,250,101	47,675,958	29,136,256	69,563,626	974,843	18,039,853	(53,016,465)	128,624,172
Other segment information:								
Capital expenditure	1,539,798	313,103	659,669	90,240	308,408	2,599,835	-	5,511,053
Depreciation and amortization	263,542	599,806	840,721	56,986	252,128	235,907	-	2,249,090
Other non-cash expenses	1,016,529	1,058,493	194,539	452	7,682	-	-	2,277,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2016 (Restated)	**New energy and environmental protection RMB'000**	**High efficiency and clean energy RMB'000**	**Industrial equipment RMB'000**	**Modern services RMB'000**	**Others RMB'000**	**Corporate and other unallocated amounts RMB'000**	**Inter segmented eliminations RMB'000**	**Total RMB'000**
Segment revenue:								
Sales to external customers	12,340,507	25,080,971	31,662,940	17,026,936	2,372,929	23,101	-	88,507,384
Intersegment sales	1,051,707	3,022,933	751,807	815,058	33,935	25,049	(5,700,489)	-
Total revenue	13,392,214	28,103,904	32,414,747	17,841,994	2,406,864	48,150	(5,700,489)	88,507,384
Operating profit/ (loss)	348,837	939,706	2,500,780	1,183,926	63,414	(249,862)	666,862	5,453,663
Finance costs - net								
Share of profits and losses of:								(354,328)
Joint ventures								266,476
Associates								559,542
Profit before tax								5,925,353
Income tax expense								(1,283,133)
Profit for the year								4,642,220
Assets and liabilities								
Total assets	26,042,956	59,750,742	45,145,286	86,052,794	4,138,735	20,727,974	(55,257,497)	186,600,990
Total liabilities	16,712,434	43,012,533	27,880,298	74,112,065	574,768	15,810,206	(53,920,141)	124,182,163
Other segment information:								
Capital expenditure	1,040,146	199,711	637,919	201,064	298,307	3,009,034	-	5,386,181
Depreciation and amortization	232,211	637,308	770,009	21,848	108,040	122,018	-	1,891,434
Other non-cash expenses	915,203	748,083	190,731	138,659	4,685	-	-	1,997,361

3. SEGMENT INFORMATION (continued)

(1) Geographical information

(a) Revenue from external customers

	2017 RMB'000	2016 RMB'000 (Restated)
Mainland China	**69,027,136**	75,839,029
Other countries/jurisdictions	**10,516,658**	12,668,355
	79,543,794	88,507,384

The above revenue information is based on the locations of the customers.

(b) Non-current assets

	2017 RMB'000	2016 RMB'000 (Restated)
Mainland China	**34,144,301**	28,806,733
Other countries/jurisdictions	**5,912,238**	5,415,294
	40,056,539	34,222,027

The above non-current asset information is based on the locations of the assets and excludes financial instruments (including: available-for-sale investments, loans and lease receivables and long-term receivables of warranty and others in other non-current assets) and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. 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:

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue		
Turnover		
Sale of goods	**60,763,888**	69,403,750
Construction contracts	**9,363,607**	10,070,580
Rendering of services	**6,054,055**	5,226,571
	76,181,550	84,700,901
Other revenue		
Sales of raw materials	**725,204**	749,631
Finance lease income	**734,444**	729,593
Rental income under operating leases	**606,320**	481,453
Proceeds from sales of properties	**-**	782,261
Finance Company*		
Interest income on loans receivable and discounted bills receivable	**241,956**	239,981
Interest income from banks and other financial institutions	**517,380**	283,648
Others	**536,940**	539,916
	3,362,244	3,806,483
	79,543,794	88,507,384

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

4. REVENUE, OTHER INCOME AND OTHER GAINS - NET (continued)

	2017 RMB'000	2016 RMB'000 (Restated)
Other income		
Interest income on debt investment	**350**	16,349
Dividend income from equity investments and investment funds	**152,406**	172,002
Subsidy income	**530,627**	535,704
	683,383	724,055
Other gains - net		
Gains on disposal of property, plant and equipment	**132,658**	1,917
Gains on disposal of prepaid land lease payments	**-**	1,694
Gains on disposal of subsidiaries	**13,647**	222,690
Gains on disposal of associates	**19,757**	124,468
Investments at fair value through profit or loss:		
Unrealised fair value (losses)/gains - net	**(3,919)**	199
Realised fair value (losses)/gains-net	**(14,698)**	13,955
Derivative financial instruments -transactions not qualifying as hedges:		
Unrealised fair value gains/(losses) - net	**236**	(1,312)
Realised gains on available-for-sale investments (transfer from equity)	**1,395,268**	172,016
Exchange gains - net	**968**	89,869
Others	**112,327**	289,100
	1,656,244	914,596
Total other income and other gains - net	**2,339,627**	1,638,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. EXPENSE BY NATURE

	2017 RMB'000	2016 RMB'000 (Restated)
Raw materials and consumables used	**35,048,125**	38,917,447
Cost of purchased product components and services	**22,848,965**	26,926,283
Employee benefit expenses	**8,403,780**	7,964,448
Asset impairment charge	**2,893,107**	2,375,791
Depreciation and amortisation	**2,249,090**	1,891,434
Commissions and brokerage fees	**555,012**	716,259
Taxes levies and surcharges	**547,728**	679,655
Office expenses	**596,794**	573,970
Utility expenses	**553,486**	584,442
Operating lease expenses	**478,576**	414,098
Transportation cost and packaging fees	**445,074**	334,356
Technique commission expenses	**282,172**	135,858
Interest paid for customer deposits	**17,977**	52,854
Remuneration of auditors and other consulting fees	**45,683**	30,542
Other costs related to investment property	**240,189**	235,626
Cost of property sales	**-**	620,455
Other expenses	**2,196,648**	2,238,854
Total cost of sales, distribution costs and administrative expenses	**77,402,406**	84,692,372

6. INCOME TAX EXPENSE

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 year ended 31 December 2017 (2016: 25%) under the income tax rules and regulations of the PRC, except that:

Certain subsidiaries were subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law as at 31 December 2017. Those subsidiaries provided income tax and recognised the deferred tax assets and liabilities at tax rate of 15%.

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.

	2017 RMB'000	2016 RMB'000 (Restated)
Current tax		
Charge for the year	**1,405,498**	1,207,897
Overprovision in prior years	**(30,120)**	(75,478)
Deferred tax	**(852,956)**	150,714
Total tax charge for the year	**522,422**	1,283,133

6. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2017 RMB'000	%	2016 RMB'000 (Restated)	%
Profit before tax	**5,365,249**		5,925,353	
Tax at the statutory tax rate	**1,341,312**	**25.0**	1,481,338	25.0
Lower tax rates for specific districts or concessions	**(91,993)**	**(1.7)**	(302,781)	(5.1)
Overprovision in prior years	**(30,120)**	**(0.6)**	(75,478)	(1.3)
Profits and losses attributable to joint ventures and associates	**(316,493)**	**(5.9)**	(206,370)	(3.5)
Income not subject to tax	**(336,394)**	**(6.3)**	(148,001)	(2.5)
Expenses not deductible for tax	**54,472**	**1.0**	89,903	1.5
Tax incentives on eligible expenditures	**(59,253)**	**(1.1)**	(44,480)	(0.8)
Utilization of previously unrecognised tax losses and deductible temporary differences	**(416,812)**	**(7.8)**	(191,249)	(3.2)
Tax losses and deductible temporary differences for which no deferred tax assets was recognised	**369,951**	**6.9**	556,017	9.4
Reversal of deferred tax assets recognized in prior year	**4,517**	**0.1**	126,543	2.1
Others	**3,235**	**0.1**	(2,309)	0.0
	522,422	**9.7**	1,283,133	21.6

7. DIVIDENDS

	2017 RMB'000	2016 RMB'000 (Restated)
Proposed final dividends for the year ended 31 December 2017 of RMB9.195 cents per ordinary share (2016: Nil)	**1,353,980**	-

On 29 March 2018, the board of directors of the Company resolved to recommend to the shareholders of the Company a final dividend of RMB9.195 cents per share (tax inclusive), totalling to RMB1,353,980,000 for the year ended 31 December 2017.

Pursuant to the Corporate Income Tax Law and relevant regulations, a Chinese resident enterprise shall withhold income tax at 10% when dividends are distributed to overseas non-resident enterprise H-share shareholders for year 2008 and the years thereafter.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 14,034,092,485 (2016: 13,739,895,814) in issue during the year.

The calculation of basic earnings per share is based on:

	2017	2016
Earnings		**(Restated)**
Profit attributable to owners of the Company used in the basic earnings per share calculation (RMB'000)	**2,626,668**	2,354,526
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**14,034,092,485**	13,739,895,814

The diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account of the share base payment from Shanghai Prime Machinery Co., Ltd. Since the impact of share base payment from Shanghai Prime Machinery Co., Ltd is immaterial, the diluted earnings per share for the year ended at 31 December 2017 and 2016 presented in the financial statements are equivalent to the basic earnings per share.

9. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Trade receivables	**34,872,377**	32,010,950
Less: provision for impairment	**(6,966,530)**	(5,511,070)
	27,905,847	26,499,880

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. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. TRADE RECEIVABLES (continued)

The aging analysis, based on the due date, of the trade receivables, net of the provision for impairment, as at balance sheet dates is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Not due	**16,861,483**	16,661,451
Within 3 months past due	**3,738,790**	3,876,334
Over 3 months but within 6 months past due	**1,913,216**	1,898,059
Over 6 months but within 1 year past due	**1,521,476**	1,657,876
Over 1 year but within 2 years past due	**2,011,944**	1,571,096
Over 2 years but within 3 years past due	**1,502,487**	656,196
Over 3 years past due	**356,451**	178,868
	27,905,847	26,499,880

The aging analysis, based on the invoice date, of the trade receivables, net of the provision for impairment, as at balance sheet dates is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 3 months	**9,984,902**	14,252,878
Over 3 months but within 6 months	**3,275,056**	2,354,095
Over 6 months but within 1 year	**6,199,041**	2,973,116
Over 1 year but within 2 years	**4,189,666**	3,915,430
Over 2 years but within 3 years	**2,568,456**	1,741,242
Over 3 years	**1,688,726**	1,263,119
	27,905,847	26,499,880

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For the year ended 31 December 2017

9. TRADE RECEIVABLES (continued)

The movements of the provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
At 1 January	**5,511,070**	4,878,651
Impairment losses charged	**2,091,216**	1,891,395
Purchase of subsidiaries	**420**	3,072
Impairment losses reversed	**(627,233)**	(1,233,070)
Amount written off as uncollectible	**(8,680)**	(13,553)
Disposal of subsidiaries	**(263)**	(15,425)
At 31 December	**6,966,530**	5,511,070

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated statement of profit or loss.

Trade receivables are analysed as follows by category:

	As at 31 December 2017				As at 31 December 2016 (Restated)			
	Balance		Provision		Balance		Provision	
	Amount	Percentage	Amount	Percentage of provision	Amount	Percentage	Amount	Percentage of provision
Individually significant amount and provision has been individually provided	1,070,434	3.07%	980,404	91.59%	1,206,569	3.77%	1,062,241	88.04%
Amount assessed collective by grouping them under similar credit risk characters	33,719,658	96.69%	5,920,829	17.56%	30,682,474	95.85%	4,353,029	14.19%
Individually not significant amount but provision has been individually provided	82,285	0.24%	65,297	79.35%	121,907	0.38%	95,800	78.58%
	34,872,377	100.00%	6,966,530	19.98%	32,010,950	100.00%	5,511,070	17.22%

The aging analysis of the trade receivables that are not considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Neither past due nor impaired (a)	**11,944,301**	12,490,543
Less than 3 months past due (b)	**2,365,691**	1,235,367
Over 3 months but within 6 months (b)	**1,242,987**	2,539,732
Over 6 months past due (b)	**332,938**	110,866
	15,885,917	16,376,508

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For the year ended 31 December 2017

9. TRADE RECEIVABLES (continued)

(a) Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

(b) Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The amounts due from related parties included in trade receivables are analysed as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
The ultimate holding company	**43,570**	46,150
Associates	**38,859**	34,690
SEC group companies	**395,644**	499,177
Other related companies	**9,502**	20,450
	487,575	600,467

The amounts due from related parties are on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2017, the Group's trade receivables with a net carrying amount of approximately RMB19,198,000 (31 December 2016: trade receivables with net carrying amount RMB32,294,000) are pledged to bank for short term loan.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000 (Restated)
GBP	**-**	215
CAD	**-**	38
MYR	**43,573**	-
EUR	**518,782**	366,503
USD	**5,814,201**	4,736,145

The net value of the Group's trade receivables included a receivable from a country with sovereign financial risk of RMB3,015,066,000 (31 December 2016: RMB2,979,891,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. TRADE PAYABLES

The aging analysis, based on the invoice date, of the trade payables as at balance sheet dates is as follows:

	2017	**2016**
	RMB'000	**RMB'000**
		(Restated)
Within 3 months	**19,587,369**	19,854,476
Over 3 months but within 6 months	**4,259,538**	3,203,536
Over 6 months but within 1 year	**2,431,296**	3,187,967
Over 1 year but within 2 years	**3,537,206**	4,454,286
Over 2 years but within 3 years	**2,792,630**	726,761
Over 3 years	**1,132,173**	781,231
	33,740,212	32,208,257

The amounts due to related parties included in trade payables are analysed as follows:

	2017	**2016**
	RMB'000	**RMB'000**
		(Restated)
The ultimate holding company	**93,478**	-
Associates	**193,082**	193,111
Joint ventures	**16,151**	-
SEC group companies	**459,382**	823,637
Other related companies	**23,365**	94,037
	785,458	1,119,785

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The amounts due to related parties are negotiated on credit terms similar to those offered by the major suppliers of the Group.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2017	**2016**
	RMB'000	**RMB'000**
		(Restated)
USD	**82,141**	235,125
JPY	**12,908**	579,127
EUR	**986,507**	811,977
GBP	**4,618**	7,656

MANGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

As China has entered the post-industrial era, its manufacturing sector faces overcapacity. The continuous evolution of the Internet of Things, cloud platforms, big data, digitalization and artificial intelligence will bring profound changes to the traditional manufacturing industry. In such domestic and global contexts, Shanghai Electric focused on its key tasks arranged at the beginning of the year, deepened reform and sped up in innovation, thereby maintaining its growth momentum. During the reporting period, the Group achieved a turnover of RMB79,544 million, representing a year-on-year decrease of 10.13%, which is mainly due to the greater extent year-on-year decrease in revenue from coal-fired power generation equipment and its ancillary businesses due to the effects of macro policies during the reporting period. During the reporting period, the gross profit margin of the Group reached 19.9%, representing a year-on-year increase of 0.9 percentage point, which is mainly attributed to the higher proportion of revenue from financial and other businesses with higher gross profit margin. In addition, thanks to the improved profitability of the Group's financial business, net profit attributable to shareholders of the parent company amounted to RMB2,627 million during the reporting period, representing a year-on-year increase of 11.55%. The earnings per share were RMB18.72 cents in 2017, representing a year-on-year increase of 9.22%. The return on net assets was 5.3%, representing a year-on-year increase of 0.1 percentage point. The Board proposed to declare a final dividend of RMB9.195 cents per share this year and the total amount of dividend represents approximately 52% of net profit attributable to shareholders of the parent company in 2017.

During the reporting period, our core industrial technologies and strengths were enhanced continuously. The R&D project on the Design, Manufacturing and Application of High-Efficiency Cutting Tools (高效切削刀具設計、製備與應用) won 2017 National Science and Technology Progress Award (2017年國家科技進步獎), R&D project on the Development of High-Efficiency Ultra-Supercritical Boiler with 623℃ Reheat Steam Temperature (再熱汽溫623℃高效超超臨界鍋爐研製) won the first prize of the Scientific and Technological Award of China Machinery Industry (中國機械工業科學技術獎) in 2017, and R&D projects on the 730MW Shock-Resistant Water-Hydrogen Cooled Generator for Isolated Grid (滿足孤網要求抗衝擊型730MW 級水氫冷發電機), the 1GW Power Generator for Inland Transportation and Internationalization (滿足內陸運輸及國際化需求的百萬千瓦級發電機), the Study and Improvement on Standards of Key Large Forging Components for Power Plant Thermal Power Equipment (火電設備用關鍵大型鑄鍛件系列標準研究和提升) and the Study and Manufacturing of Power Plant Green Island and Equipment with Low Low-Temperature Dust Removal System (基於低低溫除塵系統的電廠環保島及裝備研製) won second prizes of the Scientific and Technological Award of China Machinery Industry in 2017.

During the reporting period, the Company obtained new orders in the amount of RMB100.46 billion, representing a year-on-year decrease of 17.8%. In particular, new orders for new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 17.2%, 24.6%, 39.5% and 18.7% of the total new orders, respectively. As at the end of the reporting period, the Company's orders on hand amounted to RMB226.92 billion (with orders in the aggregate amount of RMB82.44 billion not yet coming into effect), representing a year-on-year decrease of 7.1%. Of the total orders on hand, orders for new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 14.2%, 49.3%, 5.2% and 31.3%, respectively.

Business Review of Major Business Segments

Unit: 100 million Currency: RMB

Major businesses by segment						
By segment	Revenue	Cost of sales	Gross profit margin (%)	YoY change in revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (% point)
New energy and environmental protection equipment	110.18	94.14	14.6	-17.73	-17.85	0.2
High efficiency and clean energy equipment	261.74	222.23	15.1	-6.87	-5.30	-1.4
Industrial equipment	335.70	267.55	20.3	3.56	5.48	-1.5
Modern services	136.64	104.00	23.9	-23.42	-29.78	6.9
Major businesses by geographic location						
Geographic location	Revenue	Cost of sales	Gross profit margin (%)	YoY change in revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (% point)
Mainland China	690.27	551.82	20.1	-8.98	-10.00	0.9
Other countries/jurisdiction	105.17	85.20	19.0	-16.98	-17.65	0.7

Unit: 100 million Currency: RMB

Major businesses by geographic location						
Revenue	Cost of sales	Gross profit margin (%)	YoY change in revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (% point)	
690.27	551.82	20.06	-8.98	-10.00	0.90	
105.17	85.20	18.99	-16.98	-17.65	0.66	

New Energy and Environmental Protection Equipment

During the reporting period, the domestic nuclear power market saw a steady development, but the competition in the domestic nuclear power equipment manufacturing industry was increasingly intensified. As a leader in the domestic nuclear power nuclear island equipment industry, Shanghai Electric closely centered on the nuclear power equipment industry chain and sped up in transformation to seek breakthroughs. It advanced the production of nuclear island equipment in a well- organized way based on the delivery schedule of orders on hand. We are actively advancing the intelligent manufacturing of nuclear power equipment to transform the production model of nuclear power products from “traditional discrete manufacturing” into “digitalized high-end manufacturing” through the design on the seamless connection of 3D models and manufacturing processes.

For wind power business, we have secured a number of orders for offshore wind power projects, including a 132MW project in Putuo, Zhoushan, Zhejiang, a 100MW project in Lingang, Shanghai and a 70MW project in Sanchuan, Fujian. During the reporting period, we completed the construction of an offshore wind farm with 38 units of 4.0MW generators in Rudong, Jiangsu, which is the wind farm with the largest installed capacity completed in Asia so far. The Company’s first 6MW offshore wind turbine was successfully installed in Xinghua Bay, Fujian. All these consolidated our leading advantage in the offshore wind power market. During the reporting period, we received new wind power equipment orders of RMB11.28 billion, representing a year-on-year decrease of 13.36%. Wind power equipment orders on hand by the end of the reporting period amounted to RMB15.17 billion, representing a year-on-year increase of 33.54%. We are striving to be a globally leading provider of services covering the whole life cycle of wind power equipment and transform from a wind power equipment manufacturer to a provider of solutions and services, from a market follower to an industry leader and from localization to internationalization through innovations in technology, business and profit models. Our cloud computing-based and big data-based remote system management platform, “Feng Yun” system, had been put online, creating a new service model for wind power stations in the technological revolution era. “Feng Yun 1.0”, an intelligent cloud-based maintenance platform of Shanghai Electric, has successfully completed remote access for more than 60 wind farms. In the future, we will continue to increase our technical input in artificial intelligence for “Feng Yun” system.

During the reporting period, our environmental protection business had set up a comprehensive industry chain covering domains of “engineering + design, technology + product, operation + service”. We focused on four main businesses, namely power station environment protection, solid waste treatment, water treatment and distributed energy. We actively synergized with the national strategy of “building a beautiful China” and vigorously developed distributed sewage treatment products in rural areas. In 2017, we successfully won the bidding for domestic sewage treatment facilities for 38,000 households in the rural areas in Chongming District, Shanghai. During the reporting period, we acquired new orders for environmental protection equipment of RMB4.70 billion, representing a year-on-year increase of 67.3%. At the end of the reporting period, our orders on hand for environmental protection equipment amounted to RMB4.22 billion, representing a year-on-year increase of 69.5%. Both hit new record highs.

During the reporting period, new energy and environmental protection equipment segment recorded revenue of RMB11,018 million, representing a year-on-year decrease of 17.73%, of which revenue from nuclear power nuclear island equipment showed a year-on-year decrease as no newly approved nuclear power projects commenced construction in recent years. Due to the impact from National Wind Power Investment Monitoring and Warning, the installation of onshore wind power units slowed down significantly in 2017, which resulted in declines in revenue from the Group’s wind turbines business during the reporting period. Meanwhile, the environmental protection business expanded quickly and recorded higher revenue from the corresponding period of the previous year. During the reporting period, the gross profit margin of the segment reached 14.6%, representing a year-on-year increase of 0.2 percentage point. Due to the expected lower gross profit margin of certain projects under construction, the gross profit margin of environmental protection equipment declined by a certain extent.

High Efficiency and Clean Energy Equipment

During the reporting period, given the adjustment of macro policies and the declining demand in domestic thermal power market, increasingly intensified market competition and persistent overcapacity, we consistently improved our business structure and adjusted our marketing strategy to enhance the profitability of thermal power products in a practical way. Further, we transformed from a "leading manufacturer" to an "integrated supplier" to create new advantages and build core competitiveness by providing domestic and overseas users with system solutions. During the reporting period, the Company acquired new orders for thermal power equipment of RMB9.60 billion, representing a year-on-year decrease of 47.77%. At the end of the reporting period, the Company's orders for thermal power equipment on hand amounted to RMB82.20 billion, representing a year-on-year decrease of 15.43%. During the reporting period, we obtained orders for 2 sets of 1,000MW ultra-supercritical coal-fired units for Phase II of Guangdong Heyuan Power Plant, 1 set of 1,350MW ultra-supercritical coal-fired unit for Phase II of Anhui Pingshan Power Plant and 2 sets of 660MW coal-fired unit for Shaanxi Fanhai Hongdunjie Power Plant. Following the "One Belt, One Road" initiatives of the state and through the formulation of sound strategic plans for internationalization, we improved and boosted the technology, quality, services and standards of our products for export as well as our management capability on other overseas projects, thereby improving overseas customers' satisfaction and our overseas market shares and offsetting the impact of the declining demand in domestic coal-fired 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 obtained the contract for the key equipment of 2 sets of E-class gas turbine combined cycle heat transfer unit (E級燃機聯合循環傳熱機組) for a natural gas-fired heat and power cogeneration project in Rongcheng, Shandong. 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 first equipment maintenance service contract we obtained as a non-original equipment manufacturer. During the reporting period, we further developed the "3+1" industry strategic planning for "high voltage technology, intelligence-based manufacturing, power electronics technology and engineering service" for our power transmission and distribution equipment business and continuously enhanced our industry capability level. The number of orders for power transmission equipment (35-110kV transformers) from State Grid Corporation of China in 2017 obtained by Wujiang Transformer Co., Ltd. helped it to rank the second among transformer unit companies across China. 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.

During the reporting period, high efficiency and clean energy equipment segment recorded revenue of RMB26,174 million, representing a year-on-year decrease of 6.87%, which was mainly attributed to the decline in revenue from coal-fired power generation equipment business and its ancillary businesses in the segment due to the effects of national macro policies during the reporting period. The gross profit margin of the segment reached 15.1%, representing a year-on-year decrease of 1.4 percentage points, which was mainly attributed to the declining gross profit margin of coal-fired power generation equipment and power transmission and distribution equipment caused by the hiking prices of raw materials. In addition, the relatively sufficient risk provisions made for coal-fired power generation equipment business during the reporting period resulted in slight losses in the operating profit from high efficiency and clean energy equipment segment.

Industrial Equipment

During the reporting period, due to the impact of factors such as rising prices of raw materials and overcapacity, the competition in the elevator market was increasingly fierce with intense competition seen in price, quality, delivery time, services and other aspects of the elevator industry. In response to the market situation and the increasing concentration of strategic customers, Shanghai Mitsubishi Elevator Co., Ltd ("SMEC") made greater effort in maintaining and developing relationships with major strategic customers. We continued to work closely with core strategic partners such as Wanda, Evergrande, China Overseas, Greenland, Country Garden, COSCO, Longfor, Forte, Luneng, Vanke, CITIC and Ronshine. The major projects we undertook included Greenland Centre Chengdu (成都綠地中心), Taizhou Tiansheng Center (台州天盛中心), Shanghai Henderson Xuhui Riverside (上海恆基徐匯濱江), Shanghai CMIG Bund Plaza (上海中民投外灘廣場), Shenzhen Shangsha City (深圳上沙城市), Hong Kong-Zhuhai-Macau Bridge Project (港珠澳大橋項目), Zhengzhou Metro Line 5 (鄭州地鐵5號線), Jinan Metro Line R1 (濟南市軌道交通R1線), Hengda Venice Resort (恒大海上威尼斯) and Evergrande Ocean Flower Island (恒大海花島). We continued to inject more "intelligence", "brainpower" and "wisdom" into products and services. SMEC had over 60,000 intelligent elevators under operation in 2017. SMEC continued 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 took the business of retrofit of obsolete elevators as a breakthrough and created a new growth stream for our services. Revenue generated from SMEC's service business including installation, repairs and maintenance exceeded RMB5,200 million in 2017, representing over 28% of the total revenue from elevator business. Our Nedscheroef Company (內德史羅夫公司) is specialized in the production of automotive fasteners. During the reporting period, Nedscheroef acquired 90% equity interests in CP Tech GmbH Company, which has extensive design, development and manufacturing experience in the global automobile and racing car industry. The acquisition marked a significant step of Nedscheroef to transform from a specialized manufacturer of automotive fasteners into a high-end engineering company capable of involving itself in the automobile development programs of clients at an early stage, and reserved effective resources for Shanghai Electric to venture into new energy vehicle, automatic driving and other new industries. 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, 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.

During the reporting period, industrial equipment segment recorded revenue of RMB33,570 million, representing a year-on-year increase of 3.56%, which was mainly attributed to the stable revenue growth in automation business during the reporting period. The gross profit margin of the segment was 20.3%, representing a year-on-year decrease of 1.5 percentage points, which was mainly attributed to the declining gross profit margin of elevators and electric motors businesses caused by the hiking prices of raw materials during the reporting period.

Modern Services

During the reporting period, we actively responded to the "One Belt, One Road" initiative, creatively developed "engineering + service", "engineering + investment" and other new business models and expanded integrated engineering business in power stations, power transmission and distribution, environmental protection and other industries to promote the equipment of Shanghai Electric "going global". 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 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 into South Africa, Malaysia, Turkey, Poland and Columbia, and actively promoted the construction of sales networks to achieve sales capacity in multiple regions. Regarding our power plant engineering business, we are developing new energy and distributed energy markets instead of focusing merely on the 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, we obtained the EPC project on a combined cycle power station in Pancevo, Serbia, which is the first power station project we undertook in Europe and the Balkan region. 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. We also obtained an order for live-line wiring project for the secondary circuit of the power supply line in Ethiopia, which is our first live-line power transmission and distribution project obtained in overseas markets. During the reporting period, Shanghai Electric Finance Group has accelerated the development by adhering to three strategic 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 basically established a worldwide coverage in respect of treasury management. We continued to promote innovation in financial services and businesses, expand value-added financial services and advance the construction of notes pools of the Group. We also focused on the development of overseas business of the Group, gave play to the function as an overseas platform for foreign exchange services and actively expanded the scope of import and export trade and financing services as well as financial services in free trade zone.

During the reporting period, modern services segment recorded revenue of RMB13,664 million, a year-on-year decrease of 23.42%, which was mainly attributed to the decline in revenue from domestic EPC engineering business due to the effects of national macro policies adjustment during the reporting period. The gross profit margin of the segment was 23.9%, representing a year-on-year increase of 6.9 percentage points, which was mainly attributed to the higher proportion of financial business in the segment.

Source of Funding and Indebtedness

As at 31 December 2017, the Group had an aggregate amount of bank and other borrowings and bonds of RMB19,026 million (2016 (restated): RMB17,600 million), representing an increase of RMB1,426million as compared with that of the beginning of the year. Borrowings and bonds repayable by the Company within one year amounted to RMB4,823 million, representing an increase of RMB1,742 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB14,203 million, representing a decrease of RMB316 million as compared with that of the beginning of the year.

As at 31 December 2017, included within the bank and other borrowings of the Group are unsecured bank borrowings of USD144,139,000 in total (2016 (restated): USD144,136,000), equivalent to RMB941,833,000 (2016 (restated): RMB999,870,000), EUR127,203,000 in total (2016 (restated): EUR110,904,000), equivalent to RMB992,475,000 (2016 (restated): RMB810,351,000), MYR41,000,000 in total (2016 (restated): MYR68,600,000), equivalent to RMB65,891,000 (2016 (restated): RMB106,512,000) and GBP63,000 in total (2016 (restated): GBP2,648,000), equivalent to RMB553,000 (2016 (restated): RMB22,534,000), secured bank borrowings of EUR103,281,000 in total (2016 (restated): EUR113,766,000), equivalent to RMB805,832,000 (2016 (restated): RMB763,145,000) and guaranteed bank borrowings of

USD35,975,000 in total (2016 (restated): USD0), equivalent to RMB235,071,000 (2016 (restated): RMB0), all other unsecured bank borrowings are denominated in Renminbi.

As at 31 December 2017, gearing ratio of the Group, which represents the ratio of the sum of interest-bearing bank borrowings and other borrowings and bonds to the sum of total equity of the shareholders plus interest-bearing bank borrowings and other borrowings and bonds, was 21.20%, representing a decrease of 0.79 percentage point as compared with 21.99% (restated) at the beginning of the year.

PLEDGE OF ASSETS

As at 31 December 2017, the Group's bank deposits of RMB565 million (2016 (restated): RMB801 million) and bills receivable of RMB222 million (2016 (restated): RMB176 million) were pledged to banks for bank borrowings or credit facilities. In addition, the Group's certain properties and accounts receivable, with the net carrying value of RMB423 million as at 31 December 2017 (2016 (restated): RMB508million), were pledged for certain bank loans of the Group. Moreover, the Group pledged the equity interests held by certain subsidiaries (the net assets of such equity interests amounted to €817 million in total as at 31 December 2017) to secure bank borrowings.

Use of Proceeds from Financing Activities and Capital Utilization Plan

Under the complicating economic conditions in the macro environment, we adhered to the scientific and cautious investment philosophy and maintain an appropriate investment scale. In March 2013, the Company completed the issue of corporate bonds of RMB2 billion by public offering, which had been repaid in full by the Company in February 2016 and February 2018. Use of the proceeds and utilization plan etc. are in accordance with the issue document.

In February 2015, the Company completed the issue of A Share convertible corporate bonds amounting to RMB6 billion, and the net proceeds were used for the Iraq Wassit II Thermal Power Plant EPC project, India SASAN Thermal Power Plant BTG project and Vietnam Vinh Tan II Coal-fired Power Plant EPC project and as the capital contribution to Shanghai Electric Leasing Co., Ltd. Actual use of the proceeds is in line with the above disclosure.

On 22 May 2015, Shanghai Electric Newage Company Limited, a wholly-owned subsidiary of the Company, issued offshore bonds in the amount of EUR600 million and had such Eurobonds listed and traded on the Irish Stock Exchange on 25 May 2015. The Eurobonds are guaranteed by the Group and have a term of 5 years with annual interest rate of 1.125%. The proceeds from the bonds were mainly used for repayment of the bridge loan obtained in connection with the acquisition of 40% equity interest in Ansaldo Energia S.p.A. and related interests and fees. Actual use of the proceeds is in line with the above disclosure.

On 7 November 2017, the Company completed the issue of A shares with an aggregate amount of RMB3 billion to eight specific investors (including Shanghai Electric (Group) Corporation, the controlling shareholder of the Company) by way of non-public issuance. Proceeds from the non-public issuance will be used to finance the projects including Emerging Industrial Park Development Project at Gonghe New Road, Innovative Industry Park Reformation Project at Beinei Road, Technology Innovative Park Reformation Project at Jinshajiang Branch Road, and Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jun Gong Road.

FUTURE DEVELOPMENT AND OUTLOOK OF THE COMPANY

Looking forward to the future, we will lead, gather and develop a consensus on the development of the Group with strong determination on aggressive reform, vigor and sense of urgency to accomplish the development vision and strategic development targets of the Group. We will continue to focus on advantageous business, optimize existing business and vigorously develop emerging business. We will follow the guideline of marketization, professionalization and internationalization, advance innovation-driven development and speed up thorough transformation, upgrading and development to catch up with internationally leading players. Furthermore, we will speed up in adjustment of industrial structure, establishment of global presence and multinational operation as well as the reform of and innovation in systems and mechanisms to join the team of globally leading enterprises at the soonest. We will lead a new round of great and leap-forward development of Shanghai Electric to make it a respected enterprise with strong competitiveness and profitability and constantly strive for an early realization of the "Electric Dream".

RECENT DEVELOPMENT

Reference is made to the announcements of the Company dated 14 November 2017, 29 December 2017 and 13 March 2018, in relation to, among other things, the public issuance of exchangeable corporate bonds of the Company. On 29 December 2017, the public issuance of exchangeable corporate bonds of the Company was approved at the extraordinary general meeting of the Company. On 13 March 2018, the Company received the "Approval for Public Issuance of Exchangeable Corporate Bonds to Qualified Investors by Shanghai Electric Group Company Limited" (Zheng Jian Xu Ke [2018] No.420) from the China Securities Regulatory Commission. As of the date of this announcement, the public issuance of exchangeable corporate bond is still in progress.

CORPORATE GOVERNANCE

During the reporting period, the Board of the Company performed the following functions: to formulate and review the Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) of employees and Directors; and to review the Company's compliance with the code provisions and disclosure in the "Corporate Governance Report".

During the reporting period, the Board is of the view that the Company has complied with the requirements of the code provisions in Appendix 14 of the Hong Kong Listing Rules (the "Code"), except for the deviation from requirement of A.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer. Pursuant to code provision A.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Until 31 August 2017, Mr. Huang Dinan had been the Chairman of the Board and the Chief Executive Officer of the Company, and Mr. Zheng Jianhua, being executive Director and the President of the Company, had been fully responsible for the daily operations and execution of the Company. On 1 September 2017, Mr. Huang Dinan resigned as the Chairman of the Board and the Chief Executive Officer of the Company. From 1 September 2017 to the date of this announcement, Mr. Zheng Jianhua undertook the roles of the Chairman of the Board, the Chief Executive Officer and acted as the President of the Company as well. The nomination committee of the Board will identify suitable candidate of the president of the Company for, and make recommendations to, the Board so as to appoint a president of the Company who shall be responsible for the daily operations and execution of the Company. To comply with the requirement of A.2.1 of the Code during this transition period, the Company has implemented a collective decision making mechanism for the daily operations and execution of the Company to avoid over-centralisation of management power, under which Mr. Zheng Jianhua shall be responsible for the overall strategy setting for the Company whilst the rest of the senior management of the Company shall be responsible for the daily operations and execution of the Company on a collective basis. The Company is of the view that segregation of duties and responsibilities between the Board and the management has been well maintained and there is no over-centralization of management power under such mechanism.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code provisions regarding the purchase and sale of the Company's shares by the directors of the Company on the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. All directors and supervisors of the Company confirmed that they had complied with the requirements contained in the Model Code throughout the year 2017. The Company was not aware of any non-compliance of the Model Code by any staff.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

No purchase, redemption or sale of the Company's listed securities has been made by the Company or any of its subsidiaries during the year 2017.

FINAL DIVIDEND

The Board of the Company proposed to declare the final dividend for the year 2017 at RMB9.195 cents (tax inclusive) per share, which is subject to approval at the annual general meeting of the Company.

FINAL DIVIDEND INCOME TAX WITHHOLDING AND PAYMENT

According to the implementation rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend for the year 2017 to non-resident enterprise shareholders as appearing on the H Share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

CLOSURE OF REGISTER OF MEMBERS

The Company will notify shareholders on a later date about the date of the annual general meeting for the year 2017 as well as the corresponding period for closure of register of members for the distribution of final dividend.

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 Annual 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.

By Order of the Board
Shanghai Electric Group Company Limited
Zheng Jianhua
Chairman

Shanghai, the PRC, 29 March 2018

As at the date of this announcement, the executive director of the Company is 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

** For identification purpose only*