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)

2018 INTERIM RESULTS

Performance Highlights

- ► **Revenue for first half of 2018 was RMB 51,274 million, an increase of 24.38% over the corresponding period of last year**
- ► **Profit attributable to owners of the Company for first half of 2018 was RMB 1,764 million, an increase of 12.54% over the corresponding period of last year**
- ► **Basic earnings per share for first half of 2018 were RMB11.98 cents, an increase of 6.49% over the corresponding period of last year**
- ► **New orders for first half of 2018 amounted to RMB66.53 billion, which include the world's largest EPC Contract of Solar-thermal power plant which is located in Dubai with an installed capacity of 700MW, total contract amount more than RMB18 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 2018. 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 Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Revenue	4	51,273,997	41,224,346
Cost of sales		(42,493,415)	(33,222,278)
Gross profit		8,780,582	8,002,068
Other income	4	535,301	264,268
Other gains, net	4	35,421	132,321
Other income and other gains, net	4	570,722	396,589
Distribution expenses		(1,264,127)	(1,129,320)
Administrative expenses		(4,471,274)	(4,719,787)
Net impairment losses on financial assets		(541,440)	-
Operating Profit		3,074,463	2,549,550
Finance costs		(414,640)	(298,166)
Finance income		75,380	89,101
Finance costs – net		(339,260)	(209,065)
Share of profits or losses accounted for using the equity method :			
Joint ventures		124,285	1,252
Associates		383,051	600,535
Profit before income tax	5	3,242,539	2,942,272
Income tax expense	6	(311,347)	(350,932)
Profit for the period		2,931,192	2,591,340

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

	Notes	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Profit attributable to:			
- Owners of the Company		1,764,016	1,567,403
- Non-controlling interests		1,167,176	1,023,937
		2,931,192	2,591,340
		Cents per share	**Cents per share**
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic earnings per share		11.98 cents	11.25 cents
Diluted earnings per share		11.98 cents	11.25 cents

Note: In 2017, pursuant to the approval from the 37th and the 42nd meetings of the 4th session of the Board of the Company, the 2017 first extraordinary general meeting of the Company, the 2017 first A share class meeting and the 2017 first 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. and its land use rights and the affiliated buildings from Shanghai Electric (Group) Corporation ("SEC") 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.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Profit for the period	2,931,192	2,591,340
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Changes in the fair value of debt instruments at fair value through other comprehensive income, - net of tax	(27,909)	-
Changes in fair value of available-for- sale financial investments, net of tax	-	63,780
Cash flow hedges, net of tax	(14,201)	22,622
Currency translation differences	52,041	(9,593)
	9,931	76,809
Items that will not be reclassified subsequently to profit or loss		
Remeasurements gains of defined benefit obligations	2,351	4,860
Other comprehensive income for the period, net of tax	12,282	81,669
Total comprehensive income for the period	2,943,474	2,673,009
Attributable to:		
- Owners of the Company	1,782,528	1,631,502
- Non-controlling interests	1,160,946	1,041,507
	2,943,474	2,673,009

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		16,706,539	16,468,912
Investment properties		797,180	832,508
Prepaid land lease payments		5,710,638	5,828,581
Goodwill		2,615,714	2,648,897
Intangible assets		1,380,639	1,393,008
Investments in joint ventures		4,769,926	4,395,635
Investments in associates		7,487,799	6,309,326
Available-for-sale investments		-	1,393,811
Financial assets at amortised cost		6,957,885	-
Financial asset at fair value through profit or loss		3,877,314	-
Contract assets		2,042,299	-
Deferred income tax assets		4,457,380	3,982,674
Loans and lease receivables		-	7,399,416
Other non-current assets		221,622	4,335,730
Total non-current assets		**57,024,935**	**54,988,498**
Current assets			
Inventories		28,121,953	29,057,351
Construction contracts		-	5,416,449
Contract assets		17,989,367	-
Trade receivables	9	28,228,939	27,905,847
Loans and lease receivables		-	10,956,118
Discounted bills receivable		330,316	179,926
Bills receivable		2,897,165	10,106,004
Prepayments, deposits and other receivables		16,367,872	12,170,116
Investments		-	11,325,754
Financial asset at fair value through profit or loss		1,293,722	-
Financial assets at fair value through other comprehensive income		6,004,910	-
Other financial assets at amortised cost		14,114,698	-
Derivative financial instruments		116	15,604
Due from the Central Bank*		2,649,769	3,267,497
Restricted deposits		534,837	565,322
Time deposits with original maturity over three months		9,626,296	10,922,202
Cash and cash equivalents		22,088,398	22,469,071
Total current assets		**150,248,358**	**144,357,261**
Total assets		**207,273,293**	**199,345,759**

*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)

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds		10,062,534	10,058,027
Interest-bearing bank and other borrowings		6,658,747	4,144,184
Provisions		304,038	243,817
Government grants		965,373	1,055,960
Other non-current liabilities		1,396,683	1,464,926
Deferred income tax liabilities		655,326	337,530
Total non-current liabilities		**20,042,701**	**17,304,444**
Current liabilities			
Bonds		-	1,599,506
Trade payables	10	40,241,396	33,740,212
Contract liabilities		38,182,134	-
Bills payable		5,726,173	7,144,728
Government grants		584,295	439,973
Other payables and accruals		14,369,769	56,627,701
Derivative financial instruments		143,687	8,537
Customer deposits		2,520,694	3,324,568
Interest-bearing bank and other borrowings		9,279,516	3,224,101
Tax payable		878,923	1,201,062
Provisions		3,854,571	4,009,340
Total current liabilities		**115,781,158**	**111,319,728**
Total liabilities		**135,823,859**	**128,624,172**
Equity			
Equity attributable to owners of the Company			
Share capital		14,725,181	14,725,181
Reserves		20,651,461	20,637,494
Retained earnings		21,050,341	20,174,408
		56,426,983	**55,537,083**
Non-controlling interests		**15,022,451**	**15,184,504**
Total equity		**71,449,434**	**70,721,587**
Total equity and liabilities		**207,273,293**	**199,345,759**
Net current assets		**34,467,200**	**33,037,533**
Total assets less current liabilities		**91,492,135**	**88,026,031**

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017 (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 2017, 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 new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- *HKFRS 9 Financial Instruments*
- *HKFRS 15 Revenue from Contracts with Customers*
- *Amendments to HKFRS 2 - Classification and Measurement of Share-based Payment Transactions*
- *Amendments to HKFRS 4 - Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
- *Annual improvements 2014 - 2016 Cycle*
- *Amendments to HKAS 40 - Transfers of Investment Property, and*
- *HKFRIC 22 Foreign Currency Transactions and Advance Consideration*

The impact of the adoption of HKFRS 9 'Financial Instruments' and HKFRS 15 'Revenue from Contracts with Customers' is disclosed in note 2 below. The other standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

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

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for the financial year beginning 1 January 2018 and relevant to the Group and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendment to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments improvement to HKFRSs	Annual improvements to HKFRS standards 2015-2017 cycle	1 January 2019

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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

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. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 'Financial Instruments' and HKFRS 15 'Revenue from Contracts with Customers' on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(A). Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note 2(B) below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables set out the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The relevant adjustments are explained in more detail by standard below.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(A). Impact on the financial statements (continued)

Balance sheet (extract)	31 Dec 2017 As originally presented RMB'000	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 Restated RMB'000
Non-current assets				
Deferred tax assets	**3,982,674**	-	183,119	**4,165,793**
Other non-current assets	**42,212,597**	(1,879,074)	(276,984)	**40,056,539**
Financial assets at fair value through other comprehensive income (FVOCI)	-	-	174,247	**174,247**
Financial assets at fair value through profit or loss (FVPL)	-	-	2,285,230	**2,285,230**
Receivables/ Financial assets at amortised cost	-	-	276,984	**276,984**
Contract assets	-	1,879,074	-	**1,879,074**
Available-for-sale financial assets	**1,393,811**	-	(1,393,811)	-
Loans and lease receivables / Financial assets at amortised cost	**7,399,416**	-	(67,548)	**7,331,868**
Current assets				
Other current assets	**48,167,185**	-	(17,764,938)	**30,402,247**
Inventories	**29,057,351**	(1,678,377)	-	**27,378,974**
Construction contracts	**5,416,449**	(5,416,449)	-	-
Trade receivables	**27,905,847**	(8,437,564)	(136,870)	**19,331,413**
Contract assets	-	15,532,390	(252,954)	**15,279,436**
Financial assets at FVPL	-	-	1,824,228	**1,824,228**
Financial assets at FVOCI	-	-	14,784,661	**14,784,661**
Investment	**11,325,754**	-	(11,325,754)	-
Other financial assets at amortised cost	-	-	12,481,803	**12,481,803**
Derivative financial instruments	**15,604**	-	-	**15,604**
Cash and cash equivalents	**22,469,071**	-	-	**22,469,071**
Total assets	**199,345,759**	-	791,413	**200,137,172**
Non-current liabilities				
Deferred tax liabilities	**337,530**	-	340,535	**678,065**
Other non-current liabilities	**16,966,914**	-	-	**16,966,914**
Current liabilities				
Other payables and accruals	**56,627,701**	(43,650,082)	-	**12,977,619**
Contract liabilities	-	43,650,082	-	**43,650,082**
Derivative financial instruments	**8,537**	-	-	**8,537**
Provisions	**4,009,340**	-	-	**4,009,340**
Other current liabilities	**50,674,150**	-	-	**50,674,150**
Total liabilities	**128,624,172**	-	340,535	**128,964,707**
Net assets	**70,721,587**	-	450,878	**71,172,465**
Share Capital	**14,725,181**	-	-	**14,725,181**
Reserves	**20,637,494**	-	(4,427)	**20,633,067**
Retained earnings	**20,174,408**	-	465,897	**20,640,305**
Non-controlling interests	**15,184,504**	-	(10,592)	**15,173,912**
Total equity	**70,721,587**	-	450,878	**71,172,465**

(B). HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(C) below. In accordance with the transitional provisions in HKFRS 9(Paragraph 7.2.15) and (Paragraph 7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(B). HKFRS 9 Financial Instruments – Impact of adoption (continued)

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018
	RMB'000
Closing retained earnings 31 December 2017 - HKAS 39/HKAS 18	**20,174,408**
Reclassify investments from available-for-sale to FVPL	**1,070,093**
Increase in deferred tax liabilities relating to reclassify investments	**(340,535)**
Increase in deferred tax assets relating to reclassify investments	**73,306**
Increase in non-controlling interests relating to reclassify investments	**(10,875)**
Increase in provision for trade receivables, contract assets and lease receivables	**(457,372)**
Decrease in non-controlling interests relating to impairment provisions	**21,467**
Increase in deferred tax assets relating to impairment provisions	**109,813**
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018	**465,897**
Opening retained earnings 1 January 2018 - HKFRS 9 (before restatement for HKFRS 15)	**20,640,305**

(C). HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(C). HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

Measurement (continued)

- Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

• Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

• FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in profit or loss using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

• FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

- Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(C). HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(D). HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

		HKAS 18 carrying amount * 31 Dec 2017 RMB'000	**Reclassification RMB'000**	**HKFRS 15 carrying amount 1 January 2018 RMB'000**
Inventories	(i)	29,057,351	(1,678,377)	27,378,974
Construction contracts	(i)	5,416,449	(5,416,449)	-
Trade receivables	(i)	27,905,847	(8,437,564)	19,468,283
Contract assets	(i)	-	15,532,390	15,532,390
Contract liabilities	(i)	-	43,650,082	43,650,082
Other payables and accruals	(i)	56,627,701	(43,650,082)	12,977,619
Contract assets - non-current	(i)	-	1,879,074	1,879,074
Other non-current assets	(i)	42,212,597	(1,879,074)	40,333,523

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15 and HKFRS 9:

- Contract assets recognised in relation to construction contracts were previously presented as part of inventories and construction contracts (RMB7,094,826,000 as at 1 January 2018).
- Contract assets recognised in relation to receivables of warranty were previously presented as part of trade receivables (RMB8,437,564,000 as at 1 January 2018).
- Contract assets recognised in relation to receivables of warranty were previously presented as part of other non-current assets (RMB1,879,074,000 as at 1 January 2018).
- Contract liabilities in relation to sales and construction contracts were previously included in trade and other payables (RMB43,650,082,000 as at 1 January 2018).

* The amounts in this column are before the adjustments from the adoption of IFRS 9, including increases in the impairment loss allowance for trade receivables and contract assets, see note 2(B) above.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(E). HKFRS 15 Revenue from Contracts with Customers – Accounting policies

The Group recognises revenue to depict the transfer of control to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for goods or services.

The Group shall recognise revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when (or as) the customer obtains control of the good or service.

The Group typically allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract, in the case of the contract involves two or more obligations.

The transaction price is the amount of consideration in a contract to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding the payment on behalf of subcontractors.The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group recognises a refund liability if the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer.

The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and for any consideration payable to the customer. As a practical expedient, the Group need not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:
- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

In some circumstances, the Group may not be able to reasonably measure the outcome of a performance obligation, but the Group expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(E). HKFRS 15 Revenue from Contracts with Customers – Accounting policies (continued)

If the Group satisfies the performance obligation at a point in time, the Group considers indicators of the transfer of control, which include, but are not limited to, the following:
- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service

The specific accounting policies related to the main stream of the Group's revenue are described below:

Revenue from sales of goods

The Group recognises revenue when the control of the product is transferred to the customer.

Service income

The services provided by the Group are recognised during the offering period.

Construction contract

On the balance sheet date, if the result of a construction contract can be reliably estimated, the contract revenue and contract costs shall be recognised by the percentage of completion method; otherwise, the revenue shall be recognised with the amount of actual contract costs that occurred and is expected to be recoverable. The result of a construction contract can be reliably estimated, which means that the economic benefits related to the contract are likely to flow into the Group, and the actual contractual costs can be clearly distinguished and reliably measured; in the case of a fixed cost contract, the following conditions must be met: the total contractual revenue can be reliably measured, and the progress of completion of the contract and the cost of completion of the contract can be reliably determined.

The Group determines the progress of contract completion in proportion to the actual cumulative contract cost as a percentage of the estimated total contract cost. The total amount of contract revenue includes the initial revenue stipulated in the contract and the revenue resulting from contract changes, claims, awards, etc.

Interest Income

Interest income is determined on the basis of the actual interest rate calculated by other parties using the Group's currency funds.

Rental income

Rental income from operating leases is recognised by the straight-line method during each period of the lease term, and contingent rents are recorded in the current profits and losses when they actually occur.

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, 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 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, electrical 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 components such as the central research institute and spare houses management.

3. 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 at 30 June 2018 (the "**Period**") 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 2018 (Unaudited)							
Segment revenue							
Sales to external customers	6,599,390	15,244,773	18,093,403	9,497,032	1,839,399	-	51,273,997
Intersegment sales	494,845	1,916,720	543,408	903,414	97,846	(3,956,233)	-
Total	7,094,235	17,161,493	18,636,811	10,400,446	1,937,245	(3,956,233)	51,273,997
Operating profit	284,185	396,269	1,293,209	1,114,508	(30,315)	16,607	3,074,463
Financial expenses							(339,260)
Share of profits and losses of:							
Joint ventures							124,285
Associates							383,051
Profit before tax							3,242,539
Income tax expense							(311,347)
Profit for the period							2,931,192
As of 30 June 2018 (Unaudited)							
Assets and Liabilities							
Total assets	30,131,019	59,967,000	47,998,709	82,153,350	46,778,285	(59,755,070)	207,273,293
Total liabilities	17,214,036	42,903,152	29,676,761	67,553,198	27,924,391	(49,447,679)	135,823,859

3. 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 at 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 2017 (Unaudited)							
Segment revenue							
Sales to external customers	4,918,831	11,510,687	16,068,722	7,726,340	999,766	-	41,224,346
Intersegment sales	426,950	2,199,508	353,392	555,796	3,027	(3,538,673)	-
Total	5,345,781	13,710,195	16,422,114	8,282,136	1,002,793	(3,538,673)	41,224,346
Operating profit/(loss)	209,970	367,513	1,243,929	739,996	(114,170)	102,312	2,549,550
Financial expenses							(209,065)
Share of profits and losses of:							
Joint ventures							1,252
Associates							600,535
Profit before tax							2,942,272
Income tax expense							(350,932)
Profit for the period							2,591,340
As of 30 June 2017 (Unaudited)							
Assets and Liabilities							
Total assets	26,305,859	60,622,834	47,348,737	80,700,436	25,782,042	(49,163,682)	191,596,226
Total liabilities	17,194,092	43,844,471	30,924,542	68,210,564	13,262,348	(45,558,766)	127,877,251

3. SEGMENT INFORMATION (continued)

Geographical segment

Information on revenue of geographical segments of the Group for the six months ended 30 June 2018 and the six months ended 30 June 2017 is listed below:

	Unaudited					
	For the six months ended 30 June 2018			**For the six months ended 30 June 2017 (Restated)**		
	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	45,543,209	5,730,788	51,273,997	35,938,153	5,286,193	41,224,346

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:

	Unaudited For the six months ended 30 June 2018 RMB'000	**2017 RMB'000 (Restated)**
Revenues		
Revenues from main operations	49,562,962	39,506,638
Revenues from other operations	1,711,035	1,717,708
	51,273,997	41,224,346
Revenues from other operations		
Sales of raw materials, spare parts and semi-finished goods	337,824	261,594
Finance lease income	308,355	351,728
Rental income under operating leases	296,525	461,020
Finance Company*:		
Interest income from banks and other financial institutions	402,777	199,397
Interest income on loans receivable and discounted bills receivable	168,240	206,835
Others	197,314	237,134
	1,711,035	1,717,708

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

continued/…

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

	Unaudited For the six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Other income		
Interest income on debt investment	170,840	55
Dividend income from equity investments and investment funds	3,705	26,493
Subsidy income	360,756	237,720
	535,301	264,268
Other gains, net		
Gain on disposal of property, plant and equipment	50,628	10,888
Gain on disposal of an associate	-	10,451
Investments at fair value through profit or loss:		
Unrealised fair value loss, net	(89,034)	(69,666)
Realised fair value (loss)/gain, net	(1,088)	6,867
Derivative financial instruments - transactions not qualifying as hedges:		
Unrealised fair value gain, net	29,029	(238)
Realised gains on available-for-sale investments	-	133,776
Debt restructure gain, net	2,466	747
Exchange gain, net	2,932	18,180
Litigation compensation	-	2,765
Others	40,488	18,551
	35,421	132,321
	570,722	396,589

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended 30 June 2018 RMB'000	 2017 RMB'000 (Restated)
Cost of inventories sold	32,460,054	24,322,855
Cost of construction contracts	5,250,950	4,850,226
Cost of services provided	3,495,542	3,151,713
Finance Company:		
Interest expense due to banks and other financial institutions	7,003	3,401
Interest expense on customer deposits	11,947	8,923
	18,950	12,324
Depreciation of property, plant and equipment	794,264	773,972
Depreciation of investment properties	46,662	54,981
Amortisation of prepaid land lease payments	118,439	76,234
Amortisation of patents and licences	13,883	11,920
Amortisation of concession intangible assets	15,514	8,898
Amortisation of other intangible assets	17,169	29,664
Amortisation of other non-current assets	33,928	27,938
Research and development costs:		
Amortisation of technology know-how	10,518	15,069
Current period expenditure	1,460,519	1,132,519
	1,471,037	1,147,588
Minimum lease payments under operating leases:		
Land and buildings	159,630	153,785
Plant, machinery and motor vehicles	96,912	95,924
Staff costs	3,643,208	3,569,732
Impairment of inventories to net realisable value	604,949	425,915
Impairment of contract assets	81,617	-
Impairment of trade receivables and other receivables	356,167	736,048
Impairment of loans receivable	35,009	42,725
Impairment of lease receivables	64,197	61,028
Impairment of discounted bills receivable	4,450	1,874
Product warranty provision:		
Additional provision	401,044	459,800
Onerous contract provision:		
Additional provision	292,104	280,439

6. 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 2018 under the income tax rules and regulations of the PRC, except that:

Eleven 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 Co., 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 Institute of Mechanical & Electric Engineering Co., Ltd., Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai Blower Works Co., Ltd., and Thales SEC Transportation System Ltd.,. 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 2018 RMB'000	 2017 RMB'000 (Restated)
The Group:		
Current - Mainland China		
Charge for the period	503,289	681,500
Overprovision in prior years	(79,064)	(22,413)
Current - Elsewhere		
Charge for the period	28,585	30,859
Deferred	(141,463)	(339,014)
Total tax charge for the period	311,347	350,932

7. DIVIDENDS

	Unaudited For the six months ended 30 June	
	2018 RMB'000	**2017 RMB'000**
Dividends provided during the half-year	1,353,980	-

On 29 June 2018, the 2017 Annual General Meeting resolved to a final dividend of RMB9.195 cents per share (tax inclusive), totalling to RMB1,353,980,000.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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 RMB1,764,016,000 (for the six months ended 30 June 2017: RMB1,567,403,000), and the weighted average number of ordinary shares of 14,725,181,000 (for the six months ended 30 June 2017: 13,937,478,000) 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 2018.

9. TRADE RECEIVABLES

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Undue	9,961,676	16,861,483
Within 3 months	5,023,926	3,738,790
Over 3 months but within 6 months	4,842,296	1,913,216
Over 6 months but within 1 year	3,763,334	1,521,476
Over 1 year but within 2 years	3,506,735	2,011,944
Over 2 years but within 3 years	729,858	1,502,487
Over 3 years past due	401,114	356,451
	28,228,939	27,905,847

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.

10. TRADE PAYABLES

An aging analysis of the trade payables based on the invoice date is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 3 months	23,437,072	19,587,369
Over 3 months but within 6 months	4,949,685	4,259,538
Over 6 months but within 1 year	3,656,101	2,431,296
Over 1 year but within 2 years	4,132,489	3,537,206
Over 2 years but within 3 years	2,574,825	2,792,630
Over 3 years	1,491,224	1,132,173
	40,241,396	33,740,212

Results Review

In the first half of 2018, Shanghai Electric embarked on a new round of strategic development. With the theme of the "year of innovation" and the "year of implementation", we focused on tackling key issues and bottlenecks in the development of the Group, and further freed our minds and transformed our ideas. A benign operating state with motivation, pressure and vitality was formed throughout the Group, the key tasks set at the beginning of the year were advanced in a steady way and the Company maintained stable growth momentum.

From 1 January 2018 to 30 June 2018 (the "**Reporting Period**"), the Group achieved a revenue of RMB51,274 million, representing a year-on-year increase of 24.38%; the net profit attributable to owners of the Company amounted to RMB1,764 million, representing a year-on-year increase of 12.54%.

During the Reporting Period, the Company built on its solid presence in the energy equipment industry, and gradually formed AI-based industrial application solutions for the industrial field through analysis on the common demands of its subordinate business entities, accumulation of technical experience, survey on market prospects, demonstration engineering application, etc. In the field of wind power business, we accessed the wind turbines to obtain real-time operation and environmental data of wind farms, and used big data analysis technology to realize the health management of wind turbines, the vibration signal analysis of wind turbines, the wind turbine power forecasting, and the offshore wind farm maintenance scheduling. In respect of environmental protection business, we provided overall solutions for remote intelligent operation and maintenance and offered video remote monitoring system and intelligent operation and maintenance information service system for power plants, covering major technological processes, electromechanical equipment, power and other major systems. For thermal power business, we tracked the operation data of power plant equipment throughout the life cycle in an instant manner and established a remote diagnostic service platform for power plants to analyze the health status of power plant equipment in real time and provide early warning of abnormal fluctuations in equipment status, effectively reducing the incidence of power plant failures. Based on artificial intelligence and data analysis algorithms, real-time monitoring and analysis was carried out on massive data of real-time and historical operation of power plants to form overall solutions for smart power plants.

During the Reporting Period, the Company obtained new orders in the amount of RMB66.53 billion, representing an increase of 20.8% 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 11.5%, 11.4%, 34.2% and 42.9% of the total new orders, respectively. As at the end of the Reporting Period, the Company's orders on hand amounted to RMB226.09 billion (with orders in the aggregate amount of RMB104.58 billion not yet coming into effect), basically remained the same level as 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 14.5%, 40.0%, 5.6% and 39.9% of the total orders on hand, respectively.

Results Review (continued)

New Energy and Environmental Protection Equipment
Shanghai Electric is a nuclear power equipment manufacturing group which possesses the comprehensive industry chain of nuclear island, conventional island and auxiliary equipment. We maintain a leading market share in respect of nuclear island 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. We are vigorously promoting innovative business model and smart nuclear power. By building a technical research and development platform, we fostered innovation capability in terms of design, equipment and service integration, and realized the transformation from merely equipment sales to the industrial model consisting of "equipment integration + technical service"; with the establishment of a collaborative management platform for digital manufacturing, we have transformed the production model of nuclear power products from "traditional discrete manufacturing " to "digital high-end equipment manufacturing". During the Reporting Period, we made efforts to change from a wind turbine equipment manufacturer to a wind power service provider for the whole life cycle (covering "wind resources –wind turbines –wind farms –grids –environment"), and continuously accelerated the development of technological research and development capabilities by establishment of research and development centers in Beijing, Hangzhou and Denmark for further enhancement of technical level and capabilities. During the Reporting Period, we completed the construction of Fujian offshore wind power intelligent manufacturing base, which is a comprehensive offshore wind power integrating R&D, testing, manufacturing and offshore operation and maintenance with the highest level of technology, the most advanced product technology and the largest scale in Asia at present. The completion of the base marks that Shanghai Electric has the production capability for 6 to 10MW large direct-drive wind turbines. During the Reporting Period, we teamed up with Baidu to develop "Fengyun" platform, an intelligent cloud maintenance platform based on big data, intelligent and deep learning, and built a domestic leading data center which has accumulatively accessed to 3,500 wind turbines to achieve comprehensive innovation for the existing wind farm control strategy and wind farm operation and maintenance service system, thus improving wind turbine performance and wind farm operation level. 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, distributed energy and industrial services. In particular, we have opened up the market for the rural distributed water treatment business, and successively built a number of demonstration projects in Chongming, Shanghai, Yangzhong, Jiangsu, Mianyang, Sichuan and Binzhou, Shandong. During the Reporting Period, we acquired new orders for environmental protection equipment of RMB2.63 billion, representing a year-on-year increase of 229.6%. At the end of the Reporting Period, our orders on hand for environmental protection equipment amounted to RMB4.57 billion, representing a year-on-year increase of 7.8%.

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 endeavored to improve the profitability of thermal power products by continuously optimizing the business structure. We have also achieved transformation from traditional equipment manufacturing to smart products and services supply to play an active role in providing system solutions to domestic and foreign users. Besides, we developed a comprehensive international strategic plan devised on the national strategy of "One Belt, One Road" to improve

Results Review (continued)

and enhance the overseas project management capability 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. During the Reporting Period, the project joint venture formed by us and Dongfang Electric successfully won the bid for the Hamrawien Power Plant project in Egypt. The total project size is approximately USD 4.4 billion. 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 contract in relation to long term support service for gas turbines in Fengxian with Huadian Group. As of now, the accumulated orders in relation to the long term support service for gas turbines reached 10 units.

During the Reporting Period, we further focused on the "3+1 business portfolio of high voltage technology, intelligence-based manufacturing, power electronics technology and engineering service" for our power transmission and distribution equipment business and laid the emphasis of industrial development on regional layout, industrial chain optimization and other fields. Meanwhile, we adhered to equal stress on independent research and development and acquisition, and built a technology platform for the entire industry chain, to improve the effective investment in technological research and development. During the Reporting Period, the Kuwaiti 132/11kV indoor GIS substation contracted by us was put into operation in one go, and our transmission and distribution engineering business continuously widens the investment channels. Based on the project in Ethiopia, the Group expanded its marketing share in the power transmission and distribution market in northeast Africa.

Industrial Equipment

During the Reporting Period, due to the impact of factors such as China's macro control policy on real estate, the rising prices of raw materials and production overcapacity, the competition in the elevator market was increasingly fierce and the elevator industry witnessed the competition landscape covering every aspect including price, quality, delivery time, services, etc. Shanghai Mitsubishi Elevator Co., Ltd ("SMEC") continued to explore the development of service industrialization. In order to cater to the rapid growth in demands for services from elevators in use, especially for the business of retrofit of obsolete elevators, SMEC accelerated the construction of service centers, logistics centers and training centers and established the philosophy of "service-based marketing" with the view to creating a new growth stream for our services by proceeding from the retrofit of obsolete elevators. In response to the market situation and the increasing concentration of strategic customers, SMEC paid adequate attention to the maintenance and development of relationships with major strategic customers and continued to work closely with core strategic partners such as Evergrande, China Overseas, Greenland, Country Garden, Longfor and Forte. Meanwhile, it made greater efforts on the follow-up of core and major projects in the second-tier and the third-tier cities. The major projects undertaken by SMEC during the Reporting Period included the elevator retrofit and renovation projects for the grand auditorium and key office buildings of the Great Hall of the People, the public service center project in Xiongan New Area, the JD headquarters building phase II in Yizhuang, Beijing, the vertical elevator and escalator project for Shanghai Metro Line 14, etc. During the Reporting Period, revenue generated from SMEC's service business including installation, repairs and maintenance exceeded RMB3 billion,

Results Review (continued)

representing over 31% of the operating revenue of the elevator business. In terms of intelligent manufacturing and automation, efforts were concentrated on key industries to work out systemic solutions. During the Reporting Period, we entered into urban railway signalling system contracts with Shanghai, Qingdao, Shijiazhuang, Hangzhou and other cities in succession and thus secured the general contracting orders concerning urban railway signaling systems and comprehensive monitoring systems in cities such as Shanghai and Wuxi. Besides, we completed the construction of the new intelligent electronic railway transportation (IERT) trial line in Shanghai and released such an achievement to the public.

Modern Services

During the Reporting Period, we continued to develop our power plant engineering business at a steady pace. Leveraging the national initiative of "One Belt, One Road", we pinpointed the markets in over 50 countries and regions covered by the "One Belt, One Road" initiative for the development of our engineering business, and set up new subsidiaries in Pakistan, Dubai, Panama, Serbia and South Africa. We also planned to extend our overseas sales network into Turkey, Poland, Australia and Japan and had exerted active efforts to promote the construction of sales networks so as to achieve sales capacity in multiple regions. Since the incorporation of the Company, we have cumulatively undertaken over 90 domestic and overseas power plant engineering projects scattered over more than 30 countries and regions worldwide for installed capacity of more than 92,000 MW, of which overseas power plant engineering project accounted for the installed capacity of 63,000 MW. During the Reporting Period, the Company and ACWA Power entered into the EPC Contract for 700 MW CSP Project Phase IV with Dubai Electricity and Water Authority (DEWA) in shanghai to develop the currently largest thermo-solar power plant in the world. During the Reporting Period, our new orders for power plant engineering projects amounted to RMB26.88 billion, representing an increase of 79.1% as compared to the corresponding period last year. As at the end of the Reporting Period, the Company's orders on hand for power plant engineering projects amounted to RMB82.4 billion, representing an increase of 33.7% as compared to those at the end of last year. Our power transmission and distribution engineering business proactively promoted the "investment + operation and maintenance" model based on our main business. During the Reporting Period, for our power plant engineering business, we are developing new energy and distributed energy markets instead of focusing merely on the coal-fired market. We also strove to facilitate the business model of integrating industry and finance while enhancing the effort on project investment and financing to increase market share. During the Reporting Period, Shanghai Electric Finance Group accelerated the development at three levels of "treasury, promoting product sales and project undertaking, supporting the development of new businesses and introduction of new technologies", created a relatively sound business portfolio and basically established a worldwide coverage of treasury management, which provided effective support for the implementation of the Group's "going global" strategy, reduced financing costs and financial expenses, and also provided investment and financing services for the Group's domestic and overseas energy and environmental protection projects. The scope of services will be further expanded, so as to realize the centralized management of the Group's domestic and overseas funds.

Results Review (continued)

Outlook

Looking forward to the second half of 2018, we will continue to push forward the shift in growth drivers, and accelerate innovation and transformation. We will constantly review the external environment and our development, set our presence in emerging fields through mergers and acquisitions and increase our support for the nurturing and development of new businesses, thereby gradually building Shanghai Electric into a modern multinational conglomerate with global presence.

Management Discussion and Analysis

During the Reporting Period, the Group achieved a revenue of RMB51,274 million, representing a year-on-year increase of 24.38%; the net profit attributable to owners of the Company amounted to RMB1,764 million, representing a year-on-year increase of 12.54%.

New Energy and Environmental Protection Equipment

During the Reporting Period, the new energy and environmental protection equipment segment achieved sales revenue of RMB7,094 million, representing an increase of 32.70% as compared to the corresponding period of the preceding year. The increase was mainly due to the completion of certain environment protection engineering projects and the corresponding recognition of revenue during the Reporting Period. Gross profit margin of the segment decreased by 0.4 percentage point from that of the corresponding period of the preceding year to 14.6% while operating profit margin of the segment increased by 0.1 percentage point from that of the corresponding period of the preceding year to 4.0%.

High Efficiency and Clean Energy Equipment

During the Reporting Period, the high efficiency and clean energy equipment segment achieved a turnover of RMB17,161 million, representing an increase of 25.17% as compared to the corresponding period of the preceding year. The increase was mainly due to the peak production arrangement and products delivery for coal-fired power generation projects during the Reporting Period. Gross profit margin of the segment decreased by 2.8 percentage points from that of the corresponding period of the preceding year to 12.5%, while operating profit margin of the segment decreased by 0.4 percentage point from that of the corresponding period of the preceding year to 2.3%.

Industrial Equipment

During the Reporting Period, the industrial equipment segment recorded a turnover of RMB18,637 million, representing an increase of 13.49% as compared to the corresponding period of the preceding year. The increase was mainly due to the increases in revenue from all businesses within the segment resulted from more efforts in market exploration during the Reporting Period. Gross profit margin of the segment decreased by 1.9 percentage points from that of the corresponding period of the preceding year to 18.4%, while operating profit margin of the segment decreased by 0.7 percentage point from that of the corresponding period of the preceding year to 6.9%, 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 RMB10,400 million, representing an increase of 25.57% as compared to the corresponding period of the preceding year. The increase was mainly due to the higher year-on-year growth in revenue from power plant engineering projects during the Reporting Period. Gross profit margin of the segment increased by 1.1 percentage points from that of the corresponding period of the preceding year to 17.2%. Operating profit margin of the segment increased by 1.8 percentage points from that of the corresponding period of the preceding year to 10.7%, mainly due to the higher growth in revenue from financial business during the Reporting Period.

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 the Board of the Company. According to the Decision on Amending the Implementation Rules for Non-public Issuance of Listed Companies and relevant requirements issued by China Securities Regulatory Commission (hereinafter referred to as the "CSRC") in February 2017, the Company revised the original A Share Placing Plan. On 17 March 2017, the 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 the Board of the Company. On 8 May 2017, the Transaction was considered and approved at the Company's 2017 first extraordinary general meeting, the 2017 first A Share Class Meeting and the H Share Class Meeting.

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 to no more than 10 specific investors, including SEC and Shanghai Guosheng Group Investment Company Limited, raising funds not exceeding RMB3 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 into 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 relevant tax fees and other expenses of the Transaction. This A shares placement could further promote the business development of the Company, and effectively enhancing the integrated performance of this assets reorganization.

Placing of A Shares (continued)

On 31 July 2017, the Company received the "Approval for Issuance of Shares by Shanghai Electric Group Company Limited to Shanghai Electric (Group) Corporation for Assets Acquisition as well as Supporting Funds Raising" (Zheng Jian Xu Ke [2017] No. 1390) from the CSRC, therefore the asset reorganization and A-share placement were officially approved.

As of 20 October 2017, the Company completed the asset reorganization and issued a total of 877,918,006 A shares at RMB 7.55 per A share.

As of 7 November 2017, the Company completed the non-public issuance of A shares and issued a total of 416,088,765 A shares to eight specific investors at RMB 7.21 per A share.

As of the end of the Reporting Period, the assets reorganization and A share placement were completed. For details, please refer to the Company's announcements dated 14 November 2016, 17 March 2017, 31 July 2017, 20 October 2017 and 7 November 2017 and the circular dated 23 March 2017.

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 ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 2018 to 30 June 2018. No violation of the Model Code by relevant employees has been found by the Company.

CORPORATE GOVERNANCE

For the first half of 2018, 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 be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2018, Mr. Zheng Jianhua served as the chairman of the Board and the chief executive officer, and acted as the president of the Company. The Nomination Committee of the Board has been responsible for finding and nominating suitable candidates for president of the Company to the Board, so that the Board can appoint a new president to be responsible for all the day-to-day operations of the Company and execution of instructions from the Board. In the meantime, in order to meet the requirements of Code A.2.1, the Company has made appropriate institutional arrangements to avoid over-centralization of management power. Mr. Zheng Jianhua was mainly responsible for the Company's strategic decisions, the other senior managers of the Company were jointly responsible for the Company's daily operations and execution of instructions from the Board. The Company is of the opinion that segregation of duties

CORPORATE GOVERNANCE (continued)

and responsibilities between the Board and the senior management has been well maintained and there exists no problem of over-centralization of management authority.

AUDIT COMMITTEE

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.

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 2018 Interim Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

BOARD OF DIRECTORS AND SUPERVISORS

As at the date of this report, the executive directors 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.

As at the date of this report, 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
Zheng Jianhua
Chairman

Shanghai, the PRC, 30 August 2018