



2015

INTERIM REPORT



Shanghai Electric Group Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

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CORPORATE INFORMATION

Legal name in Chinese:	上海電氣集團股份有限公司
Legal name in English:	Shanghai Electric Group Company Limited
Registered Office:	30th Floor, Maxdo Center, 8 Xingyi Road, Shanghai, The People's Republic of China
Postal code:	200336
Principal Place of Business in Hong Kong:	Room 2602, 26th Floor, Tower 1, Lippo Centre, 89 Queensway, Hong Kong
Company Secretary:	Li Chung Kwong Andrew (FCCA, FCPA, ACA, CIA)
Authorized Representatives:	Huang Dinan , Zheng Jianhua
Alternate Authorized Representatives:	Li Chung Kwong Andrew (FCCA, FCPA, ACA, CIA)
Stock Exchange on which H Shares are listed:	The Stock Exchange of Hong Kong Limited
Abbreviation of H Shares:	SH Electric
Stock Code of H Shares:	02727
H Share Registrar and Transfer Office:	Computershare Hong Kong Investor Services Limited
Stock Exchange on which A Shares are listed:	Shanghai Stock Exchange
Abbreviation of A Shares:	上海電氣
Stock Code of A Shares:	601727
A Share Registrar and Transfer Office:	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Auditors:	PricewaterhouseCoopers (International auditor) PricewaterhouseCoopers Zhong Tian (Special General Partnership) (PRC auditor)
Legal Advisers as to PRC Law:	Grandall Law Firm (Shanghai)
Legal Advisers as to Hong Kong Law	Clifford Chance
Legal Advisers as to Japanese Law	Anderson Mori & Tomotsune

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PERFORMANCE HIGHLIGHTS

- Revenue for the first half of 2015 reached **RMB36,221 million**, representing an increase of **0.94%** over the corresponding period last year
- Profit attributable to owners of the Company for the first half of 2015 was **RMB1,319 million**, representing an increase of **1.70%** over the corresponding period last year
- Basic earnings per share were **RMB10.28 cents**, representing an increase of **1.68%** over the corresponding period last year



CHAIRMAN'S STATEMENT

During the first half of 2015, adhering to the general theme of “taking innovation and development as the theme and adhering to the direction towards high-end technology, asset-light business structure, group-level centralized management and controls, simplified operation structure, together with a pragmatic and result-oriented work approach, to enhance asset quality, stay healthy and improve competitiveness and profitability”, Shanghai Electric made orderly progress in various work and kept healthy and stable development trend with the continuous slowdown in the domestic economic growth. During the reporting period, the Group achieved a turnover of RMB36,221 million, representing an increase of 0.94% over the corresponding period last year. The net profit attributable to the shareholders of the parent company amounted to RMB1,319 million, representing an increase of 1.70% over the corresponding period last year.

New Energy Equipment

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

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

High Efficiency and Clean Energy Equipment

During the reporting period, under the macroscopic backdrop of prolonged downturn in domestic thermal power market, we took proactive actions and were gradually transforming from the passive product development model to an active innovation model with product

research and development leading the market demand. At the same time, leveraging on the national strategy of “One Belt, One Road”, we achieved a breakthrough in the overseas markets and will invest in the construction of two 660MW power plants at the mine mouth of Thar Coalfield Block I in Pakistan. This power plant project will install the 660MW high parameter and supercritical power generation units we made, and will establish a firm footing for our further expansion in overseas supercritical coal-fired power equipment market. In the gas turbine area, taking the advantage of our acquisition of 40% equity interest in Ansaldo Energia S.p.A. (“Ansaldo”) in Italy, and through the concerted efforts with Ansaldo in the heavy gas turbine market, we enhanced the ability of the Company in absorbing and mastering gas turbine design skills and core technologies of providing such services, as well as accelerating the accomplishment of proprietary development of the Company's gas turbine business, thereby improved the Company's competitive strength in the global energy equipment sector. During the reporting period, we continued to push on the development of high voltage technology, power electronics technology, smart grid building and modern services for the power transmission and distribution equipment businesses. We appropriated much effort in developing the power transmission and distribution equipment market, improving

the sales network, strengthening market segmentation management and monitoring breakthrough in key projects and areas. We also enhanced the end-user market tracking, expanded our product range and enlarged our market share in the power transmission and distribution equipment business.

Industrial Equipment

During the reporting period, on one hand, the property market was under the continuing impact of structural adjustments in the domestic economy, showing slower development pace; on the other hand, factors, including the progress of new urbanization, continuous investment in public transportation and infrastructure, energy conservation and upgrading as well as replacement and retrofit of old elevators, were conducive to sustainable development of the elevator industry. Accommodating conditions in the market, Shanghai Mitsubishi Elevator attached more importance to maintaining and developing relationships with major strategic customers. While maintaining close cooperation with core strategic partners including Wanda, Evergrande, China Overseas, Greenland, Country Garden, COSCO, Longfor, Forte and Luneng, etc., we introduced new cooperation relationships with Vanke and CITIC, while staying vigilant to the core and large projects in second and third tier cities. We received orders for significant projects including Beijing Samsung Mansion, Qingdao International Shipping Center, Shenzhen Construction Bank Tower, Wuhan Tianhe Airport Terminal 3, Xiamen Metro Line 1, Chengdu Metro Line 7 and Chongqing West Railway Station, etc. During the reporting period, Shanghai Mitsubishi Elevator continued to explore industrialized development of its service business. While accelerating the establishment of outlets taking maintenance and repair orders, Shanghai Mitsubishi Elevator improved the success

rate and efficiency in taking maintenance orders by applying information technology infrastructure establishment supplemented by various formats in delivering the maintenance works, while continuing to expand into maintenance and repairs of existing elevators, and replacement and retrofit of obsolete elevators. During the first half of 2015, Shanghai Mitsubishi Elevator generated revenue of almost RMB2 billion from service businesses including installation and maintenance of elevators, contributing to over 23% of the overall operating revenue of the elevator business. It is expected that the revenue from the service business of Shanghai Mitsubishi Elevator will maintain steady growth.

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

Modern Services

During the reporting period, we continued to achieve steady development in the power plant engineering business. Building on the national strategy of "One Belt, One Road", we target at more than 50 countries and regions in relation to the "One Belt, One Road" as the principal markets of the engineering business, and plan to establish overseas sales network presences in Malaysia, Turkey,

Poland, Pakistan and Columbia, to actively accelerate the establishment of network sales outlets and achieve multi-region sales capability. Our power plant engineering business ceased to focus solely on thermal power business. We are exploring the markets of new energy and distributed energy. Meanwhile, we strived to move forward the integration between business and finance and further strengthened project investments and project financing. During the reporting period, our service business made remarkable progress in the market of circulation re-engineering for energy conservation, as well as gas turbine, environmental protection, nuclear power and overseas service markets. Under the current environment that emphasizes energy saving and environment protection for the society, the service business proactively explored markets for equipment reengineering and servicing of power generation units; explored new business models, shifting from selling products and spare parts and components to provision of solutions, which combined energy saving, environmental redevelopment and installation together and realized the general integration and general contracting of enhancement services; and opened a remote monitoring and remote service platform.

Outlook

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

Huang Dinan

Chairman
Shanghai, the PRC,
28 August 2015

MAJOR FINANCIAL DATA AND INDICATORS

Major accounting data and financial indicators (in accordance with the Hong Kong Financial Reporting Standards)

Unit:'000 Currency:RMB

	As at the end of current reporting period	As at the end of last year	Increase/decrease as at the end of the current reporting period as compared to the end of last year (%)
Total assets	156,706,320	143,550,564	9.16
Equity attributable to owners of the Company	36,872,195	34,236,392	7.70
Net assets per share attributable to owners of the Company (Yuan/share)	2.88	2.67	7.87
	The reporting period (January to June)	The corresponding period of the last year	Increase/decrease for the current reporting period as compared to the corresponding period of the last year (%)
Operating profit	2,856,532	2,704,865	5.61
Profit before income tax	2,903,105	2,842,979	2.11
Net profit attributable to owners of the Company	1,318,596	1,296,529	1.70
Basic earnings per share (Yuan)	0.1028	0.1011	1.68
Weighted average return on net assets (%)	3.64	3.94	-0.3 percentage points
Net cash flow generated from operating activities	(1,962,245)	(2,021,213)	(2.92)
Net cash flow per share generated from operating activities (Yuan)	(0.1530)	(0.1576)	(2.92)

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operating Results

During the reporting period, the Group achieved a turnover of RMB36,221 million, representing an increase of 0.94% compared with that of the same period of last year. The net profit attributable to owners of the Company amounted to RMB1,319 million, representing an increase of 1.70% compared with that of the same period of last year.

New Energy Equipment

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

High Efficiency and Clean Energy Equipment

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

Industrial Equipment

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

Modern Services

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



Principal activities and operation review of the Company

Table showing principal activities by business segments

Unit: million; Currency: RMB

By business segments	Revenue	Cost of Sales	Gross Profit Margin	Year-on-year % Change in Revenue	Year-on-year % Change in Cost of Sales	Year-on-year Change in Gross Profit Margin
New Energy Equipment	3,025	2,676	11.5%	(2.17%)	(0.93%)	-1.1 percentage points
High Efficiency and Clean Energy Equipment	12,544	10,611	15.4%	2.19%	5.40%	-2.6 percentage points
Industrial Equipment	12,158	9,605	21.0%	(2.96%)	(2.79%)	-0.1 percentage points
Modern Services	8,661	7,068	18.4%	(5.05%)	(5.48%)	+0.4 percentage points
Other business	1,325	1,056	20.3%	6.00%	(4.09%)	+8.4 percentage points
Elimination	(1,492)	(1,365)				
Total	36,221	29,651	18.1%	0.94%	2.50%	-1.3 percentage points

Review of the principal activities by geographical areas

Unit: million; Currency: RMB

Geographical Areas	Revenue	Year-on-year Change in Revenue
Mainland China	32,209	11.42%
Elsewhere	4,012	(42.48%)
Total	36,221	0.94%

Major financial reporting items and Analysis of Changes

Unit: million; Currency: RMB

	January to June 2015	January to June 2014	Year-on-year Change
Revenue	36,221	35,883	0.94%
Cost of Sales	29,651	28,929	2.50%
Selling and distribution costs	1,000	1,217	(17.83%)
Administrative expenses	3,823	3,624	5.49%
Finance costs	212	137	54.74%
Net cash flows from operating activities	(1,962)	(2,021)	(2.92%)
Net cash flows from investing activities	(2,797)	4,807	N/A
Net cash flows from financing activities	8,499	(1,062)	N/A
Research and development costs	1,000	972	2.88%

Analyses and Explanations for the Changes

Finance costs increased when compared with that of the same period last year mainly due to an increase in interest resulting from additional issuance of bonds during the period.

Investing activities registered cash outflows against net cash inflows for the same period last year mainly due to an increase in the holding of repurchased financial assets by Finance Company at the end of the period.

Financing activities registered cash inflows against net cash outflows for the same period last year mainly due to an increase in cash inflows resulted from the issuance of bonds during the period.

Exchange rate Fluctuation

Risk in the Operations of the Company

The Company's businesses in power plant equipments, power plant engineering and power transmission and distribution engineering involve export business and their contract amounts are large and usually denominated in US dollars. During its production, the Company needs to purchase imported equipments and components as well. If the fluctuations of exchange rate between RMB and USD tend to expand, the Company may be exposed to an increasing exchange risk.

Solution: the Company will utilize more hedging instruments and enlarge its RMB settlement in cross-border trade, limit exchange risk and restrain its cost of overseas projects.

Source of Funding and Indebtedness

As at 30 June 2015, the Group had an aggregate amount of bank and other borrowings and bonds of RMB13,841 million (31 December 2014: RMB7,856 million), representing an increase of RMB5,985 million as compared with that of the beginning of the year. Borrowings repayable by the Group within one year amounted to RMB2,088 million, representing a decrease of RMB2,921 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB11,753 million, representing an increase of RMB8,906 million as compared with that of the beginning of the year.

As at 30 June 2015, among the Group's other borrowings and bonds, borrowings denominated in US dollars amounted to USD35 million (31 December 2014: USD37 million), borrowings denominated in Euros amounted to EUR0 (31 December 2014: EUR400 million), bonds denominated in Euros amounted to EUR4,109 million (31 December 2014: EUR0), borrowings denominated in Japanese yens amounted to JPY0 (31 December 2014: JPY84 million), borrowings denominated in Malaysian Ringgits amounted to MYR50 million (31 December 2014: MYR33 million), and borrowings denominated in HK dollars amounted to HKD700 million (31 December 2014: HKD700 million). Other borrowings and bonds are denominated in Renminbi.

Pledge of Assets

As at 30 June 2015, the Group's bank deposits to the extent of RMB715 million (31 December 2014: RMB628 million) were pledged with banks to secure bank loans or credit facilities. In addition, certain land use rights, buildings and machineries of the Group, with net carrying value of RMB1,460 million as at 30 June 2015 (31 December 2014: RMB1,338 million), were pledged as securities for certain bank loans of the Group. As at 30 June 2015, accounts receivables of a net carrying amount of approximately RMB171 million (31 December 2014: RMB530 million) were factored with recourse for certain bank facilities to the extent of RMB120 million (31 December 2014: RMB417 million). In addition, lease receivables with a net carrying amount of approximately RMB10 million (31 December 2014: RMB9 million) were factored with recourse for certain bank facilities to the extent of RMB1 million (31 December 2014: RMB5 million).

Gearing Ratio

As at 30 June 2015, the gearing ratio of the Group, which represents the ratio of the sum of interest-bearing bank and other borrowings and bonds to the sum of total equity of the shareholders plus interest-bearing bank and other borrowings and bonds, was 22.5%, representing an increase of 7.8 percentage points from that as at the beginning of this year.

Contingent Liabilities

Please refer to note 16 to the unaudited interim condensed consolidated financial statements for details.

Capital Commitments

Please refer to note 20 to the unaudited interim condensed consolidated financial statements for details.

Capital Expenditure

Total capital expenditure of the Group for the reporting period was approximately RMB514 million (1H2014: RMB668 million), which had been applied towards upgrading of production technologies and production equipment.

Use of proceeds

General use of proceeds

Unit: billion; Currency: RMB

Year	Method	Total amount	Total amount used in the reporting period	Total cumulative amount used	Total amount of remaining proceeds	Use and purpose for remaining proceeds
2015	Issuance of convertible bonds ⁽¹⁾	6.0	2.721	2.721	3.279	2.9 billion used for temporary replenishment of working capital and the remaining fund deposited in the special deposit account.
Total	/	6.0	2.721	2.721	3.279	/

Description of the general use of proceeds On 17 March 2015, the Company convened the 17th Meeting of the fourth session of the Board of Directors, "Resolution in relation to the idle proceeds used for temporary replenishment of working capital by the Company" was considered and passed in the meeting and it was agreed that the idle proceeds of RMB2.9 billion would be used for temporary replenishment of working capital.

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

Projects with investment commitment

Unit: billion; Currency: RMB

Projects with investment commitment	Changed or not	Proposed amount of investment	Amount invested in the reporting period	Actual cumulative amount invested	Progress in accordance with plan or not	Project progress	Expected revenue	Revenue generated	Revenue in accordance with plan or not
Iraq Wassit II Thermal Power Plant EPC Project	No	1.40	0.073	0.073	Yes	5%	N/A	N/A	N/A
India SASAN Thermal Power Plant BTG Project	No	1.00	0.033	0.033	Yes	3%	N/A	N/A	N/A
Vietnam Vinh Tan II Coal-fired Power Plant EPC project	No	1.10	0.080	0.080	Yes	7%	N/A	N/A	N/A
Capital contribution to Shanghai Electric Leasing Co., Ltd.	No	2.5	2.5	2.5	Yes	100%	N/A	N/A	N/A
Total	/	6.0	2.686	2.686	/	/	/	/	/

Use of proceeds for projects with investment commitment

The actual investment amount of the proceeds raised from the issuance of convertible bonds was RMB2.721 billion, of which the actual amount used for the committed projects was RMB2.686 billion and the cost of issuance of the convertible bonds was RMB35 million.

OTHER INFORMATION

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital
A shares	9,850,714,660	76.82%
H shares	2,972,912,000	23.18%
Total	12,823,626,660	100.00%

Disclosure of Interests

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

The followings are interests and short positions of substantial shareholders as at 30 June 2015 as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Hong Kong ("SFO") and as notified the Company / to the knowledge of the Company:

Name of Substantial Shareholder	Class of shares	Capacity	Note	Number of shares	Nature of Interest	Approximate percentage of shareholding in the relevant class of shares (%)	Approximate percentage of the total issued share capital of the Company (%)
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporation	1	7,421,350,905	Long position	75.34	58.87
	H	Interest of controlled corporation	1	29,334,000	Long position	0.99	0.23
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	7,030,458,711	Long position	71.37	54.82
	H	Beneficial owner	1	29,334,000	Long position	0.99	0.23
Shenergy Group Company Limited	A	Beneficial owner	1	390,892,194	Long position	3.97	3.05
Siemens International Holding B.V.	H	Beneficial owner	2	148,646,000	Long position	5.00	1.16
Siemens Beteiligungsverwaltung GmbH & Co. OHG	H	Beneficial owner	2	148,646,000	Long position	5.00	1.16
Siemens Beteiligungen Management GmbH	H	Beneficial owner	2	148,646,000	Long position	5.00	1.16
Siemens Aktiengesellschaft	H	Beneficial owner	2	148,646,000	Long position	5.00	1.16
BlackRock, Inc.	H	Interest of controlled corporation	3	231,084,170	Long position	7.77	1.80
	H	Interest of controlled corporation	3	202,000	Short position	0.01	0.00

Name of Substantial Shareholder	Class of shares	Capacity	Note	Number of shares	Nature of Interest	Approximate percentage of shareholding in the relevant class of shares (%)	Approximate percentage of the total issued share capital of the Company (%)
UBS AG	H	Beneficial owner		110,237,788	Long position		
	H	Person having a security interest in shares		41,128,000	Long position		
	H	Interest of controlled corporation		49,227,904	Long position		
		Total long position	4&6	200,593,692		6.75	1.56
	H	Beneficial owner		105,597,371	Short position		
	H	Interest of controlled corporation		24,797,208	Short position		
		Total short position	4&6	130,394,579		4.39	1.02
UBS Group AG	H	Person having a security interest in shares		41,128,000	Long position		
	H	Interest of controlled corporation		159,465,692	Long position		
		Total long position	5&6	200,593,692		6.75	1.56
	H	Interest of controlled corporation	5&6	130,394,579	Short position	4.39	1.02
Sarasin & Partners LLP	H	Investment Manager		189,238,000	Long position	6.37	1.48
HSBC Holdings plc	H	Interest of controlled corporation	7	180,189,460	Long position	6.06	1.41
	H	Interest of controlled corporation	7	150,991,782	Short position	5.08	1.18

Notes

- (1) 上海電氣(集團)總公司(Shanghai Electric (Group) Corporation) and 申能(集團)有限公司(Shenergy Group Company Limited) were wholly owned by 上海市國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government) and accordingly, their interests in the A shares and H shares of the Company were deemed to be the interests of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.
- (2) Siemens International Holding B.V., held 148,646,000 H shares of the Company, was wholly owned by Siemens Beteiligungsverwaltung GmbH & Co. OHG, which in turn was owned as to 99.99% and 0.01% by Siemens Aktiengesellschaft and Siemens Beteiligungen Management GmbH.
- (3) BlackRock, Inc. had a long position in 231,084,170 H shares (in which 176,000 H shares were held through cash settled derivatives (off exchange)) and a short position in 202,000 H shares of the Company by virtue of its control over the following indirect wholly-owned subsidiaries:-
- (3.1) BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 1,050,000 H shares of the Company.
- (3.2) BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 1,108,343 H shares of the Company.
- (3.3) BlackRock Institutional Trust Company, National Association, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 40,486,114 H shares and a short position in 202,000 H shares of the Company.
- (3.4) BlackRock Fund Advisors, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 74,436,000 H shares of the Company.
- (3.5) BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 24,000 H shares of the Company.
- (3.6) BlackRock Japan Co., Ltd., an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 3,008,000 H shares of the Company.
- (3.7) BlackRock Asset Management Canada Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 328,000 H shares of the Company.
- (3.8) BlackRock Investment Management (Australia) Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 334,000 H shares of the Company.
- (3.9) BlackRock Asset Management North Asia Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 8,114,417 H shares of the Company.
- (3.10) BlackRock (Netherlands) B.V., an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 1,390,000 H shares of the Company.

- (3.11) BlackRock Advisors (UK) Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 72,407,324 H shares of the Company.
- (3.12) BlackRock International Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 1,158,000 H shares of the Company.
- (3.13) BlackRock Asset Management Ireland Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 17,316,000 H shares of the Company.
- (3.14) BLACKROCK (Luxembourg) S.A., an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 334,000 H shares of the Company.
- (3.15) BlackRock Investment Management (UK) Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 8,225,972 H shares of the Company.
- (3.16) BlackRock Fund Managers Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 1,350,000 H shares of the Company.
- (3.17) BlackRock Asset Management (Schweiz) AG, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 14,000 H shares of the Company.
- (4) UBS AG had a long position in 200,593,692 H shares and a short position in 130,394,579 H shares of the Company, in which 49,227,904 H shares (long position) and 24,797,208 H shares (short position) were held by virtue of its control over the following direct wholly-owned subsidiaries :-
- (4.1) UBS Fund Management (Switzerland) AG, a direct wholly-owned subsidiary of UBS AG, had a long position in 3,132,000 H shares of the Company.
- (4.2) UBS Fund Services (Luxembourg) S.A., a direct wholly-owned subsidiary of UBS AG, had a long position in 296,000 H shares of the Company.
- (4.3) UBS Global Asset Management (Australia) Ltd, a direct wholly-owned subsidiary of UBS AG, had a long position in 164,000 H shares of the Company.
- (4.4) UBS Global Asset Management (Deutschland) GmbH, a direct wholly-owned subsidiary of UBS AG, had a long position in 24,000 H shares of the Company.
- (4.5) UBS Global Asset Management (Japan) Ltd, a direct wholly-owned subsidiary of UBS AG, had a long position in 60,000 H shares of the Company.
- (4.6) UBS Global Asset Management (Singapore) Ltd, a direct wholly-owned subsidiary of UBS AG, had a long position in 404,000 H shares of the Company.
- (4.7) UBS Global Asset Management (UK) Ltd, a direct wholly-owned subsidiary of UBS AG, had a long position in 366,000 H shares of the Company.
- (4.8) UBS Securities LLC, a direct wholly-owned subsidiary of UBS AG, had a long position in 22,797,208 H shares and a short position in 22,797,208 H shares of the Company.
- (4.9) UBS Financial Services Inc., a direct wholly-owned subsidiary of UBS AG, had a long position in 6,600 H shares of the Company.
- (4.10) UBS Switzerland AG, a direct wholly-owned subsidiary of UBS AG, had a long position in 21,978,096 H shares of the Company.
- (4.11) UBS Global Asset Management (Hong Kong) Limited, a direct wholly-owned subsidiary of UBS AG, had a short position in 1,862,000 H shares of the Company.
- (4.12) UBS O'Connor Limited, a direct wholly-owned subsidiary of UBS AG, had a short position in 138,000 H shares of the Company.
- Besides, 39,942,573 H shares (long position) and 25,582,001 H shares (short position) were held through derivatives as follows:
- 60,561 H shares (long position) - through physically settled derivatives (on exchange)
 - 1,131 H shares (short position) - through cash settled derivatives (on exchange)
 - 9,948,481 H shares (long position) and 20,095,258 H shares (short position) - through physically settled derivatives (off exchange)
 - 29,933,531 H shares (long position) and 5,485,612 H shares (short position) - through cash settled derivatives (off exchange)
- (5) UBS Group AG held 98.02% of the issued share capital of UBS AG (see note (4) above). According to the SFO, UBS Group AG was deemed to have interests in 200,593,692 H shares (long position) and 130,394,579 H shares (short position) of the Company in which UBS AG had interests.
- (6) The interests that UBS AG and UBS Group AG had in the 200,593,692 H shares (long position) and 130,394,579 H shares (short position), as set out in the above table, were from the same block of shares.
- (7) HSBC Holdings plc had a long position in 180,189,460 H shares and a short position in 150,991,782 H shares of the Company by virtue of its control over the following direct and indirect wholly-owned subsidiaries:-
- (7.1) HSBC Bank plc, a direct wholly-owned subsidiary of HSBC Holdings plc, had a long position in 122,659,057 H shares and a short position in 99,311,982 H shares of the Company.
- (7.2) The Hongkong and Shanghai Banking Corporation Limited, an indirect wholly-owned subsidiary of HSBC Holdings plc, had a long position in 54,156,599 H shares and a short position in 51,679,800 H shares of the Company.
- (7.3) HSBC Life (International) Limited, an indirect wholly-owned subsidiary of HSBC Holdings plc, had a long position in 527,804 H shares of the Company.

- (7.4) Hang Seng Insurance Company Limited, an indirect wholly-owned subsidiary of HSBC Holdings plc, had a long position in 2,060,000 H shares of the Company.
- (7.5) HSBC Private Bank (Suisse) SA, an indirect wholly-owned subsidiary of HSBC Holdings plc, had a long position in 636,000 H shares of the Company.
- (7.6) Hang Seng Bank (Trustee) Limited, an indirect wholly-owned subsidiary of HSBC Holdings plc, had a long position in 150,000 H shares of the Company.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the shares or underlying shares of the Company as at 30 June 2015 required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Directors', supervisors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 30 June 2015, none of the directors, supervisors or chief executives (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified by the directors, supervisors or chief executives to the Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules. Also, no right to acquire the aforementioned interests had been granted to the directors, supervisors or chief executives of the Company.

Model Code For Securities Transactions By Directors

The Company has adopted the provisions as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by directors (the "Directors"), supervisors (the "Supervisors") and relevant employees of the Company. Further to the Company's enquiry, all Directors and Supervisors confirmed that they had complied with the Model Code and the relevant provisions as set out in Appendix 10 of the Listing Rules during the period from 1 January 2015 to 30 June 2015. No violation of the Model Code by relevant employees has been found by the Company.

Corporate Governance

For the first half of 2015, the Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules except for a deviation from code provision A.2.1 of the Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the Code, roles of the Chairman and Chief Executive Officer should separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. For

the first half of 2015, the duties of the Chairman of the Board and the Chief Executive Officer have been carried out by Mr. Huang Dinan. However, Mr. Zheng Jianhua, an Executive Director and the President, has been responsible for all the day-to-day operations of the Company and execution of instructions from the Board. The Company is of the opinion that segregation of duties and responsibilities between the Board and the senior management has been well maintained and there exists no problem of over-centralization of management authority.

Strategy Committee

The Strategy Committee is currently composed of Mr. Huang Dinan, Mr. Wang Qiang, Mr. Zheng Jianhua, Dr. Lui Sun Wing and Dr. Chu Junhao. During the reporting period, the Strategy Committee has discussed and studied the Company's future development plans with management.

Nomination Committee

The Nomination Committee currently comprises Dr. Chu Junhao, Mr. Wang Qiang and Mr. Kan Shun Ming. The primary functions of our Nomination Committee include studying the criteria, procedures and methods for selecting candidates for directors and making recommendations to the Board.

To realize a sustainable and balanced development, the Company adopted the written policy of board member

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

Audit Committee

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

Remuneration Committee

The Remuneration Committee, which comprises Dr. Lui Sun Wing, Mr. Wang Qiang and Dr. Chu Junhao, is mainly responsible for providing recommendations to the Board in respect of the remuneration policy for and structure of the Directors, Supervisors and operation team of the Company, and determining applicable and transparent procedures.

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.

Interim Dividend

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

Disclosure of Information and Investor Relations

The Company recognizes the importance of good communication with its investors. Our team under Investor Relations Department arranges meetings, plant visits and reverse roadshows for investors from time to time. The team has also attended investors' forums actively and conducted non-deal road shows in China and overseas regularly to help investors gain a better understanding of the Company's operating results as well as its strategies and plans for future development. The Company will continue to make great efforts in its investor relations work to further enhance its transparency.

Employees

On 30 June 2015, the Group had approximately 28,916 employees (30 June 2014: approximately 28,903). The Group has short term and long term incentive programs to encourage employee performance and a series of training programs for the development of its staff.

Board of Directors and Supervisors

As at the date of this report, the executive directors of the Company are Mr. Huang Dinan, Mr. Zheng Jianhua and Mr. Huang Ou; the non-executive directors of the Company are Mr. Wang Qiang, Mr. Zhu Kelin and Ms. Yao Minfang; and the independent non-executive directors of the Company are Dr. Lui Sun Wing, Mr. Kan Shun Ming and Dr. Chu Junhao.

During the reporting period, the Supervisors of the Company are Mr. Dong Jianhua, Mr. Xie Tonglun, Mr. Li Bin, Mr. Zhou Changsheng and Mr. Zheng Weijian.

By order of the Board
Huang Dinan
Chairman of the Board
Shanghai, PRC
28 August 2015

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited	
		For the six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Revenue	6	36,220,598	35,882,648
Cost of sales		(29,650,733)	(28,929,079)
Gross profit		6,569,865	6,953,569
Other income and gains, net	6	1,110,237	591,829
Distribution expenses		(1,000,290)	(1,216,953)
Administrative expenses		(3,823,280)	(3,623,580)
Finance costs		(211,663)	(136,594)
Share of profits and losses accounted for using the equity method :			
Joint ventures		(23,596)	135
Associates		281,832	274,573
Profit before income tax	7	2,903,105	2,842,979
Income tax expense	8	(515,918)	(580,038)
Profit for the period		2,387,187	2,262,941
Profit attributable to:			
Owners of the Company		1,318,596	1,296,529
Non-controlling interests		1,068,591	966,412
		2,387,187	2,262,941
		Cents per share	Cents per share
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic earnings per share		10.28 cents	10.11 cents
Diluted earnings per share		10.28 cents	10.11 cents

The notes on pages 24 to 44 form an integral part of this interim consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The notes on pages 24 to 44 form an integral part of this interim consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	10	13,603,688	14,066,470
Investment properties		133,826	137,643
Prepaid land lease payments		1,642,377	1,684,582
Goodwill		148,073	148,073
Intangible assets		896,139	915,289
Investments in joint ventures		2,791,130	3,040,806
Investments in associates		4,150,765	3,791,884
Other investments		1,700,373	1,284,617
Deferred tax assets		2,739,677	2,683,479
Loans and lease receivables		4,274,736	4,068,514
Other non-current assets		492,422	497,127
Total non-current assets		32,573,206	32,318,484
Current assets			
Inventories		24,409,370	24,073,027
Construction contracts		2,682,860	2,111,976
Trade receivables	11	28,399,478	26,055,777
Loans and lease receivables		4,974,760	6,859,079
Discounted bills receivable		319,514	185,741
Bills receivable		6,107,444	6,390,123
Prepayments, deposits and other receivables		12,108,727	10,164,719
Investments		13,366,775	4,780,396
Derivative financial instruments		632,917	624,797
Due from the Central Bank*		2,739,284	4,244,973
Restricted deposits		714,729	628,005
Cash and cash equivalents		27,677,256	25,113,467
Total current assets		124,133,114	111,232,080
Total assets		156,706,320	143,550,564

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds	14	10,949,067	1,993,201
Interest-bearing bank and other borrowings	13	804,550	853,644
Provisions		94,094	77,339
Government grants		460,935	424,834
Other non-current liabilities		959,754	1,086,963
Deferred tax liabilities		270,673	391,343
Total non-current liabilities		13,539,073	4,827,324
Current liabilities			
Trade payables	12	28,466,117	26,937,592
Bills payable		4,131,307	4,898,054
Other payables and accruals		51,835,665	47,273,941
Derivative financial instruments		2,017	3,819
Customer deposits		4,035,603	4,271,030
Interest-bearing bank and other borrowings	13	2,087,855	5,008,663
Tax payable		953,447	1,439,514
Provisions		4,032,713	3,465,559
Total current liabilities		95,544,724	93,298,172
Total liabilities		109,083,797	98,125,496

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Equity			
Equity attributable to owners of the Company			
Ordinary shares	15	12,823,627	12,823,627
Reserves		24,048,568	20,659,633
Retained earnings			
-Proposed final dividends		-	753,132
		<u>36,872,195</u>	<u>34,236,392</u>
Non-controlling interests		<u>10,750,328</u>	<u>11,188,676</u>
Total equity		<u>47,622,523</u>	<u>45,425,068</u>
Total equity and liabilities		<u>156,706,320</u>	<u>143,550,564</u>
Net current assets		<u>28,558,390</u>	<u>17,933,908</u>
Total assets less current liabilities		<u>61,161,596</u>	<u>50,252,392</u>

The notes on pages 24 to 44 form an integral part of this interim consolidated financial information.

Chairman and CEO: Mr.Huang Dinan

CFO: Mr.Hu Kang

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

Note	Unaudited																								
	Attributable to owners of the Company												Non-controlling interests	Total equity											
	Ordinary shares	Capital reserve	Contributed surplus	Surplus reserves	Hedging revaluation reserve	Available-for-sale investment revaluation reserve	Special reserve	Exchange differences	Retained profits	Proposed final dividends	Total	Total			Total										
																RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	12,823,627	5,236,749	(2,352,526)	4,558,889	1,729	667,517	52,760	(77,386)	12,571,901	753,132	34,236,392	11,188,676	45,425,068												
Profit for the period	-	-	-	-	-	-	-	-	1,318,596	-	1,318,596	1,068,591	2,387,187												
Other comprehensive income	-	(3,719)	-	-	4,690	580,468	-	(8,303)	-	-	573,136	88,373	661,509												
Total comprehensive income for the period	-	(3,719)	-	-	4,690	580,468	-	(8,303)	1,318,596	-	1,891,732	1,156,964	3,048,696												
Addition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	78,000	78,000												
Convertible bond - equity component	-	1,216,386	-	-	-	-	-	-	-	-	1,216,386	-	1,216,386												
Compensation from the ultimate holding company	-	191,472	-	-	-	-	-	-	-	-	191,472	212,903	404,375												
Transaction with non-controlling interests	17	-	87,598	-	-	-	-	-	-	-	87,598	(397,715)	(310,117)												
Declared dividends relating to 2014	-	-	-	-	-	-	-	-	-	(753,132)	(753,132)	-	(753,132)												
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,488,500)	(1,488,500)												
Others	-	1,747	-	-	-	-	-	-	-	-	1,747	-	1,747												
At 30 June 2015 (unaudited)	12,823,627	6,730,233 *	(2,352,526)*	4,558,889 *	6,419 *	1,247,985 *	52,760 *	(85,689)*	13,890,497 *	-	36,872,195	10,750,328	47,622,523												

* These reserve accounts comprise the consolidated reserves of RMB24,048,568,000 (31 December 2014: RMB20,659,633,000) in the unaudited interim condensed consolidated balance sheet.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited												
	Attributable to owners of the Company												
	Ordinary shares	Capital reserve	Contributed surplus	Surplus reserves	Hedging revaluation reserve	Available-for- sale investment revaluation reserve	Special reserve	Exchange differences	Retained profits	Proposed final dividends	Total	Non- controlling interests	Total equity
At 1 January 2014	12,823,627	5,214,447	(2,352,526)	4,271,319	45,550	145,709	52,760	(54,255)	11,102,039	957,284	32,205,954	10,502,614	42,708,568
Profit for the period	-	-	-	-	-	-	-	-	1,296,529	-	1,296,529	966,412	2,262,941
Other comprehensive income	-	(3,625)	-	-	(62,971)	79,311	-	1,563	-	-	14,278	20,179	34,457
Total comprehensive income for the period	-	(3,625)	-	-	(62,971)	79,311	-	1,563	1,296,529	-	1,310,807	986,591	2,297,398
Declared dividends relating to 2013	-	-	-	-	-	-	-	-	-	(957,284)	(957,284)	-	(957,284)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,160,580)	(1,160,580)
Appropriation of special reserve	-	-	-	23,158	-	-	10,324	-	(33,482)	-	-	-	-
Transfer from retained profits	-	22,332	-	-	-	-	-	-	-	-	22,332	47,013	69,345
Others													
At 30 June 2014 (unaudited)	12,823,627	5,233,154 *	(2,352,526)*	4,294,477 *	(17,421)*	225,020 *	63,084 *	(52,692)*	12,365,086 *	-	32,581,809	10,375,638	42,957,447

* These reserve accounts comprise the consolidated reserves of RMB19,758,182,000 (31 December 2013: RMB18,425,043,000) in the unaudited interim condensed consolidated balance sheet.

The notes on pages 9 to 44 form an integral part of this interim consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited	
	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	(1,185,790)	(1,113,931)
Income tax paid	(776,455)	(907,282)
Net cash used in operating activities	(1,962,245)	(2,021,213)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	(257,597)	(346,958)
Proceeds from disposal of items of property, plant and equipment	185,855	388,819
Purchases of other intangible assets	(87,293)	(149,040)
Other investing activities, net	3,142,084	1,708,244
Disposal of a subsidiary	17,818	-
Decrease in non-restricted time deposits with original maturity of over three months when acquired	1,151,383	1,073,437
(Increase)/decrease in repurchased assets	(8,430,500)	2,190,100
Decrease in an amount due from the Central Bank	1,505,689	543,934
Finance lease receivables	(24,792)	(601,979)
Net cash (used in)/generated from investing activities	(2,797,353)	4,806,557
Cash flows from financing activities		
Dividend payments to equity holders	(806,816)	(154,856)
Repayments of bank and other loans	(4,572,155)	(603,213)
New bank and other loans	1,602,253	324,948
Issue of bonds	10,079,203	-
Others	2,196,712	(628,872)
Net cash generated from/(used in) financing activities	8,499,197	(1,061,993)
Net increase in cash and cash equivalents	3,739,599	1,723,351
Cash and cash equivalents at beginning of period	19,016,377	16,175,872
Effect of foreign exchange rate changes on cash, net	(24,427)	36,378
Cash and cash equivalents at the end of period	22,731,549	17,935,601

The notes on pages 24 to 44 form an integral part of this interim consolidated financial information.

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

1. Company 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 Group was engaged in the following principal activities:

- design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components;
- design, manufacture and sale of thermal power equipment products, nuclear power conventional island equipment products and power transmission and distribution equipment products;
- design, manufacture and sale of elevators, electrical motors, machine tools, printing and packaging equipment, marine crankshafts, and other electromechanical equipment products; and
- provision of integrated engineering services for power station projects and other industries, financial products, financial services and functional services including international trading services.

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

Otherwise indicated, the information in the interim condensed consolidated financial information was presented in RMB, all values are rounded to the nearest one thousand yuan.

This interim condensed consolidated financial information was unaudited.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

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

2. Basis of preparation and accounting policies (Cont'd)

2.2 Accounting policy

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

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

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

- Amendment to HKAS 19 "Defined Benefit Plans: Employee Contributions"
- Annual improvements 2012, affecting the following 4 standards: HKFRS 8 "Operating Segments", HKAS 16 "Property, Plant and Equipment", HKAS 24 "Related Party Disclosures" and HKAS 38 "Intangible Assets"
- Annual improvements 2013, affect the following 3 standards: HKFRS 3 "Business Combinations", HKFRS 13 "Fair Value Measurement" and HKAS 40 "Investment Property"

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

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

3. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In the process of preparing the interim condensed consolidated financial information, except for the changes of required estimates for income tax provision and special items, the key sources for the significant judgement and estimation uncertainty made by the management with the adoption of accounting policies are the same as the policies applied in the consolidated financial statements for the year ended 31 December 2014.

4. Financial risk management and financial instruments

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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

4. Financial risk management and financial instruments (Cont'd)

4.1 Financial risk factors (Cont'd)

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Estimation of fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of the financial assets and financial liabilities of the Group as at 30 June 2015 is listed below.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative instrument held for trading	155,948	621,597	-	777,545
Hedge instrument	-	8,559	-	8,559
Available-for-sale financial assets				
-Equity securities	2,857,980	1,480,174	-	4,338,154
-Debt securities	-	394,434	-	394,434
Total assets	3,013,928	2,504,764	-	5,518,692
Liabilities				
Hedge instrument	-	2,017	-	2,017
Total liabilities	-	2,017	-	2,017

4. Financial risk management and financial instruments (Cont'd)

4.3 Estimation of fair value (Cont'd)

The fair value of the financial assets and financial liabilities of the Group as at 31 December 2014 is listed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative instrument held for trading	287,935	620,165	-	908,100
Hedge instrument	-	4,632	-	4,632
Available-for-sale financial assets				
-Equity securities	2,768,868	1,237,498	-	4,006,366
-Debt securities	-	508,733	-	508,733
Total assets	3,056,803	2,371,028	-	5,427,831
Liabilities				
Hedge instrument	-	3,819	-	3,819
Total liabilities	-	3,819	-	3,819

5. Segment information

The Group organises and manages its operating business in accordance with the nature of business and provision of goods and services. Each business segment of the Group is one operating group, providing goods and services with risks and rewards different from those of the other business segments.

The details of operating segments are as follows:

- (1) the new energy segment is engaged in the design, manufacture and sale of nuclear power, nuclear island equipment products, wind power equipment products and heavy machinery including large forging components;
- (2) the high efficiency and clean energy segment is engaged in the design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products;
- (3) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, printing and packaging equipment, machine tools, marine crankshafts, electrical motors and other electromechanical equipment products;
- (4) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial products and services, international trading services and other functional services;
- (5) the "others" segment includes components such as the central research institute.

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

5. Segment information (Cont'd)

Business segment

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

	New energy equipment RMB'000	High efficiency and clean energy equipment RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
At 30 June 2015							
(Unaudited)							
Segment revenue							
Sales to external customers	2,974,074	12,304,075	11,709,056	8,399,720	833,673	-	36,220,598
Intersegment sales	50,747	239,532	449,035	261,744	491,160	(1,492,218)	-
Total	3,024,821	12,543,607	12,158,091	8,661,464	1,324,833	(1,492,218)	36,220,598
Operating profit/(loss)	(50,199)	185,625	987,387	1,729,781	44,103	(40,165)	2,856,532
Financial expenses							(211,663)
Share of profits and losses of:							
Joint ventures							(23,596)
Associates							281,832
Profit before tax							2,903,105
Income tax expense							(515,918)
Profit for the period							2,387,187
Assets and Liabilities							
Total assets	22,767,380	46,962,202	35,392,298	65,376,631	23,849,596	(37,641,787)	156,706,320
Total liabilities	13,860,481	32,870,669	25,189,816	55,980,384	14,006,754	(32,824,307)	109,083,797

5. Segment information (Cont'd)

Business segment (Cont'd)

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

	New energy equipment RMB'000	High efficiency and clean energy equipment RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
At 30 June 2014							
(Unaudited)							
Segment revenue							
Revenue from external							
customers	2,943,757	11,126,288	12,084,202	8,884,590	843,811	-	35,882,648
Intersegment sales	147,990	1,148,827	445,201	237,562	406,082	(2,385,662)	-
Total	3,091,747	12,275,115	12,529,403	9,122,152	1,249,893	(2,385,662)	35,882,648
Operating profit/(loss)	22,764	590,921	1,048,009	1,315,927	(59,687)	(213,069)	2,704,865
Financial expenses							(136,594)
Share of profits and losses of:							
Joint ventures							135
Associates							274,573
Profit before tax							2,842,979
Income tax expense							(580,038)
Profit for the period							2,262,941
Assets and Liabilities							
Total assets	20,908,663	46,993,747	34,083,574	49,446,461	16,639,255	(33,586,778)	134,484,922
Total liabilities	11,750,672	33,192,370	24,760,373	41,712,495	7,829,233	(27,717,668)	91,527,475

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

5. Segment information (Cont'd)

Geographical segment

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

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

6. Revenue, other income and gains, net

Revenue includes turnover and other revenue that arise from the ordinary course of business of the Group. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, an appropriate proportion of contract revenue of construction contracts and the value of services rendered.

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

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

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

6. Revenue, other income and gains, net (Cont'd)

	Note	Unaudited	
		For the six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Other income			
Interest income on bank balances and time deposits		131,916	98,441
Interest income on debt investment		10,306	9,430
Dividend income from equity investments and investment funds		72,918	37,672
Subsidy income		220,237	149,806
		<u>435,377</u>	<u>295,349</u>
Other gains, net			
Gain on disposal of property, plant and equipment		3,906	97,626
Gain on disposal of a subsidiary	18	76,997	-
Investments at fair value through profit or loss:			
Unrealised fair value losses, net		(12,812)	(2,317)
Realised fair value gains, net		78,420	1,698
Derivative financial instruments - transactions not qualifying as hedges:			
Unrealised fair value gains/(losses), net		1,636	(208)
Realised gains on available-for-sale investments (transfer from equity)		481,018	121,222
Debt restructure gain, net		1,300	698
Exchange (loss)/gain, net		(1,760)	44,695
Others		46,155	33,066
		<u>674,860</u>	<u>296,480</u>
		<u>1,110,237</u>	<u>591,829</u>

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

7. Profit before tax

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

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

8. Income tax

The Company and all of its subsidiaries that operate in Mainland China were subject to the statutory corporate income tax rate of 25% for the six months ended 30 June 2015 under the income tax rules and regulations of the PRC, except that:

Twelve subsidiaries of the Company were subject to a corporate income tax rate of 15% as they have been assessed as “High-New Technology Enterprises”, approved by certain government bureaus. These subsidiaries includes Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., Shanghai Boiler Works, Ltd., Shanghai Electric Wind Power Equipment Co., Ltd., Shanghai Heavy Machine Tool Works Co., Ltd., Shanghai Heavy Machinery Plant Co., Ltd., Shanghai No.1 Machine Tool Works Co., Ltd., Shanghai Machine Tool Works Ltd., Shanghai Centrifuge Institute Co., Ltd., Shanghai Electric Automation R&D Institute Ltd Inc., Shanghai Capital Numerical Control Co., Ltd., Shanghai Institute of Mechanical & Electric Engineering Co., Ltd. and Shanghai Institute of Machine Building Technology Co., Ltd.. As of 30 June 2015, Shanghai Electric Nuclear Power Equipment Co., Ltd. (“Nuclear Power”) and Shanghai Electric SPX Engineering Technology Co., Ltd. (“SPX Engineering”), subsidiaries of the Company, have submitted the application for the High-New Technology Enterprises. The board of the Company is of the view that Nuclear Power and SPX Engineering are virtually certain to be subject to a corporate income tax rate of 15% in the year of 2015 as they will be assessed as “High-New Technology Enterprises”, to be approved by certain government bureaus. Therefore, all the above mentioned subsidiaries calculated taxes on profit at the rates of 15% for the six months ended 30 June 2015.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

9. 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 RMB1,318,596,000 (for the six months ended 30 June 2014: RMB1,296,529,000), and the weighted average number of ordinary shares of 12,823,626,660 (for the six months ended 30 June 2014: 12,823,626,660) in issue during the period.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has potential ordinary shares arisen from the Electric Convertible Bonds (Note14). The Electric Convertible Bond is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate interest expense less the tax effect. The result is anti-dilutive and therefore there is no dilutive ordinary share for the calculation of diluted earnings per share for the six month ended 30 June 2015.

10. Property, plant and equipment

For the six months period ended 30 June 2015, the total amount for purchasing property, plant and equipment by the Group was RMB305,533,000 (for the six months ended 30 June 2014: RMB372,074,000). The original cost and the net carrying amount of the property, plant and equipment disposed by the Group were RMB561,682,000 and RMB182,439,000, respectively (for the six months ended 30 June 2014: RMB1,239,039,000 and RMB757,390,000, respectively).

As at 30 June 2015, the Group had not obtained real estate certificates for buildings with a net carrying amount of RMB75,472,000 (for the six months ended 30 June 2014: RMB85,776,000). Included in the above amounts, the Group is in the process of applying for the real estate certificates for buildings with a net carrying amount of approximately RMB60,529,000 (for the six months ended 30 June 2014: RMB64,279,000)

For the six months period ended 30 June 2015, the depreciation charged in the interim condensed consolidated income statements is of RMB667,794,000 (for the six months ended 30 June 2014: RMB659,119,000).

11. Trade receivables

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

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

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.

12. Trade payables

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

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

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

13. Interest bearing bank borrowings and other borrowings

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Non-current	804,550	853,644
Current	2,087,855	5,008,663
Total borrowings	<u>2,892,405</u>	<u>5,862,307</u>

Movement of borrowings is analysed below:

	RMB'000
For the six months ended 30 June 2015	
Balance at 1 January 2015	5,862,307
New borrowings	1,602,253
Repayment of borrowings	(4,572,155)
Balance at 30 June 2015	<u>2,892,405</u>

The interest expense for the six months ended 30 June 2015: RMB63,508,000 (for the six months ended 30 June 2014: RMB87,063,000).

14. Bonds

The Company was approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2012]1703) on 24 December 2012 to issue corporate bonds with an aggregate nominal value of up to RMB4 billion by public offer. The corporate bonds would be issued in instalment. The nominal value of the bond actually issued was RMB2 billion.

On 27 February 2013, the Company issued three-year fixed rate bonds with an offering size of RMB400 million and coupon rate of 4.50% and five-year fixed rate bonds with an offering size of RMB1,600 million and coupon rate of 4.90%. The corporate bonds were issued to public investors online and to institutional investors by inquiry placement offline. The Bonds were issued at par value and the interest is settled on an annual basis with the principal payable in full when due. No guarantee was provided for the bonds. The maturity dates of the Bonds are 27 February 2016 and 27 February 2018, respectively. The balance was listed in Bonds at 30 June 2015.

As at 2 February 2015, the Group issued a total of RMB6,000,000,000 A share convertible corporate bonds (the "Electric Convertible Bonds") to be matured in 2021. The Electric Convertible Bonds are convertible by holders into A Share, at any time on and after August 3, 2015, at a conversion price of RMB10.66 per share.

As at 22 May 2015, Shanghai Electric Newage Company Limited, a wholly-owned subsidiary of the Group, issued a 5-year Group-guaranteed bonds with the aggregate principal amount of EUR600,000,000 at the rate of 1.125%.

15. Issued capital

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Registered, issued and fully paid:		
A shares of RMB1.00 each	9,850,715	9,850,715
H shares of RMB1.00 each	2,972,912	2,972,912
	12,823,627	12,823,627

Ordinary shareholders have the right to get the dividends declared by the Company. All ordinary shares enjoy equal shares and rights.

16. Contingent liabilities

(a) At the reporting date, contingent liabilities not provided for in the financial information were as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Guarantees given to banks in order to obtain credit limit for companies below:		
Associates	90,561	90,561
Including guarantees given to banks for the credit limit that has been used by the companies below:		
Associates	33,747	87,624
Non-financial guarantee letters issued by Finance Company on behalf of:		
Associates	6,555	7,935

(b) As at 30 June 2015, no financial guarantee letter was issued by financial institutions (31 December 2014: nil). Non-financial guarantees issued by financial institutions for the Group amounted to RMB21,436,660,514 (31 December 2014: RMB20,468,752,000).

(c) As at 30 June 2015, contingent liabilities amounted to RMB39,044,000 relating to pending lawsuits and arbitration (31 December 2014: RMB117,393,000).

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

17. Changes in ownership interests in subsidiaries without change of control

Acquisition of additional interest in a subsidiary

In June 2015, Shanghai Electric Hong Kong Co., Ltd., a wholly owned subsidiary of the Company acquired an additional 8% of the equity interest of Shanghai Electric Group Finance Co., Ltd. for a purchase consideration of RMB310,117,000. The carrying amount of the non-controlling interests in the Group on the date of acquisition was RMB4,971,437,500. The Group recognised a decrease in non-controlling interests of RMB397,715,000 and an increase in equity attributable to owners of the company of RMB87,598,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the company during the year is summarised as follows:

	30 June 2015
	(Unaudited)
	RMB'000
Carrying amount of non-controlling interests acquired	397,715
Consideration paid to non-controlling interests	(310,117)
Gain of consideration paid recognised within equity	<u>87,598</u>

18. Disposal of a subsidiary

On 22 May 2015, Shanghai Mechanical & Electrical Industry Co., Ltd ("SMEI"), a subsidiary of the Company, disposed its entire equity interest in Shanghai Guanghua Printing Machinery Co., Ltd. ("Guanghua"). As a result, the Group deconsolidated Guanghua since the date of losing control.

Set out below is information on disposal of a subsidiary in this period:

	Amount
	RMB'000
Net asset disposed of	74,523
Less: total consideration received	(2,474)
Gain from disposal	<u>76,997</u>

19. Operating lease arrangements

(a) As lessor

The Group leases certain of its properties, plant and machinery under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 20 years and those for plant and machinery are negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 1 year	32,944	53,273
In the second to fifth years, inclusive	113,520	131,599
After five years	12,563	37,759
	<u>159,027</u>	<u>222,631</u>

(b) As lessee

The Group rents certain of its properties, plant and machinery under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 50 years, plant and machinery are negotiated for terms ranging from 1 to 20 years and cars are negotiated for terms of 1 year.

As at 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 1 year	70,963	104,320
In the second to fifth years, inclusive	282,165	246,131
After five years	133,193	43,421
	<u>486,321</u>	<u>393,872</u>

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

20. Commitments

In addition to the operating lease commitments detailed in note 19(b) above, the Group had the following capital commitments at the reporting date:

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Contracted, but not provided for:		
In respect of the acquisition of		
Land and buildings	30,031	34,023
Plant and machinery	965,992	899,398
In respect of capital contribution to		
Associates	57,600	72,000
	<u>1,053,623</u>	<u>1,005,421</u>
Authorised, but not contracted for:		
In respect of the acquisition of		
Plant and machinery	51,350	173,903
	<u>1,104,973</u>	<u>1,179,324</u>

21. Related party transactions

(a) Significant transactions between the Group and related parties during the period are as follows:

	Note	Unaudited For the six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Purchase of materials from:	(i)		
Associates		1,426,374	1,345,605
SEC group companies		286,581	304,871
Other related companies		311,479	404,835
		<u>2,024,434</u>	<u>2,055,311</u>
Sales of goods to:	(i)		
Associates		30,444	28,943
SEC group companies		62,066	87,189
Other related companies *		1,898,627	71,563
		<u>1,991,137</u>	<u>187,695</u>
Construction contracts from:	(i)		
Other related companies		<u>322,294</u>	<u>152,967</u>
Purchases of services from:	(i)		
Associates		25,959	17,036
SEC group companies		2,317	6,497
Other related companies		-	6,773
		<u>28,276</u>	<u>30,306</u>
Provision of services to:	(i)		
Ultimate holding company		764	38
Associates		343	378
SEC group companies		335	2,072
Other related companies		-	105
		<u>1,442</u>	<u>2,593</u>

* As the financial performance of certain subsidiaries of Group collective is expected to be significant to the consolidated financial performance of the Group of 2015, Shanghai Electric Power Co., Ltd ("Shanghai Electric Power"), a minority shareholder that have significant influence over those subsidiaries, is regarded as a related party of the Group since 1 January 2015. The transactions and balance with this related party for the six months ended 30 June 2015 have been included above.

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

21. Related party transactions (Cont'd)

(a) Significant transactions between the Group and related parties during the period are as follows:

	Notes	Unaudited For the six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Purchases of equipment from:	(i)		
SEC group companies		471	932
Sales of property, plant and equipment to	(i)		
Ultimate holding company		-	862,705
Rental income from:	(ii)		
Associates		6,160	6,462
Rental fee to:	(ii)		
Ultimate holding company		2,721	5,354
SEC group companies		1,533	1,264
		4,254	6,618

Notes:

- (i) The sales and purchases, services and construction contracts were conducted in accordance with mutually agreed terms.
- (ii) The rental income and rental fee were based on mutually agreed terms with reference to the market rates.
- (b) Other significant transactions between the Group and related parties during the period:
- (i) The Company and SE Corporation entered into entrusted agreements in 2007, according to which the Company entrusted SE Corporation to negotiate with Vietnam Quang Ninh Thermal Power Joint-Stock Company ("Vietnam Quang Ninh") and respective suppliers as well as constructors regarding the construction of Phase I and Phase II of a coal-fired power plant (the "Project"). SE Corporation acted as an entrusted party to sign the contracts on behalf of the Company. SE Corporation would not charge any fee in relation to the entrusted agreements apart from a reimbursement of reasonable costs actually incurred. The contractual amount of the Project is of USD889,786,000. As of 30 June 2015, both Phase I and Phase II had obtained the Provisional Acceptance Certificate, and all payments have been received.

21. Related party transactions (Cont'd)

- (b) Other significant transactions between the Group and related parties during the period (Cont'd):
- (i) No sales were happened regarding the Project (for the period ended June 30 2014: RMB124,924,000). In addition, no purchase (for the period ended June 30 2014: RMB3,318,000) were incurred through SE Corporation during the period.
- (c) Deposits and loan services provided to related parties by Finance Company

	Unaudited	
	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest expenses for customer deposits:		
Ultimate holding company	1,723	854
Joint ventures	493	-
Associates	180	212
SEC group companies	11,065	9,117
Other related companies	1,287	-
	14,748	10,183
Interest income for loans and bills discounting:		
Ultimate holding company	53,610	80,915
Joint ventures	-	-
Associates	3,892	5,092
SEC group companies	18,722	28,990
Other related companies	453	901
	76,677	115,898

Interest rates for customer deposits, loans and bills discounting were determined with reference to the interest rates adopted by financial institutions as regulated by the People's Bank of China.

- (d) Guarantees provided to/by related parties of the Group

As at 30 June 2015, SE Corporation met its obligation of guarantee by repaying the principle of USD225,000,000 and interest of USD4,455,000 to Finance Company for Goss International Corporation ("Goss International"), the subsidiary of the Group.

As at 30 June 2015, the Group has provided guarantees for the credit limit obtained by the related parties with a total amount of USD14,800,000 (31 December 2014: USD14,800,000). In this amount, the used amount is USD14,800,000 (31 December 2014: USD14,800,000). In addition, finance company has issued non-financial guarantee letters on behalf of related parties totalling RMB 6,555,000 (31 December 2014: RMB7,935,000).

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

21. Related party transactions (Cont'd)

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Fees	375	375
Salaries and other allowances	1,954	1,962
Employee benefits	105	177
Welfare after retirement	76	184
	<u>2,510</u>	<u>2,698</u>

22. Subsequent events

On 27 July 2015, the boards of SE Corporation and SMEI approved the Debt-to-Equity Swap in Goss International. SE Corporation and SMEI directly hold debt interest in Goss International Corporation in the amount of US\$229,455,000 and US\$15,615,000 respectively. After the Debt-to-Equity Swap, SE Corporation and SMEI would hold 93.63% and 6.37% equity interest of Goss International respectively. The Debt-to-Equity Swap has been approval by SMEI's general meeting of shareholders on 18 August 2015.

23. Approval of unaudited interim condensed consolidated financial information

The interim condensed consolidated financial information is unaudited but reviewed by the audit committee of the Company.

The unaudited interim condensed consolidated financial information was approved to be issued by the Board of Directors on 28 August 2015.