

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **2016 INTERIM RESULTS**

#### **Financial Highlights**

- ▶ **Revenue for the first half of 2016 was RMB36,867 million, a decrease of 0.70% over the corresponding period of last year**
- ▶ **Profit attributable to owners of the company for the first half of 2016 was RMB1,245million, a decrease of 10.90% over the corresponding period of last year**
- ▶ **Basic earnings per share were RMB9.71 cents, representing a decrease of 10.92% over the corresponding period of last year**
- ▶ **The Board of Directors did not recommend the payment of an interim dividend in respect of the reporting period**

The board of directors (the “**Board**”) of Shanghai Electric Group Company Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016. The results have not been audited but have been reviewed by audit committee of the Company.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited	
		For the six months ended 30 June	
		2016 RMB'000	2015 RMB'000 (Restated)
<b>Revenue</b>	3	36,866,602	37,125,005
Cost of sales		(30,175,828)	(30,305,153)
<b>Gross profit</b>		6,690,774	6,819,852
Other income and gains, net	3	895,245	1,115,973
Distribution expenses		(1,025,469)	(1,022,695)
Administrative expenses		(3,587,370)	(3,996,209)
<b>Operating Profit</b>		2,973,180	2,916,921
Finance costs		(261,553)	(214,184)
Share of profits and losses accounted for using the equity method :			
Joint ventures		(23,838)	(23,596)
Associates		305,698	350,995
<b>Profit before income tax</b>	4	2,993,487	3,030,136
Income tax expense	5	(571,107)	(539,179)
<b>Profit for the period</b>		2,422,380	2,490,957
<b>Profit attributable to:</b>			
Owners of the Company		1,245,006	1,397,243
Non-controlling interests		1,177,374	1,093,714
		2,422,380	2,490,957
		<b>Cents per share</b>	<b>Cents per share</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
<b>Basic earnings per share</b>		9.71cents	10.90cents
<b>Diluted earnings per share</b>		9.71cents	10.90cents

continued/...

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000 (Restated)
<b>Profit for the period</b>	2,422,380	2,490,957
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Fair value gains on available-for-sale financial assets, net of tax	(216,312)	678,306
Cash flow hedges, net of tax	1,907	4,690
Currency translation differences	(22,011)	(14,088)
Others	586	(310)
	(235,830)	668,598
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements losses of defined benefit obligations	-	(7,182)
	-	(7,182)
<b>Other comprehensive income for the period, net of tax</b>	(235,830)	661,416
<b>Total comprehensive income for the period</b>	2,186,550	3,152,373
<b>Attributable to:</b>		
Owners of the Company	1,027,942	1,970,286
Non-controlling interests	1,158,608	1,182,087
	2,186,550	3,152,373

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2016 RMB'000	(Restated) Unaudited 31 December 2015 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		12,405,156	12,393,484
Investment properties		367,725	379,455
Prepaid land lease payments		1,734,840	1,750,690
Goodwill		189,151	189,151
Intangible assets		979,271	1,007,526
Investments in joint ventures		2,949,381	2,920,691
Investments in associates		5,428,070	4,757,306
Other investments		1,400,275	1,720,767
Deferred tax assets		3,002,129	2,911,443
Loans and lease receivables		8,004,202	7,141,055
Other non-current assets		81,546	175,718
<b>Total non-current assets</b>		<b>36,541,746</b>	<b>35,347,286</b>
<b>Current assets</b>			
Inventories		23,020,366	21,587,556
Construction contracts		3,274,643	2,885,697
Trade receivables	8	28,250,214	26,021,351
Loans and lease receivables		7,953,971	8,054,059
Discounted bills receivable		414,828	365,953
Bills receivable		5,607,804	6,726,313
Prepayments, deposits and other receivables		12,183,712	10,634,914
Investments		15,566,014	8,072,160
Derivative financial instruments		674,464	664,805
Due from the Central Bank*		2,647,073	3,063,635
Restricted deposits		633,700	632,092
Cash and cash equivalents		27,517,633	36,969,895
Assets of disposal group classified as held for sale		-	4,442,156
<b>Total current assets</b>		<b>127,744,422</b>	<b>130,120,586</b>
<b>Total assets</b>		<b>164,286,168</b>	<b>165,467,872</b>

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

continued/...

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONT'D)

	Note	Unaudited 30 June 2016 RMB'000	(Restated) Unaudited 31 December 2015 RMB'000
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bonds		11,072,831	10,792,803
Interest-bearing bank and other borrowings		330,281	122,729
Provisions		139,230	148,988
Government grants		656,743	660,933
Other non-current liabilities		1,080,894	935,950
Deferred tax liabilities		229,064	282,439
<b>Total non-current liabilities</b>		<b>13,509,043</b>	<b>12,943,842</b>
<b>Current liabilities</b>			
Trade payables	9	31,443,647	28,607,973
Bills payable		4,524,869	3,439,412
Other payables and accruals		51,340,120	52,418,583
Derivative financial instruments		24,479	25,507
Customer deposits		3,444,188	5,704,331
Interest-bearing bank and other borrowings		2,714,709	1,947,968
Tax payable		790,241	1,382,553
Provisions		3,122,749	3,257,222
Liabilities of disposal group classified as held for sale		-	3,752,429
<b>Total current liabilities</b>		<b>97,405,002</b>	<b>100,535,978</b>
<b>Total liabilities</b>		<b>110,914,045</b>	<b>113,479,820</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary shares		12,824,309	12,824,305
Reserves		28,039,809	26,444,777
Retained earnings		-	-
-Proposed final dividends		-	-
		<b>40,864,118</b>	<b>39,269,082</b>
<b>Non-controlling interests</b>		<b>12,508,005</b>	<b>12,718,970</b>
<b>Total equity</b>		<b>53,372,123</b>	<b>51,988,052</b>
<b>Total equity and liabilities</b>		<b>164,286,168</b>	<b>165,467,872</b>
<b>Net current assets</b>		<b>30,339,420</b>	<b>29,584,608</b>
<b>Total assets less current liabilities</b>		<b>66,881,166</b>	<b>64,931,894</b>

## SHANGHAI ELECTRIC GROUP COMPANY LIMITED

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

##### Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015 (the "Annual Financial Statements"), which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

##### Accounting policy

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended 31 December 2015.

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 2016

- HKFRS 14 "Regulatory Deferral Accounts";
- Amendment to HKFRS 11 "Accounting for acquisitions of interests in joint operations";
- Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation";
- Amendment to HKAS 27 "Equity method in separate financial statements";
- Annual improvements 2014, affecting the following 4 standards: HKFRS 5 "Non-current assets held for sale and discontinued operations", HKFRS 7 "Financial instruments: Disclosures", "HKAS 19 'Employee benefits'", "HKAS 34 Interim financial reporting";
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception";
- Amendments to HKAS 1 "Disclosure initiative".

The adoption of the above new amendment and improvements starting from 1 January 2016 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 2016.

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.

## SHANGHAI ELECTRIC GROUP COMPANY LIMITED

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### 2. SEGMENT INFORMATION

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

The details of operating segments are as follows:

- (a) the new energy and environmental protection equipment segment is engaged in the design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components, and in the provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power 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 business of units such as the central research institute.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. SEGMENT INFORMATION (continued)

Business segments

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

At 30 June 2016 (Unaudited)	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
<b>Segment revenue</b>							
Sales to external customers	4,624,520	12,196,199	11,406,643	8,144,444	494,796	-	36,866,602
Intersegment sales	324,300	1,332,307	107,719	230,646	4,453	(1,999,425)	-
<b>Total</b>	<b>4,948,820</b>	<b>13,528,506</b>	<b>11,514,362</b>	<b>8,375,090</b>	<b>499,249</b>	<b>(1,999,425)</b>	<b>36,866,602</b>
<b>Operating profit</b>	<b>84,790</b>	<b>434,312</b>	<b>1,234,303</b>	<b>971,735</b>	<b>179,325</b>	<b>68,715</b>	<b>2,973,180</b>
Financial expenses							(261,553)
Share of profits and losses of:							
Joint ventures							(23,838)
Associates							305,698
Profit before tax							2,993,487
Income tax expense							(571,107)
Profit for the period							2,422,380
<b>Assets and Liabilities</b>							
Total assets	23,507,121	55,758,565	37,569,155	71,868,691	23,830,546	(48,247,910)	164,286,168
Total liabilities	14,682,919	38,356,858	24,030,126	62,324,162	12,177,245	(40,657,265)	110,914,045



SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. SEGMENT INFORMATION (continued)

Business segments (continued)

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

	<b>New energy and environmental protection equipment RMB'000</b>	<b>High efficiency and clean energy equipment RMB'000</b>	<b>Industrial equipment RMB'000</b>	<b>Modern services RMB'000</b>	<b>Others RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>At 30 June 2015 (Restated and Unaudited)</b>							
<b>Segment revenue</b>							
Sales to external customers	3,630,715	12,813,832	12,060,950	8,399,720	219,788	-	37,125,005
Intersegment sales	525,892	267,636	445,599	261,744	19,511	(1,520,382)	-
<b>Total</b>	<b>4,156,607</b>	<b>13,081,468</b>	<b>12,506,549</b>	<b>8,661,464</b>	<b>239,299</b>	<b>(1,520,382)</b>	<b>37,125,005</b>
<b>Operating profit/(loss)</b>	<b>(63,201)</b>	<b>157,385</b>	<b>1,081,122</b>	<b>1,729,781</b>	<b>54,673</b>	<b>(42,839)</b>	<b>2,916,921</b>
Financial expenses							(214,184)
Share of profits and losses of:							
Joint ventures							(23,596)
Associates							350,995
Profit before tax							3,030,136
Income tax expense							(539,179)
Profit for the period							2,490,957
<b>Assets and Liabilities</b>							
Total assets	23,015,084	48,427,726	37,964,196	65,376,631	23,849,596	(37,784,175)	160,849,058
Total liabilities	13,926,639	33,965,511	25,566,773	55,980,384	14,006,754	(32,966,689)	110,479,372

## SHANGHAI ELECTRIC GROUP COMPANY LIMITED

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### 2. SEGMENT INFORMATION (continued)

##### Geographical segment

Information on revenue of geographical segments of the Group for the six months ended 30 June 2016 and the six months ended 30 June 2015 is listed below:

	Unaudited					
	For the six months ended 30 June 2016			For the six months ended 30 June 2015 (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	33,843,547	3,023,055	36,866,602	33,113,437	4,011,568	37,125,005

#### 3. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Unaudited	
	For the six months ended 30 June 2016 RMB'000	For the six months ended 30 June 2015 RMB'000 (Restated)
<b>Revenues</b>		
<i>Revenues from main operations</i>	35,721,563	35,954,650
<i>Revenues from other operations</i>	1,145,039	1,170,355
	<u>36,866,602</u>	<u>37,125,005</u>
<i>Revenues from other operations</i>		
Sales of raw materials, spare parts and semi-finished goods	401,411	271,942
Finance lease income	298,478	169,446
Rental income under operating leases	48,760	70,740
Finance Company*:		
Interest income from banks and other financial institutions	83,265	260,942
Interest income on loans receivable and discounted bills receivable	133,539	199,509
Others	179,586	197,776
	<u>1,145,039</u>	<u>1,170,355</u>

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

continued/...

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

	Unaudited	
	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000 (Restated)
<b><u>Other income</u></b>		
Interest income on bank balances and time deposits	130,941	139,551
Interest income on debt investment	7,088	10,306
Dividend income from equity investments and investment funds	117,449	72,918
Subsidy income	66,866	222,332
	<u>322,344</u>	<u>445,107</u>
<b><u>Other gains, net</u></b>		
Gain on disposal of property, plant and equipment	8,047	3,776
Gain on disposal of a subsidiary	210,989	76,997
Gain/(loss) on disposal of an associate	48,700	(3,874)
Investments at fair value through profit or loss:		
Unrealised fair value gains/(losses), net	391	(12,812)
Realised fair value gains, net	5,908	78,420
Derivative financial instruments - transactions not qualifying as hedges:		
Unrealised fair value loss/(gain), net	(653)	1,636
Realised gains on available-for-sale investments	219,222	481,018
Debt restructure gain, net	2,999	1,300
Exchange gain/(loss), net	77,409	(1,482)
Others	(111)	45,887
	<u>572,901</u>	<u>670,866</u>
	<u>895,245</u>	<u>1,115,973</u>

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. PROFIT BEFORE TAX

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

	<b>Unaudited</b>	
	<b>For the six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Restated)</b>
Cost of inventories sold	23,957,789	23,842,206
Cost of construction contracts	3,322,571	3,697,307
Cost of services provided	2,404,718	2,195,625
<b>Finance Company:</b>		
Interest expense due to banks and other financial institutions	17,691	28,666
Interest expense on customer deposits	6,877	10,163
	<u>24,568</u>	<u>38,829</u>
Depreciation of property, plant and equipment	658,420	687,790
Depreciation of investment properties	11,760	10,518
Recognition of prepaid land lease payments	21,603	28,127
Amortisation of patents and licences	16,730	24,806
Amortisation of concession intangible assets	9,656	8,692
Amortisation of other intangible assets	14,968	4,986
Amortisation of other non-current assets	18,496	42,142
<b>Research and development costs:</b>		
Amortisation of technology know-how	13,147	21,385
Current period expenditure	939,471	1,010,959
	<u>952,618</u>	<u>1,032,344</u>
<b>Minimum lease payments under operating leases:</b>		
Land and buildings	88,992	98,682
Plant, machinery and motor vehicles	19,342	22,440
Staff costs	2,686,064	2,888,971
Impairment of inventories to net realisable value	342,505	86,983
Impairment of trade receivables and other receivables	516,995	438,090
Impairment of lease receivables	82,894	23,942
Impairment of property, plant and equipment	864	-
<b>Product warranty provision:</b>		
Additional provision	169,533	272,246
<b>Onerous contract provision:</b>		
Additional provision	<u>653,551</u>	<u>747,759</u>

## SHANGHAI ELECTRIC GROUP COMPANY LIMITED

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### 5. INCOME TAX

The Company and all of its subsidiaries that operate in Mainland China were subject to the statutory corporate income tax rate of 25% for the six months ended 30 June 2016 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, Ltd., Shanghai Electric Wind Power Equipment Co., Ltd., Shanghai Heavy Machine Tool Works 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.. The abovementioned 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. As of 30 June 2016, 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 2016 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 2016.

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	
	2016	2015
	RMB'000	RMB'000
		(Restated)
The Group:		
Current - Mainland China		
Charge for the period	763,716	765,616
Overprovision in prior years	(48,641)	(32,842)
Current - Elsewhere		
Charge for the period	56	(151)
Underprovision in prior years	-	151
Deferred	(144,024)	(193,595)
Total tax charge for the period	571,107	539,179

## SHANGHAI ELECTRIC GROUP COMPANY LIMITED

### NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### 6. DIVIDEND

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

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

##### *Basic*

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent company amounting to RMB 1,245,006,000 (for the six months ended 30 June 2015: RMB1,397,243,000), and the weighted average number of ordinary shares of 12,824,307,029 (for the six months ended 30 June 2015: 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. 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 2016.

**SHANGHAI ELECTRIC GROUP COMPANY LIMITED**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**8. TRADE RECEIVABLES**

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>(Unaudited)</b>	<b>(Restated and</b>
	<b>RMB'000</b>	<b>Unaudited)</b>
		<b>RMB'000</b>
Undue	18,897,877	17,628,182
Within 3 months	3,772,105	3,502,372
Over 3 months but within 6 months	1,717,293	1,624,600
Over 6 months but within 1 year	1,739,190	1,298,438
Over 1 year but within 2 years	1,439,746	1,309,037
Over 2 years but within 3 years	568,322	527,189
Over 3 years past due	115,681	131,533
	<u>28,250,214</u>	<u>26,021,351</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.

**9. TRADE PAYABLES**

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>(Unaudited)</b>	<b>(Restated and</b>
	<b>RMB'000</b>	<b>Unaudited)</b>
		<b>RMB'000</b>
Within 3 months	21,899,543	19,660,514
Over 3 months but within 6 months	3,553,226	3,470,778
Over 6 months but within 1 year	2,779,335	2,764,540
Over 1 year but within 2 years	1,592,990	1,342,428
Over 2 years but within 3 years	973,727	766,339
Over 3 years	644,826	603,374
	<u>31,443,647</u>	<u>28,607,973</u>

## **REVIEW OF OPERATIONS**

The year of 2016 marked the commencement of the “Thirteenth Five-year Plan” as well as a year for Shanghai Electric’s business transformation and management improvement. During the reporting period, Shanghai Electric adhered to the principle of stability and resilience by staying focus on generation and preservation of cash, further deepened our reform and accelerated innovation. Major focuses set at the beginning of the year has made steady progress and the Company maintained a stable development. During the reporting period, the Company achieved a turnover of RMB36,867 million, representing a decrease of 0.7% as compared to that in the corresponding period of the preceding year; the net profit attributable to shareholders of the parent company amounted to RMB1,245 million, representing a decrease of 10.9% as compared to that in the corresponding period of the preceding year.

During the reporting period, the Company obtained new orders in the amount of RMB 49,460 million, representing an increase of 54.90% 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 and modern services accounted for 17.87%, 39.22% and 42.91% of the total new orders, respectively. As at the end of the reporting period, the Company’s orders on hand amounted to RMB224,640 million (with orders in the aggregate amount of RMB92,220 million not yet coming into effect). It represented a decrease of 10.49% over the corresponding period of the preceding year, among which, the order on hand from new energy and environmental protection equipment, high efficiency and clean energy equipment and modern services accounted for 12.49%, 58.38% and 29.13% of the total orders on hand respectively.

### **New Energy and Environmental Protection Equipment**

During the reporting period, domestic nuclear power market began to recover gradually. Most of the nuclear power projects under construction had been resumed one after another while new nuclear power projects were progressing slowly. During the reporting period, the first pressure vessel for high temperature gas-cooled reactor in the world independently developed by us, was successfully delivered to Huaneng for its nuclear power station project in Shidaowan. Besides, the reactor vessel internals for CAP1400 project, a major project for National Energy Administration of China, passed for pre-inspection, filling a niche in relevant domestic field. Based on the foundation we continuously concluded from successful commissioning of nuclear power projects in Yangjiang and Fangchenggang, we have developed the Pakistan K2 and K3 units, the very first one of its type in China, with our independent intellectual property rights, and further advanced specialized R&D projects such as welding rotors for nuclear power equipment. During the reporting period, we strived to provide full operating cycle and comprehensive services to our wind power equipment customers. We proactively enhanced our capabilities in research and development of wind power technologies and engineering services, and at the same time explored the business model of investment in and operation of as well as construction contracting for wind farms. During the reporting period, we commenced construction of wind farms in Heilongjiang Province with initial attainment of the wind power business model of “equipment manufacturing plus engineering service plus wind farm investment”. During the reporting period, we received new wind power equipment orders of RMB7,890 million, representing an increase of 32.61% over the corresponding period of the preceding year. Wind power equipment orders on hand by the end of the reporting period amounted to RMB12,980 million, representing an increase of 24.69% over the corresponding period of the preceding year. We continued to maintain our leading position in offshore wind power equipment market in China, ranking number 1 within China in terms of offshore wind power capacity installation. Meanwhile, the cloud computing and big data-based remote system management platform, “Feng Yun” system, had been put online which marked a new service model of wind power station in the technological revolution era. During the reporting period, we received a 4MW offshore wind turbines order of 100 units from Binghai in Jiangsu Province, which is the largest offshore wind turbines order in terms of value ever recorded in China. During the reporting period, our environmental protection industry business remained focus on the three main businesses, namely solid waste treatment, water treatment and distributed energy. We have successively signed a series of photovoltaic projects in Anhui, Hebei and Tianjin, China, with a total contracted capacity of over 1,000MW.



**REVIEW OF OPERATIONS (continued)**

**High Efficiency and Clean Energy Equipment**

During the reporting period, given the persistent slowdown in domestic thermal power market, we intensively cultivated our thermal power business by shifting gradually from passive engagement in development of new products driven by market demands, to an active innovation model with product research and development leading the market demands. During the reporting period, we received new coal-fired power equipment orders with a value of RMB10,100 million, maintaining at a similar level as compared to the corresponding period of the preceding year. Coal-fired power equipment orders on hand by the end of the reporting period amounted to RMB96,800 million (with orders in the aggregate amount of RMB43,500 million not yet coming into effect), representing an increase of 7.56% over the corresponding period of the preceding year. In the gas turbine area, taking 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, the Company enhanced its capabilities in absorbing and mastering gas turbine design skills and core technologies for servicing gas turbines, as well as accelerating the progress of independent development of the Company’s gas turbine business. During the reporting period, we received new gas turbine orders in the amount of RMB2,060 million, representing an increase of 134.09% over the corresponding period of preceding year. Gas turbine orders on hand by the end of the reporting period amounted to RMB10,090 million, representing an increase of 29.86% over the corresponding period of preceding year. During the reporting period, we stressed on the further development of the industry strategic plan of “3+1”, which refers to development direction towards “high voltage technology, intelligence-based manufacturing, power electronics technology and engineering service” for our power transmission and distribution equipment business, continuously enhanced our industry capability level and proactively strived for market expansion. We were awarded the tender for 500kV transformer project under the 220-750kV transformers project in the 2nd power transmission equipment tender invitation from State Grid Corporation of China in 2016, marking a new stage of development for the Company’s products. Our self-developed DC traction supply substation had succeeded in the tender for the modern light rail project of Longhua New District, Shenzhen, which achieved breakthrough in obtaining our first order in DC traction supply equipment to be utilized by any rail systems in China.

**Industrial Equipment**

During the reporting period, while regional differentiation became more and more apparent in national real estate market, competition in the elevator market intensified. On the other hand, quantity of elevators in service in China exceeded 4 million as at the end of 2015. With increasing number of elevators in service for over 15 years, there will be significant increase in the replacement of old elevators in the future, resulting in yearly growth in production value for elevator repairs, maintenance and retrofit. Meanwhile, against the backdrop of continuous acceleration of industrialization and urbanization, coupled with supportive public transportation, elevator market will manage to keep the momentum for stable development in a prolonged period in the future. During the reporting period, while accommodating conditions in the market, Shanghai Mitsubishi Elevator Co., Ltd. (“Shanghai Mitsubishi Elevator”) attached more importance to maintaining and developing relationships with major strategic customers, as well as stepping up effort on core and major projects in second-and-third tier cities. During the reporting period, major projects undertaken included Shengjing Financial Plaza (盛京金融廣場), Chengdu Taihe International Fortune(成都泰和國際財富), Di Jing Yuan in Xiamen (廈門帝景苑), Shenzhen Metro Technology Building (深圳地鐵科技大廈), Shanghai Jin Mao Palace (上海大寧金茂府) and Qingdao Jiaodong International Airport (青島膠東新國際機場). In the meantime, Shanghai Mitsubishi Elevator continued to explore the development of service industrialization. In light of rapid growth in demand for in-use elevator, especially for business of retrofit of old elevators, Shanghai Mitsubishi Elevator is speeding up the construction of service centers, logistics centers and training centers. With the principle of “service marketing”, we created a new growth driver for services in addition to the business of retrofit of old elevators. Shanghai Mitsubishi Elevator has made all efforts to push forward the application of mobile internet in engineering services and enhancement of information technology in aspects of project management installation and repairs and maintenance quality check. Through big data analysis and application on customers’ information, improvement in operating

30 JUNE 2016

## REVIEW OF OPERATIONS (continued)

efficiency, as well as strengthening of management and control capabilities, revenue generated from installation and maintenance services of Shanghai Mitsubishi Elevator exceeded RMB 2,500 million for the first half of 2016, accounting for more than 28% of turnover of Shanghai Mitsubishi Elevator.

### Modern Services

During the reporting period, we continue to develop the power plant engineering business at steady pace. Devising upon the National Initiative of “One Belt One Road”, we regarded over 50 countries and regions covered by the “One Belt One Road” initiative as the core markets of our engineering industry and planned to extend its overseas sales network into Malaysia, Turkey, Poland, Pakistan and Columbia, and actively promote the construction of sales networks, so as to achieve the sales capacity in multiple regions. During the reporting period, the Company and Egyptian Electricity Holding Company entered into a conditional EPC (engineering, procurement, construction) general contracting agreement regarding the Hamrawien coal-fired power plant projects in Egypt during President Xi Jinping’s visit to Egypt, which is the first ever coal-fired power plant sales order in Egypt. A general contracting agreement BDWC-1-LOT3A on design, equipment supply, land construction work and installation of supply substation was entered into between Ethiopia Electric Power and us, with contract value of approximately US\$100 million. Regarding our power plant engineering business, we will explore new energy and distributed energy markets instead of focusing merely on coal-fired market. We will also strive to facilitate the business model of “integrating business and finance” while enhancing the effort on project investment and project financing. During the reporting period, to capture opportunities in the market of thermal power enhancement projects, we undertook an EPC agreement relating to the capacity expansion, energy conservation, emission reduction as well as integration and upgrading of phase two of Daihai power plants in Inner Mongolia, thereby continuing to achieve breakthroughs in aspect of upgrading power generating units market. During the reporting period, our financial service platform has continued the expansion of its services and functionality, and has been gradually transformed from single internal banking service provider into a comprehensive financial services provider with diversified financial services. Our financing company has further improved the construction of global treasury capability of the Group. Our leasing company has further improved its strength of support for the core businesses of the Group while our insurance brokerage company has further enhanced the centralized management over the insurance affairs of the Group to boost rapid development.

## MANGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group recorded a turnover of RMB36,867 million, representing a decrease of 0.7% compared with that of the same period of the preceding year. The net profit attributable to shareholders of the parent company amounted to RMB1,245 million, representing a decrease of 10.9% compared with that of the same period of the preceding year.

### New Energy and Environmental Protection Equipment

During the reporting period, the new energy and environmental protection equipment segment achieved sales revenue of RMB 4,949 million, representing an increase of 19.1% as compared to the corresponding period of the preceding year. The increase is mainly due to the increase of revenue from wind power equipment of 48.2% as compared to the corresponding period of the preceding year to RMB3,012 million. During the reporting period, the gross profit margin of the segment increased by 0.7 percentage point from that of the corresponding period of the preceding year to 14.6% and the operating profit margin of the segment increased by 3.2 percentage points from that of the corresponding period of the preceding year to 1.7%, mainly due to expansion of scale of operation of and revenue from the segment over 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 RMB 13,529 million, representing an increase of 3.4% as compared to the corresponding period of the preceding year. Gross profit margin of the segment increased by 0.1 percentage point from that of the corresponding period of the preceding year to 15.5%, while operating profit margin of the segment increased

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

30 JUNE 2016

## **MANGEMENT DISCUSSION AND ANALYSIS (continued)**

by 1.1 percentage points from that of the corresponding period of the preceding year to 3.2%. The increase is mainly due to greater proportion of 1000MW products (which is of higher profitability) within the sales of coal-fired power equipment as compared to the corresponding period of the preceding year.

### **Industrial Equipment**

During the reporting period, the industrial equipment segment recorded a turnover of RMB 11,514 million, representing a decrease of 7.9% as compared to the corresponding period of the preceding year. Gross profit margin of the segment increased by 1.4 percentage points from that of the corresponding period of the preceding year to 22.4%, while operating profit margin of the segment increased by 2.1 percentage points from that of the corresponding period of the preceding year to 10.7%, mainly due to the industry-leading level of gross profit margin maintained by our elevator business together with the Company's move to exit the printing and packaging business which had yielded remarkable results, boosting the profitability of the segment.

### **Modern Services**

During the reporting period, the modern services segment recorded a turnover of RMB 8,375 million, representing a decrease of 3.3% as compared to the corresponding period of the preceding year. Gross profit margin of the segment decreased by 5.0 percentage points from that of the corresponding period of the preceding year to 13.4%, while operating profit margin of the segment decreased by 8.4 percentage points from that of the corresponding period of the preceding year to 11.6%. The decrease is mainly due to the difference in project scale and gross profit margin level of the power plant engineering business between the reporting period and the corresponding period of the preceding year, and the adverse impact over our financial service business due to volatility of stock market leading to a decrease in relevant investment revenue as compared to the corresponding period of the preceding year.

### **Outlook**

Looking forward to the second half of 2016, we will stay on the track of "adhering to the development theme of innovation and development, insisting on pressing ahead development with a direction towards high-end technology, asset-light business structure, group level centralized management and controls, hierarchy-reduced operation structure, as well as intelligent products" and insist on the concept of "One Company" and adhere to the principle of stable and steady development with a focus on generation and preservation of cash, as well as expediting the Group's transformation into a quality and effectiveness targeted development mode, to persevere with our goal of building Shanghai Electric into a multinational group with global presence and operations, international competitiveness and brand influence.

### **Assets Restructuring and Placing of A Shares**

On 18 January 2016, the assets restructuring and the placing of A shares (the "Transactions") were approved by the shareholders of the Company at the 2016 first extraordinary general meeting, the 2016 first A shares class meeting and the 2016 first H shares class meeting. The Company proposed to conduct an assets swap for its 100% equity interests in Shanghai Heavy Machinery Plant Co., Ltd., at a value of RMB1.00, with the equivalent portion of 100% equity interests in Shanghai Electric Industrial Company Limited, 61% equity interests in Shanghai DENSO Fuel Injection Co., Ltd., 100% equity interests in Shanghai Blower Works Co., Ltd. and 14.79% equity interests in Shanghai Rail Traffic Equipment Development Co., Ltd. held by Shanghai Electric (Group) Corporation ("SEC"). The difference between the consideration for the equity interests of the incoming assets and that for the outgoing assets of RMB3,400,913,224 and the consideration for the land use rights for 14 parcels of land located at Shanghai, the PRC, the buildings and structures erected thereon with certain auxiliary facilities together with equipment and machines held by SEC (the "Target Properties") of the incoming assets of RMB2,916,326,263 will be settled by the way of issuance of 606,843,370 consideration shares by the Company to SEC at the issue price of RMB10.41 per consideration share. The Transactions have been approved by China Securities Regulatory Commission on 26 April 2016.

**SHANGHAI ELECTRIC GROUP COMPANY LIMITED**

**30 JUNE 2016**

## **MANGEMENT DISCUSSION AND ANALYSIS (continued)**

For details of the implementation progress of the Transactions, please refer to the announcements of the Company dated 21 June 2016, 21 July 2016 and 19 August 2016.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the provisions as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) as its model code for securities transactions by directors (the “Directors”), supervisors (the “Supervisors”) and relevant employees of the Company. Further to the Company’s enquiry, all Directors and Supervisors confirmed that they had complied with the Model Code and the relevant provisions as set out in Appendix 10 of the Hong Kong Listing Rules during the period from 1 January 2016 to 30 June 2016. No violation of the Model Code by relevant employees has been found by the Company.

## **CORPORATE GOVERNANCE**

For the first half of 2016, the Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Hong Kong Listing Rules except for a deviation from code provision A.2.1 of the Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the Code, roles of the chairman and chief executive officer should separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2016, 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 (resigned on 6th June 2016), Mr. Zheng Jianhua, Dr. Lui Sun Wing and Dr. Chu Junhao.

## **NOMINATION COMMITTEE**

The Nomination Committee currently comprises Dr. Chu Junhao, Mr. Wang Qiang (resigned on 6th June 2016) and Mr. Kan Shun Ming. The primary functions of our Nomination Committee include studying the criteria, procedures and methods for selecting candidates for Directors and making recommendations to the Board.

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

## **AUDIT COMMITTEE**

The Audit Committee currently comprises Mr. Kan Shun Ming, Dr. Lui Sun Wing, Dr. Chu Junhao and Ms.

**SHANGHAI ELECTRIC GROUP COMPANY LIMITED**

**30 JUNE 2016**

**AUDIT COMMITTEE (continued)**

Yao Minfang. During the reporting period, the Board revised the Terms of Reference for the Audit Committee, which specifies that the Audit Committee is also responsible for evaluating and reviewing the effectiveness of the risk management and internal control systems of the Company and its subsidiaries on a regular basis. The review should cover financial, operational, compliance controls and etc. to ensure the Company establishes and maintains appropriate and effective risk management and internal control systems. 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 (resigned on 6th June 2016) and Dr. Chu Junhao, is mainly responsible for providing recommendations to the Board in respect of the remuneration policy for and the structure of the Directors, Supervisors and operation team of the Company, and determining applicable and transparent procedures.

**INTERIM DIVIDEND**

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

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

**DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE**

The results announcement will be published on the Company's website (<http://www.shanghai-electric.com>) and the Stock Exchange's website (<http://www.hkexnews.hk>). The 2016 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 announcement, the executive Directors of the Company are Mr. Huang Dinan, Mr. Zheng Jianhua and Mr. Huang Ou; the non-executive Directors of the Company are Mr. 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 announcement, the Supervisors of the Company are Mr. Dong Jianhua, Mr. Li Bin, Mr. Zhou Changsheng and Mr. Zheng Weijian.

By order of the Board  
**Shanghai Electric Group Company Limited**  
**Huang Dinan**  
**Chairman**

Shanghai, the PRC, 26 August 2016  
*# For identification purpose only*