

2016

INTERIM REPORT

Shanghai Electric Group Company Limited

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



CONTENTS

Corporate Information	02
Performance Highlights	03
Chairman's Statement	04
Major Financial Data and Indicators	07
Management Discussion and Analysis	08
Other Information	12
Unaudited Interim Condensed Consolidated Statement of Profit or Loss	17
Unaudited Interim Condensed Consolidated Statement of Comprehensive Income	18
Unaudited Interim Condensed Consolidated Statement of Financial Position	19
Unaudited Interim Condensed Consolidated Statement of Changes In Equity	22
Unaudited Interim Condensed Consolidated Statement of Cash Flows	24
Notes to Unaudited Interim Condensed Consolidated Financial Statements	25

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 2016 was **RMB36,867 million**, a decrease of **0.70%** over the corresponding period 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 last year
- Basic earnings per share were **RMB9.71 cents**, representing a decrease of **10.92%** over the corresponding period last year



CHAIRMAN'S STATEMENT



Chairman and CEO Huang Dinan

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, we achieved breakthrough in aspect of mergers and acquisitions by acquiring 19.67% equity interests of MANZ AG in Germany. Going forward, the acquisition will enable Shanghai Electric to enhance its automation equipment manufacturing in related areas including electronics, energy storage, solar power, etc. In addition, we can extend to applications in other segments of intelligent manufacturing through technology spillover. We acquired 14% equity interests in Suvast Special Alloy Technology Co., Ltd. (江蘇永瀚特種合金技術有限公司), which is a leading PRC company engaged in precise casting of high temperature components for gas turbines. Through this acquisition, we further improved the industrial layout for our gas turbine manufacturing industry chain. During the reporting period, we continued to push forward group level centralized management and controls at steady pace, with subordinated projects being implemented in an orderly manner based on a top-down design proposal so that the “centralized management and controls and hierarchy-reduced operation structure” development direction could advance systematically and efficiently. Construction of a corporate shared services center (with focus on human resources, finance, procurement and information technology) was also proceeding in an orderly manner. During the reporting period, our capabilities and technology for our core industries have been enhanced continuously, with both our second reheat ultra supercritical coal-fired power generation equipment and high temperature gas-cooled reactor technology being selected for the technology achievement presentation for the State’s “12th Five-Year” plan and the “Research and application on intelligent manufacturing of traction machines for elevators” (電梯曳引機智能製造研究和應用) project of Shanghai Mitsubishi Elevator Co., Ltd (“Shanghai Mitsubishi Elevator”) selected for the 2016 Innovation Initiative Programme (2016年度創新行動計劃) of Shanghai Municipal Science and Technology Commission.

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 orders 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.

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

CHAIRMAN'S STATEMENT

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 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.

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.

Huang Dinan
Chairman
Shanghai, the PRC,
26 August 2016

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	164,286,168	165,467,872	(0.71)
Equity attributable to owners of the Company	40,864,118	39,269,082	4.06
Net assets per share attributable to owners of the Company (Yuan/share)	3.19	3.06	4.25

	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	2,973,180	2,916,921	1.93
Profit before income tax	2,993,487	3,030,136	(1.21)
Net profit attributable to owners of the Company	1,245,006	1,397,243	(10.90)
Basic earnings per share (Yuan)	0.0971	0.1090	(10.92)
Weighted average return on net assets (%)	3.13	3.66	-0.53 percentage points
Net cash flow generated from operating activities	(294,759)	(1,967,137)	N/A
Net cash flow per share generated from operating activities (Yuan)	-0.02	-0.15	N/A



MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operating Results

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

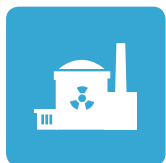
During the reporting period, the high efficiency and clean energy equipment segment achieved a turnover of RMB 13,529 million, representing an increase of 3.4% as compared to the corresponding period of the preceding year. Gross profit margin of the segment increased by 0.1 percentage point from that of the corresponding period of the preceding year to 15.5%, while operating profit margin of the segment increased 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.



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 and Environmental Protection Equipment	4,949	4,225	14.6%	19.1%	18.0%	+0.7 percentage points
High Efficiency and Clean Energy Equipment	13,529	11,433	15.5%	3.4%	3.3%	+0.1 percentage points
Industrial Equipment	11,514	8,936	22.4%	(7.9%)	(9.6%)	+1.4 percentage points
Modern Services	8,375	7,252	13.4%	(3.3%)	2.6%	-5.0 percentage points
Other business	499	409	18.0%	108.8%	114.7%	-2.3 percentage points
Elimination	(1,999)	(2,079)				
Total	36,867	30,176	18.1%	(0.7%)	(0.4%)	0.3 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	33,844	2.2%
Elsewhere	3,023	(24.7%)
Total	36,867	(0.7%)

Major financial reporting items and Analysis of Changes

Unit: million; Currency: RMB

	January to June 2016	January to June 2015 (Restated)	Year-on-year Change
Revenue	36,867	37,125	(0.7%)
Cost of Sales	30,176	30,305	(0.4%)
Selling and distribution costs	1,025	1,023	0.2%
Administrative expenses	3,587	3,996	(10.2%)
Finance costs	262	214	22.4%
Net cash flows from operating activities	(295)	(1,967)	N/A
Net cash flows from investing activities	(5,039)	(2,887)	N/A
Net cash flows from financing activities	(2,951)	8,488	N/A
Research and development costs	939	1,011	(7.1%)

Analyses and Explanations for the Changes

Explanations for the changes in net cash flows from operating activities: The decrease in net cash outflows from operating activities as compared to the corresponding period of preceding year was mainly attributable to more stringent supply chain management by the Company and the amount of cash settlement from operating activities was lower than the corresponding period of preceding year.

Explanations for the changes in net cash flows from investing activities: The increase in net cash outflows from investing activities as compared to the corresponding period of preceding year was mainly attributable to the impact of the macroeconomic adjustment by the central government, that net decrease in the amount due from central bank and outstanding loans made by our Finance Company were both higher in the corresponding period of preceding year than in the reporting period. Such impact was reflected as a decrease in cash inflows from investing activities of the Company during the reporting period as compared to the corresponding period of preceding year.

Explanations for the changes in net cash flows from financing activities: The Company recorded net cash outflows from financing activities during the reporting period as against net cash inflows for the same period last year, which was mainly attributable to the issuance of convertible bonds of RMB6,000 million and bond of EUR600 million during the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Source of Funding and Indebtedness

As at 30 June 2016, the Group had an aggregate amount of bank and other borrowings and bonds of RMB14,118 million (31 December 2015: RMB13,264 million), representing an increase of RMB854 million as compared with that of the beginning of the year. Borrowings repayable by the Group within one year amounted to RMB2,715 million, representing an increase of RMB367 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB11,403 million, representing an increase of RMB488 million as compared with that of the beginning of the year.

As at 30 June 2016, among the Group's other borrowings and bonds, borrowings denominated in US dollars amounted to USD23 million (31 December 2015: USD32 million), borrowings denominated in Euros amounted to EUR27 million (31 December 2015: EUR15 million), bonds denominated in Euros amounted to EUR600 million (31 December 2015: EUR600 million), borrowings denominated in Malaysian Ringgits amounted to MYR99 million (31 December 2015: MYR69 million), and borrowings denominated in HK dollars amounted to HKD700 million (31 December 2015: HKD700 million). Other borrowings and bonds are denominated in Renminbi.

Pledge of Assets

As at 30 June 2016, the Group's bank deposits to the extent of RMB634 million (31 December 2015: RMB632 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 RMB463 million as at 30 June 2016 (31 December 2015: RMB453 million), were pledged as securities for certain bank loans of the Group. As at 30 June 2016, accounts receivable of a net carrying amount of approximately RMB22 million (31 December 2015: RMB43 million) were factored with recourse for certain bank facilities to the extent of RMB17 million (31 December 2015: RMB30 million).

Gearing Ratio

As at 30 June 2016, 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 20.92%, representing a decrease of 0.85 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 RMB758 million (1H2015: RMB532 million), which had been applied towards upgrading of production technologies and production equipment.

Risk in relation to exchange rate fluctuation in the operations of the Company

The Company's businesses in power plant equipment, 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 equipment 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.

General use of proceeds

Unit: billion; Currency: RMB

Year	Fund Raising 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	6.0	0.09	3.89	2.11	1.9 billion used for temporary replenishment of working capital and the remaining 0.21 billion deposited in the special deposit account.
Total	/	6.0	0.09	3.89	2.11	/
Description of the general use of proceeds	During the reporting period, raised funds of the Company had been utilised in accordance with the relevant requirements of "Administrative Measures of Shanghai Stock Exchange for Raised Funds of Listed Companies (amended in 2013)" and "Administrative Measures of Shanghai Electric Group Company Limited for Raised Funds".					

A Share Convertible Corporate Bonds

In January 2015, CSRC approved the Company's proposed issuance of A share convertible corporate bonds in an aggregate sum of RMB6.0 billion. In February 2015, the Company completed issuing a total of 60,000,000 A share convertible corporate bonds with a nominal value of RMB100 each (the "Electric Convertible Bonds"), amounting to RMB6 billion in aggregate. The Electric Convertible Bonds were listed on the Shanghai Stock Exchange as from 16 February 2015 under the bond code of "113008". The initial conversion price of the Electric Convertible Bonds was RMB10.72 per A Share and the conversion price was adjusted from RMB10.72 per share to RMB10.66 per share from 2 July 2015. The term of the Electric Convertible Bonds commences from 2 February 2015 and ends on 1 February 2021 and the conversion period commences from 3 August 2015 and ends on 1 February 2021. As at 30 June 2016, the Electric Convertible Bonds amounting to RMB 7,276,000 have been converted to 682,462 A shares based on the conversion price of RMB10.66 per A share. As at 30 June 2016, the unconverted Electric Convertible Bonds amounted to RMB5,992,724,000. For details, please refer to the announcements of the Company dated 20 January 2015, 28 January 2015, 11 February 2015, 25 June 2015 and 27 July 2015 .



MANAGEMENT DISCUSSION AND ANALYSIS

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
Iraq Wassit II Thermal Power Plant EPC Project	No	1.40	0.046	0.314	Yes	22%	N/A	N/A
India SASAN Thermal Power Plant BTG Project	No	1.00	0.014	0.656	Yes	66%	N/A	N/A
Vietnam Vinh Tan II Coal-fired Power Plant EPC project	No	1.00	0.030	0.383	Yes	35%	N/A	N/A
Capital contribution to Shanghai Electric Leasing Co., Ltd.	No	2.5	0	2.500	Yes	100%	N/A	N/A
Total	/	6.0	0.090	3.853	/	/	/	/

Use of proceeds for projects with investment commitment

As at the end of the reporting period, raised funds utilised by the Company amounted to RMB3.89 billion in aggregate on a cumulative basis and unutilised raised funds amounted to RMB2.11 billion in aggregate. Among the unutilised raised funds, RMB1.9 billion will be used as a temporary replenishment of working capital, which has been approved by the Board of the Company, and RMB210 million will be placed in the project account for raised funds of the Company.

Recent Development

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. As at 26 August 2016, the transfer of relevant assets involved in the Transactions have been completed and the share registration and deposit procedures in relation to the consideration shares issued by the Company to SEC in the Transactions were expected to be completed shortly.

OTHER INFORMATION

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital
A shares	9,851,397,122	76.82%
H shares	2,972,912,000	23.18%
Total	12,824,309,122	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 2016 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 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	75.33	57.87
	H	Interest of controlled corporation	1	229,334,000	Long position	7.72	1.79
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	7,030,458,711*	Long position	71.37	54.82
	H	Beneficial owner	1	200,000,000	Long position	6.73	1.56
	H	Interest of controlled corporation	1,2	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
Sarasin & Partners LLP	H	Investment Manager		189,238,000	Long position	6.37	1.48
BlackRock, Inc.	H	Interest of controlled corporation	3	154,479,999	Long position	5.20	1.20

* As disclosed in the announcements dated 24 December 2015 and 17 June 2016 in relation to the gratuitous transfer of part of the Company's shares by controlling shareholder and the said gratuitous transfer has been approved by the State-owned Assets Supervision and Administration Commission of the State Council and State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") on 17 June 2016. As further disclosed in the announcement dated 18 July 2016, the said gratuitous transfer had been completed on 15 July 2016. After the said gratuitous transfer, Shanghai Electric (Group) Corporation holds 6,970,073,647 A shares of the Company, and Shanghai Guosheng (Group) Co., Ltd. (a wholly-owned subsidiary of Shanghai SASAC) holds 60,385,064 A shares of the Company.

OTHER INFORMATION

Notes

- (1) Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) and Shenergy (Group) Company Limited (申能(集團)有限公司) were wholly owned by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會) 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) Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) directly or through its wholly-owned subsidiary, Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司), held H shares of the Company.
- (3) BlackRock, Inc. had a long position 154,479,999 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 412,343 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 33,249,808 H shares of the Company.
 - (3.4) BlackRock Fund Advisors, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 55,466,000 H shares of the Company.
 - (3.5) BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 10,000 H shares of the Company.
 - (3.6) BlackRock Japan Co., Ltd., an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 3,024,000 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 214,000 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 508,000 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 1,305,423 H shares of the Company.
 - (3.10) BlackRock (Netherlands) B.V., an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 452,000 H shares of the Company.
 - (3.11) BlackRock Advisors (UK) Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 26,302,453 H shares of the Company.
 - (3.12) BlackRock International Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 984,000 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 16,278,000 H shares of the Company.
 - (3.14) BLACKROCK (Luxembourg) S.A., an indirect wholly-owned subsidiary of BlackRock, Inc., had a long position in 360,000 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 13,499,972 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.

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 2016 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 2016, 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 "Hong Kong 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 Hong Kong 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 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. 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 that 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.

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

As of 30 June 2016, the Group had approximately 25,853 employees (30 June 2015: approximately 28,916). 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. Li Jianjin, Mr. Zhu Kelin and Ms. Yao Minfang; and the independent non-executive directors of the Company are Dr. Lui Sun Wing, Mr. Kan Shun Ming and Dr. Chu Junhao.

As at the date of this report, the Supervisors of the Company are Mr. Dong Jianhua, Mr. Li Bin, Mr. Zhou Changsheng and Mr. Zheng Weijian.

By order of the Board
Huang Dinan
 Chairman of the Board
 Shanghai, the PRC
 26 August 2016

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the six months ended 30 June	
		2016 RMB'000	2015 RMB'000 (Restated)
Revenue	6	36,866,602	37,125,005
Cost of sales		(30,175,828)	(30,305,153)
Gross profit		6,690,774	6,819,852
Other income and gains, net	6	895,245	1,115,973
Distribution expenses		(1,025,469)	(1,022,695)
Administrative expenses		(3,587,370)	(3,996,209)
Operating Profit		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
Profit before income tax	7	2,993,487	3,030,136
Income tax expense	8	(571,107)	(539,179)
Profit for the period		2,422,380	2,490,957
Profit attributable to:			
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
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9	Cents per share	Cents per share
Basic earnings per share		9.71	10.90
Diluted earnings per share		9.71	10.90

The notes on pages 25 to 50 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	
	2016 RMB'000	2015 RMB'000 (Restated)
Profit for the period	2,422,380	2,490,957
Other comprehensive income:		
<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)
Other comprehensive income for the period, net of tax	(235,830)	661,416
Total comprehensive income for the period	2,186,550	3,152,373
Attributable to:		
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

The notes on pages 25 to 50 form an integral part of this interim consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2016 RMB'000	(Restated) Unaudited 31 December 2015 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	10	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
Total non-current assets		36,541,746	35,347,286
Current assets			
Inventories		23,020,366	21,587,556
Construction contracts		3,274,643	2,885,697
Trade receivables	11	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
Total current assets		127,744,422	130,120,586
Total assets		164,286,168	165,467,872

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

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

	Notes	Unaudited 30 June 2016 RMB'000	(Restated) Unaudited 31 December 2015 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds	14	11,072,831	10,792,803
Interest-bearing bank and other borrowings	13	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
Total non-current liabilities		13,509,043	12,943,842
Current liabilities			
Trade payables	12	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	13	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
Total current liabilities		97,405,002	100,535,978
Total liabilities		110,914,045	113,479,820

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

	Note	Unaudited 30 June 2016 RMB'000	(Restated) Unaudited 31 December 2015 RMB'000
Equity and liabilities(cont'd)			
Equity			
Equity attributable to owners of the Company			
Ordinary shares	15	12,824,309	12,824,305
Reserves		28,039,809	26,444,777
Retained earnings			
-Proposed final dividends		-	-
		40,864,118	39,269,082
Non-controlling interests		12,508,005	12,718,970
Total equity		53,372,123	51,988,052
Total equity and liabilities		164,286,168	165,467,872
Net current assets		30,339,420	29,584,608
Total assets less current liabilities		66,881,166	64,931,894

The notes on pages 25 to 50 form an integral part of this interim consolidated financial information

Mr. Huang Dinan
Chairman and CEO

Mr. Zheng Jianhua
Director and Presiden

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

Unaudited													
Attributable to owners of the Company													
Note	Ordinary shares RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Hedging revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Special reserve RMB'000	Exchange differences RMB'000	Retained profits RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (restated)	12,824,305	7,655,045	(2,352,526)	4,559,911	(17,889)	988,378	52,760	(18,109)	15,577,207	-	39,269,082	12,718,970	51,988,052
Profit for the period	-	-	-	-	-	-	-	-	1,245,006	-	1,245,006	1,177,374	2,422,380
Other comprehensive income	-	586	-	-	1,907	(197,451)	-	(22,106)	-	-	(217,064)	(18,766)	(235,830)
Total comprehensive income for the period	-	586	-	-	1,907	(197,451)	-	(22,106)	1,245,006	-	1,027,942	1,158,608	2,186,550
Addition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	239,700	239,700
Disposal of subsidiaries	-	446,232	-	-	-	-	-	-	-	-	446,232	(106,668)	339,564
Convertible bond - equity component	4	-	-	-	-	-	-	-	-	-	4	-	4
Compensation from the ultimate holding company	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction with non-controlling interests	17	-	-	-	-	-	-	-	-	-	-	-	-
Declared dividends relating to 2015	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,497,721)	(1,497,721)
Others	-	120,858	-	-	-	-	-	-	-	-	120,858	(4,884)	115,974
At 30 June 2016 (unaudited)	12,824,309	8,222,721	(2,352,526)	4,559,911	(15,982)	790,927	52,760	(40,215)	16,822,213	-	40,864,118	12,508,005	53,372,123

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

Restated and Unaudited

Attributable to owners of the Company

Note	Ordinary shares RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Hedging revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Special reserve RMB'000	Exchange differences RMB'000	Retained profits RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	12,823,627	6,669,332	(2,352,526)	4,558,889	1,729	668,362	52,760	(77,386)	13,680,613	753,132	36,778,532	11,561,960	48,340,492
Profit for the period	-	-	-	-	-	-	-	-	1,397,243	-	1,397,243	1,093,714	2,490,957
Other comprehensive income	-	(3,719)	-	-	4,690	580,375	-	(8,303)	-	-	573,043	88,373	661,416
Total comprehensive income for the period	-	(3,719)	-	-	4,690	580,375	-	(8,303)	1,397,243	-	1,970,286	1,182,087	3,152,373
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	-	-	-	-	-	-	-	-	(58,621)	(753,132)	(811,753)	-	(811,753)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,525,979)	(1,525,979)
Business combination under common control	-	(198,932)	-	-	-	-	-	-	-	-	(198,932)	-	(198,932)
Others	-	24,841	-	-	-	-	-	-	-	-	24,841	-	24,841
At 30 June 2015	12,823,627	7,986,978	(2,352,526)	4,558,889	6,419	1,248,737	52,760	(85,689)	15,019,235	-	39,258,430	11,111,256	50,369,686

The notes on pages 25 to 50 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 2016

	Unaudited For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from operating activities		
Cash generated from operations	273,591	(1,157,726)
Income tax paid	(568,350)	(809,411)
Net cash used in operating activities	(294,759)	(1,967,137)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	(575,996)	(265,966)
Proceeds from disposal of items of property, plant and equipment	43,581	186,132
Purchases of other intangible assets	(175,646)	(87,293)
Other investing activities, net	(5,285,999)	3,080,433
Disposal of a subsidiary	28,049	17,818
Decrease in non-restricted time deposits with original maturity of over three months when acquired	8,350,662	1,131,383
Increase in repurchased assets	(7,421,961)	(8,430,500)
Decrease in an amount due from the Central Bank	(1,608)	1,505,689
Finance lease receivables	-	(24,792)
Net cash used in investing activities	(5,038,918)	(2,887,096)
Cash flows from financing activities		
Dividend payments to equity holders	(680,200)	(816,180)
Repayments of bank and other loans	(2,240,912)	(4,641,605)
New bank and other loans	3,248,331	1,669,703
Issue of bonds	-	10,079,203
Others	(3,277,864)	2,196,712
Net cash (used in)/generated from financing activities	(2,950,645)	8,487,833
Net (decrease)/increase in cash and cash equivalents	(8,284,322)	3,633,600
Cash and cash equivalents at beginning of period	33,594,058	19,365,529
Effect of foreign exchange rate changes on cash, net	(66,340)	(24,425)
Cash and cash equivalents at the end of period	25,243,396	22,974,704

The notes on pages 25 to 50 form an integral part of this interim consolidated financial information.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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, and provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power generation environment protection and distributed energy systems;
- design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products;
- design, manufacture and sale of elevator, electric motors, machine tools, marine crankshafts and other electromechanical equipment products; and
- provision of integrated engineering services for power station projects and other industries, financial products and services, international trading services, financial lease and related consulting services and insurance brokerage 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 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").

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 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.

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 2015.

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.

The interim condensed consolidated financial information does 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 for the year ended 31 December 2015.

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)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 30 June 2016 is listed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale investments:				
Equity investments	808,665	-	-	808,665
Debt investments	-	422,923	-	422,923
Investment funds	2,026,712	-	-	2,026,712
Investment products	-	1,056,722	-	1,056,722
Investments at fair value through profit or loss:				
Equity investments	34,671	-	-	34,671
Debt investments	63,495	-	-	63,495
Investment funds	48,510	-	-	48,510
Derivative financial instruments	-	674,464	-	674,464
Total assets	2,982,053	2,154,109	-	5,136,162
Liabilities				
Hedge instrument	-	24,479	-	24,479
Total liabilities	-	24,479	-	24,479

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 2015 is listed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale investments:				
Equity investments	1,160,193	-	-	1,160,193
Debt investments	-	434,319	-	434,319
Investment funds	1,817,150	-	-	1,817,150
Investment products	-	1,226,368	-	1,226,368
Investments at fair value through profit or loss:				
Equity investments	53,152	-	-	53,152
Debt investments	3,510	-	-	3,510
Investment funds	32,867	-	-	32,867
Derivative financial instruments	-	664,805	-	664,805
Total assets	3,066,872	2,325,492	-	5,392,364
Liabilities				
Hedge instrument	-	25,507	-	25,507
Total liabilities	-	25,507	-	25,507

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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:

- (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, electric motors, machine tools, marine crankshafts and other electromechanical equipment products;
- (d) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial products and services, international trading services, financial lease and related consulting services and insurance brokerage services;
- (e) the "others" segment includes business of units such as the central research institute.

5. SEGMENT INFORMATION (CONT'D)

Business segment

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
Segment revenue							
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)	-
Total	4,948,820	13,528,506	11,514,362	8,375,090	499,249	(1,999,425)	36,866,602
Operating profit							
	84,790	434,312	1,234,303	971,735	179,325	68,715	2,973,180
Financial expenses							(261,553)
Share of profits and losses of:							
Joint ventures							(23,838)
Associates							305,698
Profit before tax							2,993,487
Income tax expense							(571,107)
Profit for the period							2,422,380
Assets and Liabilities							
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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. SEGMENT INFORMATION (CONT'D)

Business segment (Cont'd)

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:

At 30 June 2015 (Restated and 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
Segment revenue							
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)	-
Total	4,156,607	13,081,468	12,506,549	8,661,464	239,299	(1,520,382)	37,125,005
Operating profit/(loss)							
	(63,201)	157,385	1,081,122	1,729,781	54,673	(42,839)	2,916,921
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
Assets and Liabilities							
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

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

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	
	2016 RMB'000	2015 RMB'000 (Restated)
Revenues		
<i>Revenues from main operations</i>	35,721,563	35,954,650
Revenues from other operations	1,145,039	1,170,355
	36,866,602	37,125,005
<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
	1,145,039	1,170,355

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

6. REVENUE, OTHER INCOME AND GAINS, NET (CONT'D)

		Unaudited	
		For the six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000 (Restated)
Other income			
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
		322,344	445,107
Other gains, net			
Gain on disposal of property, plant and equipment		8,047	3,776
Gain on disposal of a subsidiary	17	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
		572,901	670,866
		895,245	1,115,973

7. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000 (Restated)
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
Finance Company:		
Interest expense due to banks and other financial institutions	17,691	28,666
Interest expense on customer deposits	6,877	10,163
	24,568	38,829
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
Research and development costs:		
Amortisation of technology know-how	13,147	21,385
Current period expenditure	939,471	1,010,959
	952,618	1,032,344
Minimum lease payments under operating leases:		
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	-
Product warranty provision:		
Additional provision	169,533	272,246
Onerous contract provision:		
Additional provision	653,551	747,759

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 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 above mentioned subsidiaries, upon receipt of the "High-New Technology Enterprise Certificate", are subject to corporate income tax rate of 15% for 3 years from the year of the receipt of the said certificate. 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 RMB'000	2015 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

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 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 (Note 14). The Electric Convertible Bonds were assumed to have been converted into ordinary shares and the net profit was 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.

10. PROPERTY, PLANT AND EQUIPMENT

For the six months period ended 30 June 2016, the total amount for purchasing property, plant and equipment by the Group was RMB546,468,000 (for the six months ended 30 June 2015: RMB313,885,000). The original cost and the net carrying amount of the property, plant and equipment disposed by the Group were RMB250,541,000 and RMB34,905,000, respectively (for the six months ended 30 June 2015: RMB564,094,000 and RMB183,080,000, respectively).

For the six months ended 30 June 2016, the Group had not obtained real estate certificates for buildings with a net carrying amount of RMB13,305,000 (for the six months ended 30 June 2015: RMB75,472,000). 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 RMB0 (for the six months ended 30 June 2015: RMB60,529,000).

For the six months period ended 30 June 2016, the depreciation charged in the interim condensed consolidated statement of profit or loss is of RMB658,420,000 (for the six months ended 30 June 2015: RMB687,790,000).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

11. TRADE RECEIVABLES

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
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
	28,250,214	26,021,351

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 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
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
	31,443,647	28,607,973

13. INTEREST BEARING BANK AND OTHER BORROWINGS

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
Non-current	330,281	122,729
Current	2,714,709	1,947,968
Total borrowings	<u>3,044,990</u>	<u>2,070,697</u>

Movement of borrowings is analysed below:

For the six months ended 30 June 2016	RMB'000
Balance at 1 January 2016	2,070,697
New borrowings	1,316,193
Repayment of borrowings	(341,900)
Balance at 30 June 2016	<u>3,044,990</u>

The interest expense for the six months ended 30 June 2016: RMB61,137,000 (for the six months ended 30 June 2015: RMB63,508,000).

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 Company has repaid the principal with an offering size of RMB400 million bond and its interest on 29 February 2016.

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 Shares, at any time on or 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%.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. ISSUED CAPITAL

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
Registered, issued and fully paid:		
A shares of RMB1.00 each	9,851,397	9,851,393
H shares of RMB1.00 each	2,972,912	2,972,912
	<u>12,824,309</u>	<u>12,824,305</u>

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 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
Guarantees given to banks in order to obtain credit limit for companies below:		
Associates	-	96,105
Including guarantees given to banks for the credit limit that has been used by the companies below:		
Associates	-	-
Non-financial guarantee letters issued by Finance Company on behalf of:		
Associates	4,453	4,163

(b) As at 30 June 2016, no financial guarantee letter was issued by financial institutions (31 December 2015: nil). Non-financial guarantees issued by financial institutions for the Group amounted to RMB21,746,108,000 (31 December 2015: RMB22,660,881,000).

(c) As at 30 June 2016, no contingent liabilities relating to pending lawsuits and arbitration (31 December 2015: RMB5,267,000).

17. BUSINESS COMBINATION INVOLVING ENTERPRISES UNDER COMMON CONTROL

(a) Subsidiaries

Subsidiaries	Place of main operations	Place of registration	Nature of business	Shareholding (%)		Registered capital (RMB)
				Direct	Indirect	
Shanghai Blower Works Co., Ltd. ("SBW")	Shanghai	Shanghai	Manufacturing	100	-	239,761,238
Shanghai Electric Industrial Co., Ltd. ("SEI")	Shanghai	Shanghai	Investments	100	-	108,643,829
Shanghai Denso Fuel Injection Co., Ltd. ("SDFI")	Shanghai	Shanghai	Manufacturing	61	-	223,143,066
Shanghai Electric Inner Mongolia Qingcheng Industrial Co., Ltd. ("SEIMQI")	Inner Mongolia	Inner Mongolia	Investments	-	100	200,000,000
Shanghai Fastener Machinery Factory ("SFMF")	Shanghai	Shanghai	Manufacturing	-	100	3,666,000
Shanghai Cyeco Environmental Technology Co., Ltd. ("SCET")	Shanghai	Shanghai	Manufacturing	-	65	50,000,000

Note: As stipulated in the Articles of Association of the subsidiary, the Group has control over the subsidiary's significant financial and operating decision-making, so the financial information of the subsidiary is included in the consolidated financial statements.

(b) Business combination involving enterprises under common control in the current year

Combined party	Proportion acquired	Basis of business combination involving enterprises under common control	Combination date	Basis for determining the combination date	Revenue of the combined party for the period from 1 January 2016 to the combination date	Net profit of the combined party for the period from 1 January 2016 to the combination date	Revenue of the combined party for the year ended 31 December 2015	Net profit of the combined party for the year ended 31 December 2015
SEI	100%	Note	27 April 2016	Framework with equity replacement completed on 27 April 2016	15,930	374	53,335	111,612
SBW	100%	Note	27 April 2016	Framework with equity replacement completed on 27 April 2016	303,732	247	1,018,022	(120,312)
SDFI	61%	Note	27 April 2016	Framework with equity replacement completed on 27 April 2016	148,636	35,363	510,477	104,945
SEIMQI	100%	Note	27 April 2016	Framework with equity replacement completed on 27 April 2016	-	(47)	-	10,709
SFMF	100%	Note	27 April 2016	Framework with equity replacement completed on 27 April 2016	1,295	(1,312)	9,729	(20,418)
SCET	65%	Note	27 April 2016	Framework with equity replacement completed on 27 April 2016	7,045	22	22,463	3,334

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. BUSINESS COMBINATION INVOLVING ENTERPRISES UNDER COMMON CONTROL (CONT'D)

(b) Business combination involving enterprises under common control in the current year (Cont'd)

Note: On 2 December, 2015, upon approval from the Board of Directors, the Company entered into the "Agreement on Asset Replacement and Share Issuance for Asset Purchase" with SE Corporation, the shareholder of SEI, SBW, SDFI and Shanghai Rail Traffic Equipment Development Co., Ltd..

According to relevant regulations in the agreement, the Company planned to swap its 100% equity in Shanghai Heavy Machinery Plant Co., Ltd. with SE Corporation for equivalent parts of SE Corporation's 100% equity in SEI, 100% equity in SBW, 61% equity in SDFI and 14.79% in Shanghai Rail Traffic Equipment Development Co., Ltd.. ("Equity Replacement for Asset Purchase") at the consideration of RMB 1. Difference between the selling price and the value of the assets sold, the land use rights of 14 stretches of land, ancillary buildings and other relevant assets (Share Issuance for Asset Purchase, together with the above-mentioned Equity Replacement for Asset Purchase are referred to as "the Transaction"), are complemented by the Company by issuing shares to SE Corporation. Equity assets planned to be purchased and land assets purchased in the Transaction are valued at RMB 3,400,910,000 and RMB 2,916,330,000 respectively. In accordance with the proposal and the agreement, the Company planned to issue 606,843,000 ordinary shares at the price of RMB 10.41 per share.

(c) Assets and liabilities of the combined parties as at 31 December 2015 are analysed as follows:

	Carrying amount as at 31 December 2015					
	SBW	SDFI	SEI	SCET	SFMF	SEIMQI
Cash and cash equivalents	152,967	440,865	108,750	42,787	1,913	73
Accounts receivable	606,026	34,210	53,667	10,254	5,615	15
Prepayments, deposits and other receivables	25,951	704	-	1,165	27	-
Inventories	432,821	125,444	-	8,422	6,382	-
Other investments	-	-	1,085	-	-	157,510
Investment in joint venture	8,743	-	-	-	-	-
Investment in associate	-	-	1,102,243	-	-	-
Investment properties	-	-	249,238	-	-	-
Property, plant and equipment	134,097	246,004	4,510	1,267	5,223	2
Intangible assets	3,061	-	-	1,849	-	-
Prepaid land lease payments	112,619	35,921	-	-	-	-
Other assets	51,415	30,826	60,043	-	1,300	-
Borrowings	(217,000)	-	-	5,253	-	-
Accounts payable	(528,208)	(83,075)	(38,391)	(2,513)	(17,440)	(40,189)
Other payables and accruals	(271,624)	(80,000)	(105,591)	(10,152)	(103)	-
Other liabilities	(225,854)	(39,863)	(4,518)	(463)	(4)	(71)
Net assets	285,014	711,036	1,431,036	57,869	2,913	117,340
Less: Minority interests	-	-	-	-	-	-
Net assets acquired	285,014	711,036	1,431,036	57,869	2,913	117,340

17. BUSINESS COMBINATION INVOLVING ENTERPRISES UNDER COMMON CONTROL (CONT'D)

(d) Assets and liabilities of the combined parties as at the combination date are analysed as follows:

	Carrying amount as at the combination date					
	SBW	SDFI	SEI	SCET	SFMF	SEIMQI
Cash and cash equivalents	90,894	463,361	167,255	39,421	1,677	40
Accounts receivable	756,055	57,973	54,315	7,655	5,223	-
Prepayments, deposits and other receivables	53,199	-	-	-	2	-
Inventories	341,141	117,080	-	13,000	5,268	-
Other investments	-	-	1,085	-	-	157,510
Investment in associate	8,743	-	1,102,243	-	-	-
Investment properties	-	-	243,185	-	-	-
Property, plant and equipment	129,909	237,222	4,163	1,171	4,686	2
Intangible assets	2,771	-	-	1,796	-	-
Prepaid land lease payments	112,146	35,645	-	-	-	-
Other assets	38,773	32,614	7,664	6,869	2,996	-
Borrowings	(217,000)	-	-	-	-	-
Accounts payable	(577,904)	(75,224)	(13,454)	(2,751)	(18,057)	(40,189)
Other payables and accruals	(240,292)	(80,000)	(106,752)	(8,337)	(105)	-
Other liabilities	(199,089)	(42,836)	(28,294)	(932)	(89)	(71)
Net assets	299,346	745,835	1,431,410	57,892	1,601	117,292
Less: Minority interests	-	-	-	-	-	-
Net assets acquired	299,346	745,835	1,431,410	57,892	1,601	117,292

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. DISPOSAL OF A SUBSIDIARY

- (a) The Company disposed its wholly-owned subsidiary, Shanghai Heavy Machinery Plant Co., Ltd. ("Shangzhongchang") on 27 April 2016. Therefore, the Group deconsolidated Shangzhongchang since the date that control ceases.

During the period, disposals of subsidiaries by the Group are as follows:

	Amount RMB'000
Consideration received from disposal of subsidiaries	-
Less: Net assets disposed	(525,690)
Share of losses from the valuation date to the disposal date attributable to the Group payable to the acquirer	-
	<u>525,690</u>

- (b) The Company's subsidiary, Shanghai Mechanical & Electrical Industry Co., Ltd. ("SME"), disposed its wholly-owned subsidiary, Shanghai Shenweida Machine Co., Ltd. ("Shenweida") on 26 May 2016. Therefore, the Group deconsolidated Shenweida since the date that control ceases.

During the period, disposals of subsidiaries by the Group are as follows:

	Amount RMB'000
Consideration received from disposal of subsidiaries	134,717
Less: Net assets disposed	(3,198)
Share of losses from the valuation date to the disposal date attributable to the Group payable to the acquirer	2,578
	<u>135,337</u>

18. DISPOSAL OF A SUBSIDIARY(CONT'D)

- (c) The Company, disposed its wholly-owned subsidiary, Shanghai Electric Building Energy Efficiency Co., Ltd. ("Building Energy Efficiency") on 30 June 2016. Therefore, the Group deconsolidated Building Energy Efficiency since the date that control ceases.

During the period, disposals of subsidiaries by the Group are as follows:

	Amount RMB'000
Consideration received from disposal of subsidiaries	107,058
Less: Net assets disposed	110,864
Share of losses from the valuation date to the disposal date attributable to the Group payable to the acquirer	-
	<u>(3,806)</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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
Within 1 year	111,914	82,295
In the second to fifth years, inclusive	310,468	240,300
After five years	6,898	7,247
	<u>429,280</u>	<u>329,842</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

19. OPERATING LEASE ARRANGEMENTS(CONT'D)

(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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
Within 1 year	76,000	98,481
In the second to fifth years, inclusive	141,250	316,014
After five years	47,906	56,228
	<u>265,156</u>	<u>470,723</u>

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 2016 (Unaudited) RMB'000	31 December 2015 (Restated and Unaudited) RMB'000
Contracted, but not provided for:		
In respect of the acquisition of		
Land and buildings	33,596	30,446
Plant and machinery	439,675	831,807
In respect of capital contribution to		
Associates	-	57,600
	<u>473,271</u>	<u>919,853</u>
Authorised, but not contracted for:		
In respect of the acquisition of		
Plant and machinery	54,743	81,113
	<u>54,743</u>	<u>81,113</u>
	<u>528,014</u>	<u>1,000,966</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	
		2016 RMB'000	2015 RMB'000 (Restated)
Purchase of materials from:	(i)		
Associates		1,318,927	1,426,374
SEC group companies		210,870	294,088
Other related companies		327,037	316,520
		1,856,834	2,036,982
Sales of goods to:	(i)		
Associates		23,515	30,445
SEC group companies		-	9,932
Other related companies		1,691,823	2,223,554
		1,715,338	2,263,931
Construction contracts from:	(i)		
Other related companies		758,253	322,294
Purchases of services from:	(i)		
Associates		1,722	25,959
SEC group companies		580	15,699
Other related companies		6,084	-
		8,386	41,658
Provision of services to:	(i)		
Ultimate holding company		1,291	764
Associates		1,628	343
SEC group companies		960	271
Other related companies		-	-
		3,879	1,378

As the financial performance of certain subsidiaries of Group collective is expected to be significant to the consolidated financial performance of the Group of 2016, 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 2016 have been included above.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Notes	Unaudited	
		For the six months ended 30 June	
		2016 RMB'000	2015 RMB'000 (Restated)
Purchases of equipment from: SEC group companies	(i)	-	471
Sales of property, plant and equipment to Ultimate holding company	(i)	-	-
Rental income from: Associates	(ii)	967	6,160
Other related companies		703	-
		1,670	6,160
Rental fee to: Ultimate holding company	(ii)	-	2,721
SEC group companies		636	1,533
		636	4,254

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.

21. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Deposits and loan services provided to related parties by Finance Company

	Unaudited	
	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000 (Restated)
Interest expenses for customer deposits:		
Ultimate holding company	1,996	1,723
Joint ventures	-	493
Associates	453	180
SEC group companies	4,403	6,478
Other related companies	21	1,287
	6,873	10,161
Interest income for loans and bills discounting:		
Ultimate holding company	16,434	53,610
Associates	1,658	3,892
SEC group companies	20,122	16,048
Other related companies	60	453
	38,274	74,003

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.

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

As at 30 June 2016, the Group has provided corporate guarantees in connection with facilities totalling USD14,800,000 (31 December 2015: USD14,800,000) to related parties, out of which nil (31 December 2015: none) has been utilised; and Finance Company has issued non-financial guarantee letters on behalf of related parties totalling RMB4,453,000 (31 December 2015: RMB4,163,000).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. RELATED PARTY TRANSACTIONS (CONT'D)

(d) Compensation of key management personnel of the Group

	Unaudited	
	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000 (Restated)
Fees	375	375
Salaries and other allowances	2,392	1,954
Employee benefits	72	105
Welfare after retirement	63	76
	2,902	2,510

22. SUBSEQUENT EVENTS

On 13 August, 2016, at German time, Shanghai Electric HongKong Co., Ltd., the Company's wholly-owned subsidiary, purchased 100% of TEC4AERO GmbH's shares at the consideration of EUR 173,536,000. This acquisition has been approved by the board on 12 August, 2016. The buyer should obtain all relevant approvals from foreign and PRC authorities before the transaction can be completed.

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 26 August 2016.