

2017 **INTERIM REPORT**

Shanghai Electric Group Company Limited

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

CONTENTS

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

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:	RM. 901–903, TOWER 2, LIPPO CENTRE, NO 89, QUEENSWAY, HONGKONG
Company Secretary:	Li Chung Kwong Andrew (FCCA, FCPA, ACA, CIA)
Authorized Representatives:	Huang Dinan , Zheng Jianhua (During the reporting period)
Alternate Authorized Representative:	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

Website: <http://www.shanghai-electric.com>
**Website designated for publishing interim report required
by the Stock Exchange of Hong Kong Limited** <http://www.hkexnews.hk>

Email address service@shanghai-electric.com

Telephone +86 (21) 33261888

Fax +86 (21) 34695780

PERFORMANCE HIGHLIGHTS

- Revenue for the first half of 2017 was **RMB36,115 million**, a decrease of **2.0%** over the corresponding period of last year

- Profit attributable to owners of the Company for the first half of 2017 reached **RMB1,364 million**, an increase of **9.6%** over the corresponding period of last year

- Basic earnings per share for the first half of 2017 were **RMB10.15 cents**, an increase of **4.5%** over the corresponding period of last year

- New orders for the first half year 2017 amounted to **RMB50.3 billion**

CHAIRMAN'S STATEMENT



Chairman and CEO Zheng Jianhua

In the first half of 2017, Shanghai Electric adhered to the principle of "One Company". The operation of the Group emphasized on making progress while maintaining stability and insisted on "cash is king". We further deepened our reform and accelerated innovation. Relying on innovation for promotion of the Group's shift from old to new kinetic energy and structural upgrading, the Company made steady progress in respect of work focuses determined at the beginning of the year and maintained a stable development trend. During the reporting period, the Group recorded a revenue of RMB36.115 billion, representing a decrease of 2.0% as compared to the corresponding period of the preceding year; the net profit attributable to shareholders of the parent company amounted to RMB1.364 billion, representing an increase of 9.6% as compared to the corresponding period of the preceding year.

During the reporting period, we actively pushed forward the centralized management development, focusing on the concept of "centralized management and controls at group level, and hierarchy-reduced operation structure". Through the promotion of industry collaboration and functional synergy, provision of service support and enhancement of standard outputs, the Group undertook a new round of management optimization and improvement. Our corporate shared services center has been put into operation. It will become the platform for growth, catalyst for businesses and engine for efficient enhancement for each member unit of Shanghai Electric through standardizing procedures, optimizing management instruments and establishing standardized service platform. During the reporting period, the Company obtained new orders in the amount of RMB50.3 billion, representing a decrease of 26.1% over the corresponding period of the preceding year, among which, new orders from new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 14.5%, 23.2%, 28.6% and 33.7% of the total new orders, respectively. As at the end of the reporting period, the Company's orders on hand amounted to RMB248.0 billion (with orders in the aggregate amount of RMB101.4 billion not yet coming into effect), representing an increase of 1.6% from that as of the end of the preceding year. The Company's orders on hand from new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 11.8%, 50.0%, 8.8% and 29.4% of the total orders on hand, respectively.

New Energy and Environmental Protection Equipment

During the reporting period, the domestic nuclear power market gradually entered into a stable development phase and Shanghai Electric carried forward the production of nuclear island equipment on hand in an orderly manner according to the delivery schedule of the orders. Shanghai Electric is a nuclear power equipment manufacturing group which possesses the comprehensive industry chain of nuclear island, conventional island and auxiliary equipment. We are vigorously promoting smart nuclear power and achieve the transformation of nuclear power production model from the "traditional discrete manufacturing" to "digital high-end manufacturing" through the seamless convergence between the design of three-dimensional model and the manufacturing process. During the reporting period, we continued to maintain our leading position in the offshore wind power equipment market in China. We successively undertook the orders of 44 units of 6.0MW offshore wind turbines in Fujian Putian Pinghai Bay (福建莆田平海灣) and 46 units of 4.0MW offshore wind turbines in Fujian Putian Nanri Island (福建莆田南日島). We are accelerating the development of wind resources and engineering services business, and speeding up the pace of research and development of new products while continuously improving the reliability and cost efficiency of the self-developed products. Our cloud computing and big data-based remote system management platform, "Feng Yun" system, had been put online, creating a new service model for wind power station in the technological revolution era. During the reporting period, our environmental protection business had preliminarily set up a comprehensive industry chain covering domains of "engineering + design, technology + product, operation + service" with focus on four main businesses, namely power station environment protection, solid waste treatment, water treatment and distributed energy. During the reporting period, we undertook the steam turbine equipment order for the Yu Men

Xin Neng Molten Salt Tower 50MW Solar Thermal Power Project (玉門鑫能溶鹽塔式5萬千瓦光熱發電項目), which is the first steam turbine equipment order for solar thermal power project of the Company.

High Efficiency and Clean Energy Equipment

During the reporting period, facing the decreasing demands in the domestic thermal power market and increasingly fierce market competition, we effectively improve the profitability of thermal power products by continuously optimizing the business structure. We have also transformed from an "advanced product manufacturer" to a "comprehensive product supplier" to play an active role in providing system solutions to domestic and foreign users. Besides, we developed a comprehensive international strategic plan devised on the national strategy of "One Belt, One Road" to improve and enhance the overseas project management capacity in respect of the technology, quality, service and standard of export products, as well as enhancing overseas customers' level of satisfaction and our overseas market share, offsetting the impact brought to us by the decreasing demand in the domestic thermal power market. For gas turbines, we worked together with Ansaldo through in-depth cooperation in aspects such as market expansion, technology transfer and technical collaboration, and have established "Four Globalization Strategies" for the industry development of gas turbines, namely, globalized research and development platform, globalized manufacture base, globalized sales network and globalized service team. During the reporting period, we entered into a maintenance work contract for E-class heavy duty gas turbines with CGN Wuhan Han-Neng Power Development Co., Ltd., which is the equipment maintenance service contract we obtained as a non-original equipment manufacturer for the first time. 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. During the reporting period, we made a breakthrough in major client projects by winning the bid on the power transmission and distribution equipment general contract from Huali Microelectronics.

Industrial Equipment

During the reporting period, the competition in the elevator market intensified under the impact of factors such as increasing price of raw materials and overcapacity. The overall competition situation in respect of the performance of the elevator industry is shown in terms of price, quality, delivery schedule and services. Shanghai Mitsubishi Elevator Co., Ltd ("SMEC") focuses on the market situation and the trend of increasing concentration of strategic customers, and attaches high importance to the maintenance and development of the relationship with major strategic customers. We continue to work closely with core strategic partners such as Wanda, Evergrande, China Overseas, Greenland, Country Garden, COSCO, Longfor, Forte, Luneng, Vanke, CITIC and Ronshine. We also undertook major projects, which included Greenland Centre Chengdu (成都綠地中心), Shanghai Henderson Xuhui Riverside (上海恆基徐匯濱江), Shenzhen Shangsha City (深圳上沙城市), Hong Kong-Zhuhai-Macau Bridge Zhuhai Port (港珠澳大橋珠海口岸), Zhengzhou Metro Line 5, Hengda Venice Resort (恒大海上威尼斯). SMEC continues to explore the development of service industrialization. In light of the rapid growth in demands for services from elevators in use, especially for the business of retrofit of obsolete elevators, SMEC is speeding up the construction of service centers, logistics centers and training centers. By establishing the principle of "service marketing" and taking the business of retrofit of obsolete elevators as a breakthrough,

CHAIRMAN'S STATEMENT



we created a new growth stream for our services. Revenue generated from SMEC's service business including installation, repairs and maintenance etc. exceeded RMB 2.8 billion for the first half of 2017, representing over 30% of the total revenue from elevator business. Our Broetje Company (寶爾捷公司) is a German supplier of aeronautical equipment and related automation system with a product portfolio covering the entire process chain for assembly of aero-structures and the related components and application solutions, offering complete assembly lines as well as fastening machines for all types of structured assemblies and final assemblies. Its major customers include large aircraft manufacturers such as Airbus SAS and the Boeing Company, etc. We are proactively helping Broetje to enter the domestic market for aviation industry, thus enhancing the technology capability level of the Company in the automation industry.

Modern Services

During the reporting period, we continued to develop our power plant engineering business at a steady pace. Devising upon the National Initiative of "One Belt, One Road", we regarded over 50 countries and regions covered by the "One Belt One Road" initiative as the core markets of our engineering industry. We have set up a new subsidiary in

Pakistan and planned to extend our overseas sales network to South Africa, Malaysia, Turkey, Poland and Columbia, and actively promote the construction of sales networks, so as to achieve the sales capacity in multiple regions. We continue to work consistently and intensively in African power transmission and distribution market, and have entered into an order in respect of the power supply project in Port of Doraleh, Djibouti with a power company in Djibouti, Africa during the reporting period. Regarding our power plant engineering business, we are developing 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 to increase market share. During the reporting period, Shanghai Electric Group Finance Co., Ltd has accelerated the development by adhering to three strategy subjects, namely "treasury with management and planning functionality, value-added financial service platform and becoming a growth engine with engagement in business that adhered to main business", which has comprised a relatively comprehensive business portfolio and basically established a worldwide coverage in respect of treasury management, providing firm support for the members of the Group to "Go Global"

through a lowered capital cost and finance cost. It will also provide investment and financing services for both domestic and overseas energy, environmental protection projects of the Group, and further widen the range of service to assist the Group in achieving centralized control of capital in the PRC and overseas.

Looking forward to the second half of 2017, we will stay on the track of "adhering to the development theme of innovative development, insisting on pressing ahead development with a direction towards high-end technology, asset-light business structure, centralized management and control at group level, hierarchy-reduced operation structure, as well as intelligent products", insisting on the concept of "One Company", as well as expediting the Group's transformation into a quality and effectiveness focused corporate group, with an aim to build Shanghai Electric into a multinational company with global presence and operations, international competitiveness and brand influence.

Zheng Jianhua
Chairman and CEO
Shanghai, the PRC,
1 September 2017

MAJOR FINANCIAL DATA AND INDICATORS

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

Unit:'000 Currency:RMB

	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 (%)
Revenue	36,114,606	36,866,602	-2.04
Operating profit	2,192,091	2,973,180	-26.27
Profit before income tax	2,538,016	2,993,487	-15.22
Net profit attributable to owners of the Company	1,363,882	1,245,006	9.55
Basic earnings per share (RMB)	0.1015	0.0971	4.53
Diluted earnings per share (RMB)	0.1015	0.0971	4.53
Weighted average return on net assets (%)	2.97	3.13	-0.16 percentage point
Net cash flow generated from operating activities	-7,237,521	-294,759	N/A
Net cash flow per share generated from operating activities (RMB)	-0.54	-0.02	N/A

	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	179,824,984	175,633,911	2.39
Equity attributable to owners of the Company	46,517,007	45,092,754	3.16
Net assets per share attributable to owners of the Company (RMB/share)	3.46	3.40	1.76

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group recorded a turnover of RMB36,115 million, representing a decrease of 2.0% compared with the corresponding period of the preceding year. The net profit attributable to shareholders of the parent company amounted to RMB1,364 million, representing an increase of 9.6% 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 RMB5,346 million, representing an increase of 8.0% as compared to the corresponding period of the preceding year. The increase was mainly due to the increase of revenue from wind power equipment of 3.9% as compared to the corresponding period of the preceding year. Thanks to increase of revenue during the reporting period, the gross profit margin of the segment increased by 0.4 percentage point from that of the corresponding period of the preceding year to 15.0% and the operating profit margin of the segment increased by 2.2 percentage points from that of the corresponding period of the preceding year to 3.9%.

High Efficiency and Clean Energy Equipment

During the reporting period, the high efficiency and clean energy equipment segment achieved a turnover of RMB13,710 million, representing an increase of 1.3% as compared to the corresponding period of the preceding year. Gross profit margin of the segment decreased by 0.2 percentage point from that of the corresponding period of the preceding year to 15.3%, while operating profit margin of the segment decreased by 0.5 percentage point from that of the corresponding period of the preceding year to 2.7%. It was mainly due to provision made against risks in relation to coal-fired power generation equipment business during the reporting period.

Industrial Equipment

During the reporting period, the industrial equipment segment recorded a turnover of RMB11,553 million, maintaining at a similar level as compared to the corresponding period of the preceding year. Gross profit margin of the segment decreased by 1.9 percentage points from that of the corresponding period of the preceding year to 20.4%, while operating profit margin of the segment decreased by 1.8 percentage points from that of the corresponding period of the preceding year to 8.7%, mainly due to the increase in the price of materials and the decrease in the gross profit margin of elevators and electric motors during the reporting period.

Modern Services

During the reporting period, the modern services segment recorded a turnover of RMB8,282 million, representing a decrease of 1.1% as compared to the corresponding period of the preceding year. Gross profit margin of the segment increased by 2.7 percentage points from that of the corresponding period of the preceding year to 16.1%, mainly due to the fact that business with high gross profit made larger contribution to the revenue during the reporting period. Operating profit margin of the segment decreased by 2.7 percentage points from that of the corresponding period of the preceding year to 8.9%, mainly due to risk provision in relation to power plant engineering business during the reporting period.



Principal activities of the Company and operation review

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 Environment						
Protection Equipment	5,346	4,543	15.0	8.0	7.5	+0.4 percentage point
High Efficiency and Clean Energy Equipment	13,710	11,610	15.3	1.3	1.6	-0.2 percentage point
Industrial Equipment	11,553	9,199	20.4	-0.7	1.8	-1.9 percentage points
Modern Services	8,282	6,949	16.1	-1.1	-4.2	+2.7 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	33,903	0.17
Elsewhere	2,212	-26.83
Total	36,115	-2.04

Major financial reporting items and Analysis of Changes

Unit: million; Currency: RMB

	January to June 2017	January to June 2016	Year-on-year Change (%)
Revenue	36,115	36,867	-2.04
Cost of Sales	29,253	30,176	-3.06
Selling and distribution costs	925	1,025	-9.76
Administrative expenses	4,202	3,587	17.15
Finance costs	235	262	-10.31
Net cash flow from operating activities	-7,238	-295	N/A
Net cash flow from investing activities	949	-5,039	N/A
Net cash flow from financing activities	-392	-2,951	N/A
Research and development costs	956	939	1.81

Analyses and Explanations for the Changes

Explanations for the changes in net cash flow from operating activities: The increase in net cash outflow from operating activities as compared to the corresponding period of preceding year was mainly attributable to the insufficient liquidity in the market during the reporting period leading to the decrease in the working capital of the Company as compared to that of the corresponding period of the preceding year. Meanwhile, the Company has scheduled more production activities for the first half of 2017, which led to an increase of payment for purchases.

Explanations for the changes in net cash flow from investing activities: The net cash inflow from investing activities was mainly attributable to divestment from time deposit with maturity over three months by finance company within our Group ("Finance Company") during the reporting period.

Explanations for the changes in net cash flow from financing activities: The decrease in net cash outflow from financing activities as compared to the corresponding period of preceding year was mainly attributable to the decrease in deposits made with our Finance Company by its customers resulting in higher cash outflow in the corresponding period of preceding year.

Source of Funding and Indebtedness

As at 30 June 2017, the Group had an aggregate amount of bank and other borrowings and bonds of RMB15,108 million (31 December 2016: RMB14,555 million), representing an increase of RMB553 million as compared with that as of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB4,189 million, representing an increase of RMB1,778 million as compared with that as of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB10,919 million, representing a decrease of RMB1,225 million as compared with that of the beginning of the year. As at 30 June 2017, the Group's borrowing rates fell within the range from 1.55% to 5.00% and borrowings at fixed rates accounted for 1.38% of the Group's borrowings.

As at 30 June 2017, among the Group's other borrowings and bonds, borrowings denominated in US dollars amounted to USD37 million (31 December 2016: USD7 million), borrowings denominated in Euros amounted to EUR10 million (31 December 2016: EUR8 million), bonds denominated in Euros amounted to EUR600 million (31 December 2016: EUR600 million), and borrowings denominated in Malaysian Ringgits amounted to MYR49 million (31 December 2016: MYR69 million). Other borrowings and bonds are denominated in Renminbi.

Pledge of Assets

As at 30 June 2017, the Group's bank deposits to the extent of RMB907 million (31 December 2016: RMB750 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 RMB361 million as at 30 June 2017 (31 December 2016: RMB476 million), were pledged as securities for certain bank loans of the Group.

As at 30 June 2017, accounts receivable with carrying amount of approximately RMB39 million (31 December 2016: RMB73 million) were factored with recourse for certain bank facilities to the extent of RMB30 million (31 December 2016: RMB54 million).

Gearing Ratio

As at 30 June 2017, 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 20.47%, representing an increase of 0.31 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 18 to the unaudited interim condensed consolidated financial statements for details.

Capital Expenditure

Total capital expenditure of the Group for the reporting period was approximately RMB824 million (1H2016: RMB758 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.

Use of proceeds

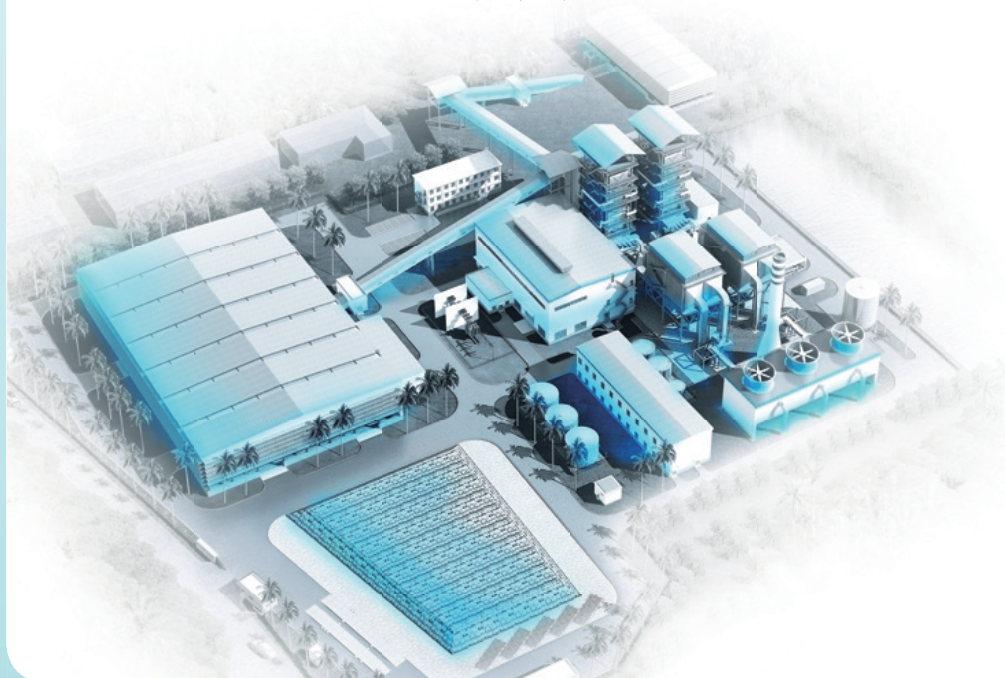
General use of proceeds

Unit: million; Currency: RMB

Year	Method	Total amount	Total amount used in the reporting period	Total cumulative amount used	Total amount of remaining proceeds	Use and purpose for remaining proceeds
2015	Issuance of convertible bonds	6000	68	4184	1816	1.75billion used for temporary replenishment of working capital and the remaining 66 million deposited in the special deposit account.
Total	/	6000	68	4184	1816	/
Description of the overall 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 Bond

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 code of "113008". The initial conversion price of the Electric Convertible Bonds was RMB10.72 per A Share. The conversion price was adjusted from RMB10.72 per share to RMB10.66 per share from 2 July 2015. The conversion price was adjusted from RMB10.66 per share to RMB10.65 per share from 28 November 2016. 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 2017, the Electric Convertible Bonds amounting to RMB 7,338,000 have been converted to 688,277 A shares. As at 30 June 2017, the unconverted Electric Convertible Bonds amounted to RMB5,992,662,000.



MANAGEMENT DISCUSSION AND ANALYSIS

Projects with investment commitment

Unit: 00 million; Currency: RMB

Projects with investment commitment	Changed or not	Proposed amount of investment	Amount invested during 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	14.0	0.07	3.6	Yes	26%	N/A	N/A
India SASAN Thermal Power Plant BTG Project	No	10.0	0.09	6.71	Yes	67%	N/A	N/A
Vietnam Vinh Tan II Coal-fired Power Plant EPC project	No	11.0	0.52	6.16	Yes	56%	N/A	N/A
Capital contribution to Shanghai Electric Leasing Co., Ltd.	No	25.0	0	25.0	Yes	100%	N/A	N/A
Total	/	60.0	0.68	41.47	/	/	/	/

Use of proceeds for projects with investment commitment As at the end of the reporting period, raised funds had been utilised by the Company as to RMB4.184 billion in aggregate and unutilised raised funds amounted to RMB1.816 billion in aggregate. Among the unutilised raised funds, RMB1.75 billion will be used as a temporary replenishment of liquidity, which has been approved by the Board of the Company, and RMB66 million will be placed in the project account for raised funds of the Company.

Recent Development

On 14 November 2016, the assets reorganization and A shares placement was approved at the 37th meeting of the 4th session of Board of the Company. According to the Notice in relation to Decision on Amending the Implementation Rules for Non-public Issuance of Shares by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) issued in February 2017 by CSRC and other relevant requirements, the Company revised the original A Share Placing Plan. On 17 March 2017, relevant resolutions for the revised assets reorganization and A shares placement (hereinafter referred to as the "Transactions") was considered and approved at the 42nd meeting of the 4th session of Board of the Company. The resolution relating to the Transactions has been considered and passed in the 1st Extraordinary General Meeting for 2017 and class meetings of the Company held on 8 May 2017. On 31 July 2017, the Transactions were duly approved by CSRC.

On 14 November 2016, the Company entered into the Agreement in relation to Assets Acquisition by Issuance of Shares (《發行股份購買資產協議》) with Shanghai Electric (Group) Corporation (the controlling shareholder of the Company, "SEC"), pursuant to which the Company proposed to issue 877,918,006 A Shares as consideration shares to SEC at the issue price of RMB7.55 per share to acquire its 47.18% domestic shares in Shanghai Prime Machinery Company Limited (a company listed on the Stock Exchange of Hong Kong Limited under the stock code of 02345, "Shanghai Prime"), 50.10% equity interest in Thales Saic Transportation System Limited Company, 100% equity interest in Shanghai Electric Group Property Company Limited and the land use rights of 26 pieces of land and related ancillary buildings on such lands held by SEC. With the exception of Shanghai Prime, the consideration for the aforesaid incoming assets was determined after arm's length negotiations based on the valuation of such assets as at Valuation Benchmark Date as confirmed in the assets valuation reports issued by the qualified PRC valuers. The consideration for Shanghai Prime was determined based on the arithmetic average of the daily weighted average stock price of H shares of Shanghai Prime for 30 trading days prior to the signing date of the Share Transfer Agreement (i.e. 14 November 2016) multiplying the number of domestic shares in Shanghai Prime held by SEC. This assets reorganization shall enhance the assets quality and overall strength of the Company, increase the high-quality resources reserves of the

Company, and facilitate the vertical and horizontal business extension of the Company.

On 14 November 2016 and 17 March 2017, the Company entered into the Share Subscription Agreements and Supplemental Agreements to Share Subscription Agreement with SEC and Shanghai Guosheng Group Investment Company Limited, respectively. The Company proposed to issue and place additional A shares to no more than 10 specific investors, including SEC and Shanghai Guosheng Group Investment Company Limited, raising funds not exceeding RMB 3 billion. The result of the placing of A Shares, whether successful or not, shall not affect the implementation of the transaction contemplated under the Agreement in relation to Assets Acquisition by Issuance of Shares. The funds to be raised by A shares placement are intended to be invested in the following projects: RMB1.055 billion shall be used for the Emerging Industrial Park Development Project at Gonghe Xin Road, RMB0.226 billion shall be used for the Innovative Industry Park Reformation Project at Beinei Road, RMB0.328 billion shall be used for the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, RMB1.166 billion shall be used for the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at

Jungong Road, RMB0.225 billion shall be used for payment of relevant tax and other expenses of the Transactions. This A shares placement could further promote the business development of the Company, and enhance the integrated performance of this assets reorganization.

As the highest applicable percentage ratio of the Transactions and previous transactions, when aggregated, was more than 25% but less than 100%, it constituted a major transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). After obtaining consent from the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for applying an alternative size test, the highest applicable percentage ratio of the Transactions and previous transactions of the Company was more than 5% but less than 25%, thus constituted a discloseable transaction of the Company under the Listing Rules. Since SEC is a connected person of the Company, the Transactions also constituted a connected transaction of the Company under the Listing Rules.

As of the end of the reporting period, the Transactions were still in progress. For detailed information, please refer to the announcements dated 14 November 2016 and 17 March 2017 and the circular dated 23 March 2017 of the Company.



OTHER INFORMATION

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital
A shares	10,458,246,307	77.87%
H shares	2,972,912,000	22.13%
Total	13,431,158,307	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 2017 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 shareholding in 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	7,967,809,211*	Long position	76.19	59.32
	H	Interest of controlled corporation	1	229,334,000	Long position	7.30	1.62
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	7,576,917,017*	Long position	72.45	56.41
	H	Beneficial owner	1	200,000,000	Long position	6.31	1.40
Shenergy (Group) Company Limited	H	Interest of controlled corporation	1,2	29,334,000	Long position	0.99	0.22
	A	Beneficial owner	1	390,892,194*	Long position	3.74	2.91
Sarasin & Partners LLP	H	Investment Manager		189,238,000	Long position	6.37	1.41

* As disclosed in the overseas regulatory announcement (regarding the Company's 2017 interim report) in respect of A shares published on 31 August 2017.

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) 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.

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 2017 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 2017, none of the directors, supervisors or chief executives (as defined in the Listing Rules) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified by the directors, supervisors or chief executives to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules. Also, no right to acquire the aforementioned interests had been granted to the directors, supervisors or chief executives of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the provisions as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by directors (the "Directors"), supervisors (the "Supervisors") and relevant employees of the Company. Further to the Company's enquiry, all Directors and Supervisors confirmed that they had complied with the Model Code and the relevant provisions as set out in Appendix 10 of the Listing Rules during the period from 1 January 2017 to 30 June 2017. No violation of the Model Code by relevant employees has been found by the Company.

CORPORATE GOVERNANCE

For the first half of 2017, the Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules except for a deviation from code provision A.2.1 of the Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the Code, roles of the chairman and chief executive officer should separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2017, 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 of the Company, 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

During the reporting period, the Strategy Committee was composed of Mr. Huang Dinan, Mr. Zheng Jianhua, Dr. Lui Sun Wing and Dr. Chu Junhao.

NOMINATION COMMITTEE

During the reporting period, the Nomination Committee comprised Dr. Chu Junhao 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

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

OTHER INFORMATION

REMUNERATION COMMITTEE

During the reporting period, the Remuneration Committee, which comprised Dr. Lui Sun Wing and Dr. Chu Junhao, was 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 did not recommend the payment of an interim dividend in respect of the reporting period.

DISCLOSURE OF INFORMATION AND INVESTOR RELATIONS

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

EMPLOYEES

On 30 June 2017, the Group had approximately 27,618 employees (30 June 2016: approximately 25,853). 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. During the reporting period, the Company complied strictly with the relevant laws and regulations and paid the employees as well as various social insurance contributions regularly and fully. There was no wages or remuneration in arrears to employees or labour service workers. The Company set up a comprehensive system which synchronized the increase of employees' salary with the improvement in labour productivity; thus, the level of wage increase of the Company and the wages

adjustment of employees of various work position can be determined reasonably. The Company insisted on the policy of "Dual Inclination, Dual Care" and implemented policies that tilted towards scientific technological staffs and the front line technical workers while paying special care towards temporarily unemployed staff and workers who are in economic difficulties.

BOARD OF DIRECTORS AND SUPERVISORS

As at the date of this report, the executive director of the Company is Mr. Zheng Jianhua; the non-executive directors of the Company are Mr. Li Jianjin, Mr. Zhu Kelin and Ms. Yao Minfang; and the independent non-executive directors of the Company are Dr. Lui Sun Wing, Mr. Kan Shun Ming and Dr. Chu Junhao.

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.

SUBSEQUENT EVENTS IN RELATION TO CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION UNDER RULES 13.51B(1) OF THE LISTING RULES

Subsequent to the end of the reporting period, Mr. Huang Dinan ceased to be the chairman of the Board, the chief executive officer, an executive Director, the chairman of strategy committee of the Company whilst Mr. Zheng Jianhua, an executive Director, was appointed as the chairman of the Board, the chief executive officer and the chairman of strategy committee of the Company, and ceased to be the president of the Company, with effect from 1 September 2017. Please refer to the announcement of the Company dated 1 September 2017 for further details.

By order of the Board
Zheng Jianhua
Chairman and CEO
Shanghai, PRC
1 September 2017

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited For the six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	6	36,114,606	36,866,602
Cost of sales		(29,252,610)	(30,175,828)
Gross profit		6,861,996	6,690,774
Other income and other gains, net	6	456,904	895,245
Distribution expenses		(924,502)	(1,025,469)
Administrative expenses		(4,202,307)	(3,587,370)
Operating Profit		2,192,091	2,973,180
Finance costs		(234,774)	(261,553)
Share of profits and losses accounted for using the equity method :			
Joint ventures		(19,836)	(23,838)
Associates		600,535	305,698
Profit before income tax	7	2,538,016	2,993,487
Income tax expense	8	(252,924)	(571,107)
Profit for the period		2,285,092	2,422,380
Profit attributable to:			
Owners of the Company		1,363,882	1,245,006
Non-controlling interests		921,210	1,177,374
		2,285,092	2,422,380
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9	Cents per share	Cents per share
Basic earnings per share		10.15 cents	9.71 cents
Diluted earnings per share		10.15 cents	9.71 cents

The notes on pages 25 to 46 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	
	2017 RMB'000	2016 RMB'000
Profit for the period	2,285,092	2,422,380
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	63,780	(216,312)
Cash flow hedges, net of tax	21,533	1,907
Currency translation differences	(16,007)	(22,011)
Others	-	586
	69,306	(235,830)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurements losses of defined benefit obligations	-	-
Other comprehensive income for the period, net of tax	69,306	(235,830)
Total comprehensive income for the period	2,354,398	2,186,550
Attributable to:		
Owners of the Company	1,422,197	1,027,942
Non-controlling interests	932,201	1,158,608
	2,354,398	2,186,550

The notes on pages 25 to 46 form an integral part of this interim consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	10	13,038,206	12,989,838
Investment properties		342,547	353,969
Prepaid land lease payments		4,202,655	4,218,830
Goodwill		1,149,005	1,136,011
Intangible assets		1,328,883	1,354,462
Investments in joint ventures		2,965,623	2,808,979
Investments in associates		6,935,021	6,270,879
Other investments		1,657,337	1,740,936
Deferred income tax assets		3,306,527	2,897,838
Loans and lease receivables		8,236,000	7,974,836
Other non-current assets		286,968	103,234
Total non-current assets		43,448,772	41,849,812
Current assets			
Inventories		21,557,127	20,252,110
Construction contracts		7,098,197	4,631,149
Trade receivables	11	31,060,547	27,138,909
Loans and lease receivables		10,596,855	10,103,686
Discounted bills receivable		242,784	189,052
Bills receivable		6,114,472	6,653,165
Prepayments, deposits and other receivables		13,244,642	10,895,376
Investments		11,614,020	9,795,118
Derivative financial instruments		692,004	707,358
Due from the Central Bank*		3,026,843	3,197,369
Restricted deposits		906,943	749,901
Cash and cash equivalents		30,221,778	39,470,906
Total current assets		136,376,212	133,784,099
Total assets		179,824,984	175,633,911

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

	Notes	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds	14	9,919,994	11,148,377
Interest-bearing bank and other borrowings	13	998,422	995,994
Provisions		123,108	133,437
Government grants		717,671	711,999
Other non-current liabilities		1,890,538	1,623,355
Deferred income tax liabilities		368,969	312,927
Total non-current liabilities		14,018,702	14,926,089
Current liabilities			
Trade payables	12	35,424,982	30,699,455
Bills payable		5,435,486	5,913,034
Other payables and accruals		56,791,398	56,519,986
Derivative financial instruments		5,607	26,788
Customer deposits		3,139,403	2,921,509
Interest-bearing bank and other borrowings	13	2,590,841	2,410,723
Tax payable		377,656	855,791
Provisions		3,364,213	3,713,405
Total current liabilities		107,129,586	103,060,691
Total liabilities		121,148,288	117,986,780

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Equity and liabilities(cont'd)			
Equity			
Equity attributable to owners of the Company			
Share capital	15	13,431,158	13,431,156
Reserves		33,085,849	31,661,598
Retained earnings – proposed final dividend		-	-
		46,517,007	45,092,754
Non-controlling interests		12,159,689	12,554,377
Total equity		58,676,696	57,647,131
Total equity and liabilities		179,824,984	175,633,911
Net current assets		29,246,626	30,723,408
Total assets less current liabilities		72,695,398	72,573,220

The notes on pages 25 to 46 form an integral part of this interim consolidated financial information.

Director

Director

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

Unaudited

Attributable to owners of the Company

Note	Issued capital 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 fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	13,431,156	10,739,788	(2,352,526)	5,007,121	-	1,023,851	52,760	42,764	17,147,840	-	45,092,754	12,554,377	57,647,131
Profit for the period	-	-	-	-	-	-	-	-	1,363,882	-	1,363,882	921,210	2,285,092
Other comprehensive income	-	-	-	-	21,533	52,842	-	(16,060)	-	-	58,315	10,991	69,306
Total comprehensive income for the period	-	-	-	-	21,533	52,842	-	(16,060)	1,363,882	-	1,422,197	932,201	2,354,398
Convertible bond - equity component	2	16	-	-	-	-	-	-	-	-	18	-	18
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,326,889)	(1,326,889)
Others	-	2,038	-	-	-	-	-	-	-	-	2,038	-	2,038
At 30 June 2017	13,431,158	10,741,842	(2,352,526)	5,007,121	21,533	1,076,693	52,760	26,704	18,511,722	-	46,517,007	12,159,689	58,676,696

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

FOR THE SIX MONTHS ENDED 30 JUNE 2017

Unaudited

Note	Attributable to owners of the Company												
	Issued capital 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 fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividends RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	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
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	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

The notes on pages 25 to 46 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 2017

	Unaudited For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash generated from operations	(6,314,108)	273,591
Income tax paid	(923,413)	(568,350)
Net cash used in operating activities	(7,237,521)	(294,759)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	(334,721)	(575,996)
Proceeds from disposal of items of property, plant and equipment	499,067	43,581
Purchases of other intangible assets	(81,335)	(175,646)
Other investing activities, net	(1,525,069)	(5,285,999)
Disposal of a subsidiary, net	-	28,049
Decrease in non-restricted time deposits with original maturity of over three months when acquired	2,659,852	8,350,662
Decrease/(increase) in reverse repurchase agreements	228,687	(7,421,961)
Decrease/(increase) in an amount due from the Central Bank	170,526	(1,608)
Increase in finance lease receivables	(668,475)	-
Net cash generated from/(used in) investing activities	948,532	(5,038,918)
Cash flows from financing activities		
Dividend paid to owners of the Company and non-controlling interests	(555,529)	(680,200)
Repayments of bank and other loans	(1,458,840)	(2,240,912)
Issue of bank and other loans	1,641,009	3,248,331
Other financing activities - net	(18,919)	(3,277,864)
Net cash used in financing activities	(392,279)	(2,950,645)
Net decrease in cash and cash equivalents	(6,681,268)	(8,284,322)
Cash and cash equivalents at beginning of period	29,793,605	33,594,058
Effect of foreign exchange rate changes on cash, net	91,991	(66,340)
Cash and cash equivalents at the end of period	23,204,328	25,243,396

The notes on pages 25 to 46 form an integral part of this interim consolidated financial information.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 Company and its subsidiaries (together the “Group”) are 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 elevators, electrical 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 other functional services such as insurance brokerage services, etc.

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.

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

Otherwise indicated, the information in the interim condensed consolidated financial information is presented in Renminbi (“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 2017 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 2016 (the “Annual Financial Statements”), which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONT'D)

2.2 ACCOUNTING POLICY

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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

HKFRS 9, 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group is in the process of making an assessment on the impact of HKFRS 9.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is in the process of making an assessment on the impact of HKFRS 15.

HKFRS 16, 'Leases' will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The new standard is mandatory for financial years commencing on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 'Revenue from contracts with customers' at the same time. The Group is in the process of making an assessment on the impact of HKFRS 16.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

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 preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

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 do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department since 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 FAIR VALUE ESTIMATION

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 INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

4.3 FAIR VALUE ESTIMATION (CONT'D)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 June 2017:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale investments:				
Equity investments	840,570	-	-	840,570
Debt investments	-	315,947	-	315,947
Investment funds	2,405,262	-	-	2,405,262
Investment products	-	2,792,305	-	2,792,305
Investments at fair value through profit or loss:				
Equity investments	112,459	-	-	112,459
Debt investments	48,813	-	-	48,813
Investment funds	19,574	-	-	19,574
Derivative financial instruments	-	692,004	-	692,004
Total assets	3,426,678	3,800,256	-	7,226,934
Liabilities				
Hedge instrument	-	5,607	-	5,607
Total liabilities	-	5,607	-	5,607

4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONT'D)

4.3 FAIR VALUE ESTIMATION (CONT'D)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale investments:				
Equity investments	864,324	-	-	864,324
Debt investments	-	370,791	-	370,791
Investment funds	1,914,702	-	-	1,914,702
Investment products	-	1,269,681	-	1,269,681
Investments at fair value through profit or loss:				
Equity investments	33,675	-	-	33,675
Debt investments	40,921	-	-	40,921
Investment funds	116,402	-	-	116,402
Derivative financial instruments	-	707,358	-	707,358
Total assets	2,970,024	2,347,830	-	5,317,854
Liabilities				
Hedge instrument	-	26,788	-	26,788
Total liabilities	-	26,788	-	26,788

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 segment is engaged in the design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products, and heavy machinery including large forging components, and in the provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power generation environment protection and distributed energy systems;
- (b) the high efficiency and clean energy equipment segment is engaged in the design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products;
- (c) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, electrical motors, machine tools, marine crankshafts and other electromechanical equipment products;
- (d) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial products and services, international trading services, financial lease and related consulting services and insurance brokerage services;
- (e) the "others" segment includes business of units such as the central research institute.

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 of 30 June 2017 are presented below:

For period ended 30 June 2017 (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	4,918,831	11,510,687	11,372,020	7,726,340	586,728	-	36,114,606
Intersegment sales	426,950	2,199,508	181,107	555,796	3,027	(3,366,388)	-
Total	5,345,781	13,710,195	11,553,127	8,282,136	589,755	(3,366,388)	36,114,606
Operating profit/(loss)							
	209,970	367,513	1,007,625	739,996	(235,326)	102,313	2,192,091
Financial expenses							(234,774)
Share of profits and losses of:							
Joint ventures							(19,836)
Associates							600,535
Profit before tax							2,538,016
Income tax expense							(252,924)
Profit for the period							2,285,092
As of 30 June 2017 (Unaudited) Assets and Liabilities							
Total assets	26,305,859	60,622,834	36,848,991	80,700,436	24,254,567	(48,907,703)	179,824,984
Total liabilities	17,194,092	43,844,471	24,282,005	68,210,564	12,919,940	(45,302,784)	121,148,288

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 of 30 June 2016 are presented below:

For period ended 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	11,532,586	8,144,444	368,853	-	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	11,640,305	8,375,090	373,306	(1,999,425)	36,866,602
Operating profit							
	84,790	434,312	1,221,882	971,735	190,333	70,128	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
As of 30 June 2016 (Unaudited)							
Assets and Liabilities							
Total assets	23,507,121	55,758,565	38,075,628	71,868,691	23,324,073	(48,247,910)	164,286,168
Total liabilities	14,682,919	38,356,858	24,841,763	62,324,162	11,365,608	(40,657,265)	110,914,045

Geographical segment

Information on revenue of geographical segments of the Group for the six months ended 30 June 2017 and the six months ended 30 June 2016 is listed below:

	Unaudited					
	For the six months ended 30 June 2017			For the six months ended 30 June 2016		
	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	33,902,804	2,211,802	36,114,606	33,843,547	3,023,055	36,866,602

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 other gains - net is as follows:

	Unaudited	
	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Revenues		
<i>Revenues from main operations</i>	34,868,692	35,721,563
Revenues from other operations	1,245,914	1,145,039
	36,114,606	36,866,602
<i>Revenues from other operations</i>		
Sales of raw materials, spare parts and semi-finished goods	202,838	401,411
Finance lease income	351,728	298,478
Rental income under operating leases	47,982	48,760
Finance Company*:		
Interest income from banks and other financial institutions	199,396	83,265
Interest income on loans receivable and discounted bills receivable	206,835	133,539
Others	237,135	179,586
	1,245,914	1,145,039

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

	Note	Unaudited	
		For the six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Other income			
Interest income on bank balances and time deposits		77,263	130,941
Interest income on debt investment		55	7,088
Dividend income from equity investments and investment funds		26,493	117,449
Subsidy income		127,015	66,866
		230,826	322,344
Other gains, net			
Gain on disposal of property, plant and equipment		432	8,047
Gain on disposal of a subsidiary		-	210,989
Gain on disposal of an associate		10,451	48,700
Investments at fair value through profit or loss:			
Unrealised fair value gain/(loss), net		(637)	391
Realised fair value gain, net		6,867	5,908
Derivative financial instruments - transactions not qualifying as hedges:			
Unrealised fair value (loss)/gain, net		238	(653)
Realised gains on available-for-sale investments		133,776	219,222
Debt restructure gain, net		747	2,999
Exchange (loss)/gain, net		(37,226)	77,409
Litigation compensation		2,765	-
Inventory Profit		427	-
Relocation compensation		95,295	-
Others		12,943	(111)
		226,078	572,901
		456,904	895,245

7. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Cost of inventories sold	20,853,548	23,957,789
Cost of construction contracts	4,460,284	3,322,571
Cost of services provided	3,114,324	2,404,718
Finance Company:		
Interest expense due to banks and other financial institutions	3,401	17,691
Interest expense on customer deposits	8,923	6,877
	12,324	24,568
Depreciation of property, plant and equipment	634,117	658,420
Depreciation of investment properties	12,417	11,760
Amortisation of prepaid land lease payments	74,499	21,603
Amortisation of patents and licences	11,714	16,730
Amortisation of concession intangible assets	8,898	9,656
Amortisation of other intangible assets	23,377	14,968
Amortisation of other non-current assets	10,341	18,496
Research and development costs:		
Amortisation of technology know-how	13,552	13,147
Current period expenditure	956,115	939,471
	969,667	952,618
Minimum lease payments under operating leases:		
Land and buildings	88,140	88,992
Plant, machinery and motor vehicles	30,135	19,342
Staff costs	2,737,389	2,686,064
Impairment of inventories to net realisable value	408,868	342,505
Impairment of trade receivables and other receivables	730,500	516,995
Impairment of loans receivable	42,725	-
Impairment of lease receivables	61,028	82,894
Impairment of property, plant and equipment	-	864
Impairment of discounted bills receivable	1,874	-
Product warranty provision:		
Additional provision	421,609	169,533
Onerous contract provision:		
Additional provision	280,439	653,551

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 under the income tax rules and regulations of the PRC, except that:

Sixteen subsidiaries of the Company were subject to a corporate income tax rate of 15% as they have been assessed as “High-New Technology Enterprises”, approved by certain government bureaus. These subsidiaries include Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., Shanghai Boiler Works Co., Ltd., Shanghai Electric Wind Power Equipment Co., Ltd., Shanghai Machine Tool Works Ltd., Shanghai Centrifuge Institute Co., Ltd., Shanghai Electric Automation R&D Institute Co., Ltd., Shanghai Capital Numerical Control Co., Ltd., Shanghai Mechanical & Electrical R&D Institute Co., Ltd., Shanghai Institute of Mechanical & Electric Engineering Co., Ltd., Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai Electric Nuclear Power Equipment Co., Ltd. (“Nuclear Power”), Shanghai Electric KSB Nuclear Pump Co., Ltd., Shanghai Blower Works Co., Ltd., Shanghai Denso Fuel Injection Co., Ltd., SEC Power Generation Environment Protection Engineering Co., Ltd., and Shanghai Electric SPX Engineering Technology Co., Ltd. (“SPX Engineering”). The above mentioned subsidiaries, upon receipt of the “High-New Technology Enterprise Certificate”, are subject to corporate income tax rate of 15% for 3 years from the year of the receipt of the said certificate.

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

	Unaudited	
	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
The Group:		
Current - Mainland China		
Charge for the period	613,331	763,716
Overprovision in prior years	(17,424)	(48,641)
Current - Elsewhere		
Charge for the period	5	56
Deferred	(342,988)	(144,024)
Total tax charge for the period	252,924	571,107

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 1,363,882,000 (for the six months ended 30 June 2016: RMB1,245,006,000), and the weighted average number of ordinary shares of 13,431,157,877 (for the six months ended 30 June 2016: 12,824,307,029) in issue during the period.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has potential ordinary shares arisen from the Electric Convertible Bonds (Note14). The Electric Convertible Bond is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate interest expense less the tax effect. The result is anti-dilutive and therefore there is no dilutive ordinary share for the calculation of diluted earnings per share for the six month ended 30 June 2017.

10. PROPERTY, PLANT AND EQUIPMENT

For the six months period ended 30 June 2017, the total amount for purchasing property, plant and equipment by the Group was RMB560,135,000 (for the six months ended 30 June 2016: RMB546,468,000). The original cost and the net carrying amount of the property, plant and equipment disposed by the Group were RMB237,156,789 and RMB66,627,271 respectively (for the six months ended 30 June 2016: RMB250,541,000 and RMB34,905,000, respectively).

For the six months ended 30 June 2017, the Group had not obtained real estate certificates for buildings with a net carrying amount of RMB4,723,000 (for the six months ended 30 June 2016: RMB13,305,000). Included in the above amounts, the Group is not in the process of applying for the real estate certificates for buildings (for the six months ended 30 June 2016: nil).

For the six months period ended 30 June 2017, the depreciation charged in the interim condensed consolidated income statements is of RMB634,116,409 (for the six months ended 30 June 2016: RMB658,420,000).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

11. TRADE RECEIVABLES

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Undue	19,665,721	17,841,466
Within 3 months	4,480,411	3,791,875
Over 3 months but within 6 months	2,427,651	1,710,126
Over 6 months but within 1 year	1,867,569	1,499,447
Over 1 year but within 2 years	1,489,922	1,481,335
Over 2 years but within 3 years	927,165	635,792
Over 3 years past due	202,108	178,868
	31,060,547	27,138,909

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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 3 months	19,300,111	18,623,598
Over 3 months but within 6 months	3,698,710	3,080,371
Over 6 months but within 1 year	4,658,704	3,129,877
Over 1 year but within 2 years	5,530,877	4,366,096
Over 2 years but within 3 years	1,099,671	719,307
Over 3 years	1,136,909	780,206
	35,424,982	30,699,455

13. INTEREST BEARING BANK AND OTHER BORROWINGS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Non-current	998,422	995,994
Current	2,590,841	2,410,723
Total borrowings	<u>3,589,263</u>	<u>3,406,717</u>

Movement of borrowings is analysed below:

For the six months ended 30 June 2017	RMB'000
Balance at 1 January 2017	3,406,717
New borrowings	1,641,009
Repayment of borrowings	(1,458,463)
Balance at 30 June 2017	<u>3,589,263</u>

The interest expense for the six months ended 30 June 2017: RMB53,619,000 (for the six months ended 30 June 2016: RMB61,137,000).

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 principle with an offering size of RMB400 million bond and its interest on 29 February 2016.

On 2 February 2015, the Group issued convertible bonds due in 2021 amounting to RMB6 billion. Such convertible bonds could be converted into the Company's A share at RMB10.66 per share since 3 August 2015 and RMB 10.65 per share since 28 November 2016. Interest is accrued on a yearly basis and the principle and the interest repaid upon maturity. Interest of such bonds is calculated based on a simple-interest calculation annually and the nominal interest rates are: 0.2% for the first year, 0.5% for the second year, 1.0% for the third year, 1.5% for the fourth year, 1.5% for the fifth year and 1.6% for the sixth year. The principal is repaid upon maturity by deducting issuance costs of the convertible bonds amounting to RMB6 billion, liability of RMB4,745,903 thousand was charged into bonds payable and equity of RMB1,214,919 thousand was charged into capital surplus.

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 million at the rate of 1.125%.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

15. ISSUED CAPITAL

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Registered, issued and fully paid:		
A shares of RMB1.00 each	10,458,246	10,458,244
H shares of RMB1.00 each	2,972,912	2,972,912
	13,431,158	13,431,156

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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Guarantees given to banks in order to obtain credit limit for companies below:		
Associates	34,469	34,201
Including guarantees given to banks for the credit limit that has been used by the companies below:		
Associates	-	5,900
Non-financial guarantee letters issued by Finance Company on behalf of:		
Associates	3,315	3,690

- (b) As at 30 June 2017, non-financial guarantees issued by financial institutions for the Group amounted to RMB 22,416,484,000 (31 December 2016: RMB21,723,391,000).
- (c) As at 30 June 2017, contingent liabilities amounted to RMB63,154,000 relating to pending lawsuits and arbitration (31 December 2016: RMB36,922,000).

17. 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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	58,304	79,750
In the second to fifth years, inclusive	181,018	242,311
After five years	10,687	13,249
	250,009	335,310

(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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	51,907	91,229
In the second to fifth years, inclusive	199,460	188,517
After five years	27,707	112,055
	279,074	391,801

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17(b) above, the Group had the following capital commitments at the reporting date:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
In respect of the acquisition of		
Land and buildings	2,074	2,652
Plant and machinery	364,283	1,322,310
	366,357	1,324,962
Authorised, but not contracted for:		
In respect of the acquisition of		
Plant and machinery	-	188,920
Investment in the following companies		
Associate	-	495,000
	366,357	2,008,882

19. 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	
		2017 RMB'000	2016 RMB'000
Purchase of materials from:	(i)		
Associates		1,436,955	1,318,927
Joint ventures		15,802	-
SEC group companies		166,485	210,870
Other related companies		772,561	327,037
		<u>2,391,803</u>	<u>1,856,834</u>
Sales of goods to:	(i)		
Ultimate holding company		447	-
Associates		48,436	23,515
SEC group companies		177,267	-
Other related companies		1,623,547	1,691,823
		<u>1,849,697</u>	<u>1,715,338</u>
Construction contracts from:	(i)		
Other related companies		<u>1,787,774</u>	<u>758,253</u>
Purchases of services from:	(i)		
Associates		1,263	1,722
SEC group companies		1,021	580
Other related companies		3,688	6,084
		<u>5,972</u>	<u>8,386</u>
Provision of services to:	(i)		
Ultimate holding company		1,406	1,291
Associates		1,318	1,628
SEC group companies		87	960
		<u>2,811</u>	<u>3,879</u>

As the financial performance of certain subsidiaries of Group collective is expected to be significant to the consolidated financial performance of the Group of 2017, 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 2017 have been included above.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

19. 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	
		2017 RMB'000	2016 RMB'000
Purchases of equipment from:	(i)		
SEC group companies		-	-
Sales of property, plant and equipment to	(i)		
Ultimate holding company		-	-
Rental income from:	(ii)		
Associates		-	967
Other related companies		113	703
		113	1,670
Rental fee to:	(ii)		
Ultimate holding company		448	-
SEC group companies		-	636
		448	636

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.

19. 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	
	2017 RMB'000	2016 RMB'000
Interest expenses for customer deposits:		
Ultimate holding company	1,787	1,996
Associates	133	453
SEC group companies	6,958	4,403
Other related companies	728	21
	9,606	6,873
Interest income for loans and bills discounting:		
Ultimate holding company	38,611	16,434
Associates	4,352	1,658
SEC group companies	77,257	20,122
Other related companies	1,321	60
	121,541	38,274

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 2017, the Group provided guarantee for associates including Nabtesco Precision, Nabtesco Corporation and Shanghai Nabtestco Management Co., Ltd. with a cap of RMB37,290,000. As at 30 June 2017, the Group actual guarantee amounted to JPY297,000,000 and RMB16,500,000 and SEC provided RMB11,550,000 of guarantee to Shanghai Blower Works Co., Ltd., an affiliate of the Group and Finance Company has issued non-financial guarantee letters on behalf of related parties totalling RMB3,315,000 (31 December 2016: RMB3,690,000).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017

19. RELATED PARTY TRANSACTIONS (CONT'D)

(d) *Compensation of key management personnel of the Group*

	Unaudited	
	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Fees	375	375
Salaries and other allowances	1,889	2,392
Employee benefits	72	72
Welfare after retirement	63	63
	2,399	2,902

20. 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 30 August 2017.