上海电气
SHANGHAI ELECTRIC

2018 INTERIM REPORT

Shanghai Electric Group Company Limited

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

www.shanghai-electric.com

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CORPORATE INFORMATION

Legal name in Chinese:	上海電氣集團股份有限公司
Legal name in English:	Shanghai Electric Group Company Limited
Registered Office:	30th Floor, Maxdo Center, 8 Xingyi Road, Shanghai, The People's Republic of China
Postal code:	200336

Principal Place of Business in Hong Kong:	Rm 901–903, Tower 2, Lippo Center, No.89, Queensway, Hongkong
Company Secretary:	Li Chung Kwong Andrew (FCCA, FCPA, FCA, CIA)
Authorized Representatives:	Zheng Jianhua
Alternate Authorized Representative:	Li Chung Kwong Andrew (FCCA, FCPA, FCA, 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 2018 was **RMB51,274 million**, an increase of **24.38%** over the corresponding period of last year

- Profit attributable to owners of the Company for first half of 2018 reached **RMB1,764 million**, an increase of **12.54%** over the corresponding period of last year

- Basic earnings per share for first half of 2018 were **RMB11.98 cents**, an increase of **6.49%** over the corresponding period of last year

- New orders for first half of 2018 amounted to **RMB66.53 billion**, which include the world's largest EPC Contract of Solar-thermal power plant which is located in Dubai with an installed capacity of **700MW**, total contract amount more than **RMB18 billion**.

- The Board did not recommend the payment of an interim dividend in respect of the Reporting Period

CHAIRMAN'S STATEMENT

Chairman and CEO Zheng Jianhua

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

Results Review

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

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

During the Reporting Period, the Company obtained new orders in the amount of RMB66.53 billion, representing an increase of 20.8% over the corresponding period of the preceding year, among which, new orders from new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 11.5%, 11.4%, 34.2% and 42.9% of the total new orders, respectively. As at the end of the Reporting Period, the Company's orders on hand amounted to RMB226.09 billion (with orders in the aggregate amount of RMB104.58 billion not yet coming into effect), basically remained the same level as 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 14.5%, 40.0%, 5.6% and 39.9% of the total orders on hand, respectively.

New Energy and Environmental Protection Equipment

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

High Efficiency and Clean Energy Equipment

During the Reporting Period, facing the decreasing demands in the domestic thermal power market and increasingly fierce market competition, we endeavored to improve the profitability of thermal power products by continuously optimizing the business structure. We have also achieved transformation from traditional equipment manufacturing to smart products and services supply to play an active role in providing system solutions to domestic and foreign users. Besides, we developed a comprehensive international strategic plan devised on the national strategy of "One Belt, One Road" to improve and enhance the overseas project management capability in respect of the technology, quality, service and standard of export products, as well as enhancing overseas customers' level of satisfaction and our overseas market share, offsetting the impact brought to us by the decreasing demand in the domestic thermal power market. During the Reporting Period, the project joint venture formed by us and Dongfang Electric successfully won the bid for the Hamrawien Power Plant project in Egypt. The total project size is approximately USD 4.4 billion. For gas turbines, we worked together with Ansaldo through in-depth cooperation in aspects such as market expansion, technology transfer and technical collaboration, and have established "Four Globalization Strategies" for the industry development of gas turbines, namely, globalized research and development platform, globalized manufacture base, globalized sales network and globalized service team. During the Reporting Period, we entered into a contract in relation to long term support service for gas turbines in Fengxian with Huadian Group. As of now, the accumulated orders in relation to the long term support service for gas turbines reached 10 units.

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

Industrial Equipment

During the Reporting Period, due to the impact of factors such as China's macro control policy on real estate, the rising prices of raw materials and production overcapacity, the competition in the elevator market was increasingly fierce and the elevator industry witnessed the competition landscape covering every aspect including price, quality, delivery time, services, etc. Shanghai Mitsubishi Elevator Co., Ltd ("SMEC") continued to explore the development of service industrialization. In order to cater to the rapid growth in demands for services from elevators in use, especially for the business of retrofit of obsolete elevators, SMEC accelerated the construction of service centers, logistics centers and training centers and established the philosophy of "service-based marketing" with the view to creating a new growth stream for our services by proceeding from the retrofit of obsolete elevators. In response to the market situation and the increasing concentration of strategic customers, SMEC paid adequate attention to the maintenance and development of relationships with major strategic customers and continued to work closely with core strategic partners such as Evergrande, China Overseas, Greenland, Country Garden, Longfor and Forte. Meanwhile, it made greater efforts on the follow-up of core and major projects in the second-tier and the third-tier cities. The major projects undertaken by SMEC during the Reporting Period included the elevator retrofit and renovation projects for the grand auditorium and key office buildings of the Great Hall of the People, the public service center project in Xiongan New Area, the JD headquarters building phase II in Yizhuang, Beijing, the vertical elevator and escalator project for Shanghai Metro Line 14, etc. During the Reporting Period, revenue generated from SMEC's service business including installation, repairs and maintenance exceeded RMB3 billion, representing over 31% of the operating revenue of the elevator business. In terms of intelligent manufacturing and automation, efforts were concentrated on key industries to work out systemic solutions. During the Reporting Period, we entered into urban railway signaling system contracts with Shanghai, Qingdao, Shijiazhuang, Hangzhou and other cities in succession and thus secured the general contracting orders concerning urban railway signaling systems and comprehensive monitoring systems in cities such as Shanghai and Wuxi. Besides, we completed the construction of the new intelligent electronic railway transportation (IERT) trial line in Shanghai and released such an achievement to the public.

Modern Services

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

Outlook

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

Zheng Jianhua
Chairman and CEO
Shanghai, the PRC,
30 August 2018

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

Principal activities and operation review of the Company

Table showing principal activities by business segments

Unit: million;Currency: RMB

By business segments	Revenue	Cost of Sales	Gross % Profit Margin	Year-on-year % Change in Revenue	Year-on-year % Change in Cost of Sales	Year-on-year Change in Gross Profit Margin
New Energy Equipment	7,094	6,060	14.6	32.7	33.4	-0.4 percentage point
High Efficiency and Clean Energy Equipment	17,161	15,012	12.5	25.2	29.3	-2.8 percentage points
Industrial Equipment	18,637	15,200	18.4	13.5	16.1	-1.9 percentage points
Modern Services	10,400	8,607	17.2	25.6	23.9	+1.1 percentage points

New Energy and Environmental Protection Equipment

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

High Efficiency and Clean Energy Equipment

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

Industrial Equipment

During the Reporting Period, the industrial equipment segment recorded a turnover of RMB18,637 million, representing an increase of 13.49% as compared to the corresponding period of the preceding year. The increase was mainly due to the increases in revenue from all businesses within the segment resulted from more efforts in market exploration during the Reporting Period. Gross profit margin of the segment decreased by 1.9 percentage points from that of the corresponding period of the preceding year to 18.4%, while operating profit margin of the segment decreased by 0.7 percentage point from that of the corresponding period of the preceding year to 6.9%, mainly due to the increase in the price of materials and the decrease in the gross profit margin of elevators and electric motors during the Reporting Period.

Modern Services

During the Reporting Period, the modern services segment recorded a turnover of RMB10,400 million, representing an increase of 25.57% as compared to the corresponding period of the preceding year. The increase was mainly due to the higher year-on-year growth in revenue from power plant engineering projects during the Reporting Period. Gross profit margin of the segment increased by 1.1 percentage points from that of the corresponding period of the preceding year to 17.2%. Operating profit margin of the segment increased by 1.8 percentage points from that of the corresponding period of the preceding year to 10.7%, mainly due to the higher growth in revenue from financial business during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Major Financial Data and Indicators

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	207,273,293	199,345,759	3.98
Equity attributable to owners of the Company	56,426,983	55,537,083	1.60
Net assets per share attributable to owners of the Company (Yuan/share)	3.83	3.56	7.58

	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	3,074,463	2,549,550	20.59
Profit before income tax	3,242,539	2,942,272	10.21
Net profit attributable to owners of the Company	1,764,016	1,567,403	12.54
Basic earnings per share (Yuan)	0.1198	0.1125	6.49
Diluted earnings per share(Yuan)	0.1198	0.1125	6.49
Weighted average return on net assets (%)	3.14	3.18	Decreased by 0.04 percentage point
Net cash flow generated from operating activities	-11,497,776	-6,942,692	65.61
Net cash flow per share generated from operating activities (Yuan)	-0.78	-0.50	-56.00

Review of the principal activities by geographical areas

Unit: 100 million; Currency: RMB

Geographical Areas	Revenue	Year-on-year Change in Revenue
Mainland China	455.43	26.73
Elsewhere	57.31	8.42
Total	512.74	24.38

Major financial reporting items and Analysis of Changes

Unit: 100 million; Currency: RMB

	January to June 2018	January to June 2017	Year-on-year Change (%)
Revenue	512.74	412.24	24.38
Cost of Sales	424.93	332.22	27.91
Selling and distribution costs	12.64	11.29	11.96
Administrative expenses	44.71	47.20	-5.28
Finance costs	3.39	2.09	62.20
Net cash flows from operating activities	-114.98	-69.43	N/A
Net cash flows from investing activities	59.22	7.69	670.09
Net cash flows from financing activities	51.66	-1.17	N/A
Research and development costs	14.61	11.33	28.95

Analyses of Changes

Reason for change in revenue: the change was mainly due to an increase in revenue from all segments with different magnitudes as the Company made more efforts in market exploration under the guidance of the "three-step advancement" strategic objective during the Reporting Period.

Reason for change in cost of sales: the change was mainly due to an increase in revenue which brings along a corresponding increase in cost of sales and due to the increase in the price of major raw materials as well.

Reason for change in selling and distribution expenses: the increase in selling and distribution expenses during the Reporting Period was mainly due to the increase in transportation cost and packaging fees and labor cost with the increase in revenue.

Reason for change in administrative expenses: the increase in administrative expenses during the Reporting Period was mainly due to the natural increase in labor cost and the increase in depreciation and amortization expenses, as compared to the corresponding period of the preceding year, caused by the increase in land and buildings assets.

Reason for change in finance costs: the increase in finance costs as compared to the corresponding period of the preceding year was mainly due to the increase in interest expenses on borrowings as compared to the corresponding period of the preceding year.

Reason for change in net cash flows generated from operating activities: the change was mainly due to a year-on-year decrease in the working capital inflow of the Company caused by the insufficient market liquidity leading to increased difficulties in debts collection during the Reporting Period.

Assets and liabilities

As at 30 June 2018, the Group has total assets of RMB207,273 million (31 December 2017: RMB199,346 million), an increase of RMB7,927 million, or 4.0%, compared with the beginning of the year. Total current assets increased by RMB5,891 million from the beginning of the year to RMB150,248 million (31 December 2017: RMB144,357 million), accounting for 72.5% of the total assets. Total non-current assets were RMB57,025 million as at 30 June 2018 (31 December 2017: RMB54,988 million), representing an increase of RMB2,037 million from the beginning of the year and accounting for 27.5% of the total assets.

As at 30 June 2018, total liabilities of the Group were RMB135,824 million (31 December 2017: RMB128,624 million), representing an increase of RMB7,200 million, or 5.6%, compared with that of the beginning of the year. Total current liabilities increased by RMB4,461 million from the beginning of the year to RMB115,781 million (31 December 2017: RMB111,320 million), whereas total non-current liabilities increased by RMB2,739 million from the beginning of the year to RMB20,043 million (31 December 2017: RMB17,304 million).

As at 30 June 2018, total net current assets of the Group were RMB34,467 million (31 December 2017: RMB33,037 million), representing an increase of RMB1,430 million from the beginning of the year.

Source of Funding and Indebtedness

As at 30 June 2018, the Group had an aggregate amount of bank and other borrowings and bonds of RMB26,000 million (31 December 2017: RMB19,026 million), representing an increase of RMB6,974 million as compared with that as of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB9,280 million, representing an increase of RMB4,456 million as compared with that as of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB16,720 million, representing an increase of RMB2,518 million as compared with that of the beginning of the year.

As at 30 June 2018, among the Group's banks and other borrowings, the unsecured borrowings denominated in US dollars amounted to USD264,134,000 in total (31 December 2017: USD144,139,000), equivalent to RMB 1,747,671,000 (31 December 2017: RMB 941,833,000); borrowings denominated in Euros amounted to EUR150,931,000 in total (31 December 2017: EUR127,203,000), equivalent to RMB1,154,852,000 (31 December 2017: RMB 992,475,000); borrowings denominated in Malaysian Ringgits amounted to MYR0 (31 December 2017: MYR41,000,000), equivalent to RMB0 (31 December 2017: RMB65,891,000); borrowings denominated in Great Britain Pound Sterlings amounted to GBP0 (31 December 2017: GBP63,000), equivalent to RMB0 (31 December 2017: RMB553,000). The mortgage bank borrowings denominated in Euros amounted to EUR101,393,000 in total (31 December 2017: EUR103,281,000), equivalent to RMB775,810,000 (31 December 2017: RMB805,832,000). The bank guaranteed borrowings denominated in US dollars amounted to USD53,905,000 (31 December 2017: USD35,975,000), equivalent to RMB356,668,000 (31 December 2017: RMB235,071,000). All other unsecured bank borrowings are denominated in RMB.

Pledge of Assets

As at 30 June 2018, the Group's bank deposits of RMB535 million (31 December 2017: RMB565 million) and notes receivables of RMB155 million (31 December 2017: RMB222 million) were pledged with banks to secure bank loans or credit facilities. In addition, certain land use rights and buildings of the Group, with net carrying value of RMB409 million as at 30 June 2018 (31 December 2017: RMB423 million), were pledged as securities for certain bank loans of the Group. Besides, the equity holdings of a particular subsidiary, with net assets totaling EUR852 million as at 30 June 2018, were pledged as securities to obtain bank loans.

Gearing Ratio

As at 30 June 2018, 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 28.53%, representing an increase of 4.52 percentage points from that as at the beginning of this year.

Contingent Liabilities

Please refer to note 18 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 RMB1,229 million (1H2017 restated: RMB1,075 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

Placing of A Shares

On 14 November 2016, this assets reorganization and A shares placement was approved at the 37th meeting of the 4th session of the Board of the Company. According to the Decision on Amending the Implementation Rules for Non-public Issuance of Listed Companies and relevant requirements issued by China Securities Regulatory Commission (hereinafter referred to as the "CSRC") in February 2017, the Company revised the original A Share Placing Plan. On 17 March 2017, the relevant resolutions for the revised assets reorganization and A shares placement (hereinafter referred to as the "Transaction") was considered and approved at the 42nd meeting of the 4th session of the Board of the Company. On 8 May 2017, the Transaction was considered and approved at the Company's 2017 first extraordinary general meeting, the 2017 first A Share Class Meeting and the H Share Class Meeting.

On 14 November 2016 and 17 March 2017, the Company entered into the Share Subscription Agreements and Supplemental Agreements to Share Subscription Agreement with Shanghai Electric (Group) Corporation 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 Shanghai Electric (Group) Corporation and Shanghai Guosheng Group Investment Company Limited, raising funds not exceeding RMB3 billion. The result of the placing of A Shares, whether successful or not, shall not affect the implementation of the transaction contemplated under the Agreement in relation to Assets Acquisition by Issuance of Shares. The funds to be raised by A shares placement are intended to be invested into the following projects: RMB1.055 billion shall be used for the Emerging Industrial Park Development Project at Gonghe Xin Road, RMB0.226 billion shall be used for the Innovative Industry Park Reformation Project at Beinei Road, RMB0.328 billion shall be used for the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, RMB1.166 billion shall be used for the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road, RMB0.225 billion shall be used for relevant tax fees and other expenses of the Transaction. This A shares placement could further promote the business development of the Company, and effectively enhancing the integrated performance of this assets reorganization.

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

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

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

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

Schedule of use of proceeds

Unit: '00 million;Currency: RMB

Total amount of proceeds	30.0	Total proceeds invested during the year	2.10
Total proceeds used for other purposes instead of the scheduled one(s)	0	Total cumulative proceeds invested (Note1)	2.25
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	0		

Projects with investment commitment	Project changed or not (including those with partial changes (if any))	Total amount of proceeds with investment commitment	Amount invested during the year	Cumulative amounted invested as at the end of the Reporting Period (Note2)	Date of achieving the project's designed serviceable condition	Benefits generated during the year	Achieved the estimated goal or not
Emerging Industrial Park Development Project at Gonghe Xin Road (Note2)	No	10.55	-	-	2019	N/A	N/A
Innovative Industry Park Reformation Project at Beinei Road (Note2)	No	2.26	-	-	2018	N/A	N/A
Technology Innovative Park Reformation Project at Jinshajiang Branch Road (Note2)	No	3.28	-	-	2018	N/A	N/A
Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road (Note2)	No	11.66	-	-	2018	N/A	N/A
Tax, surcharges and other expenses in relation to the restructuring	No	2.25	2.10	2.25	2018	N/A	N/A
Total	-	30.0	2.10	2.25	-	-	-

Upfront investment in the project to be invested through fund raising and replacement of such investment with the proceeds	On 17 April 2018, the Proposal in Relation to the Replacement of the Self-Pooled Upfront Investment in Projects to be Invested Through Fund Raising with the Proceeds was considered and approved at sixty-fourth meeting of the fourth session of the board of directors of the Company, which proposed to replace the self-pooled upfront investment in projects to be invested through fund raising with RMB88 million out of the proceeds. PricewaterhouseCoopers Zhong Tian LLP reviewed the upfront investment in relation to the fund raising through non-public issuance of A shares, and issued the PricewaterhouseCoopers Zhong Tian Te Shen Zi(2018) No.1870 document, i.e., the Report and Verification Report on Upfront Investment with Self-pooled Funds in the Project to be Invested Through Funds Raising. Guotai Junan Securities Co., Ltd. also expressed opinions on the Company's replacement of the self-pooled upfront investment in projects to be invested through fund raising with the proceeds.
Provisional replenishment of working capital with the idle proceeds from fund raising	On 22 January 2018, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at fifty-ninth meeting of the fourth session of the board of directors of the Company. It was approved that idle proceeds totaling RMB2 billion would be used to replenish working capital on the condition that funding needs of the Projects to be Invested through Fund Raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 23 January 2018.

Note 1: "Total cumulative proceeds invested" comprising the cumulative invested amount after such proceeds were credited and the actual amount used to replace the upfront investment amounted to RMB88 million altogether.

Note 2：As the projects are still in the process of adjustment of planning, the aforesaid four projects to be invested through fund raising have not been commenced yet. Emerging Industrial Park Development Project at Gonghe Xin Road went through the adjustment of planning parameters shortly before and was expected to be put to formal development and construction in 2019. Application for approval of the project content of the Innovative Industry Park Reformation Project at Beinei Road as per requirements under the "50 provisions for culture and creativity industry (文創五十條)" of Shanghai are underway and is expected to be completed in the first half of 2019. Adjustment of planning for the Technology Innovative Park Reformation Project at Jinshajiang Branch Road is expected to be completed within the year. Adjustmeng of planning for the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road is expected to be completed in 2019.

Conversion of convertible bonds into A shares

Issuance of convertible bonds

According to the approval document issued by the China Securities Regulatory Commission (Zhengjian Xuke [2015] No.84), the Company issued A share convertible corporate bonds (hereafter "Convertible Bonds")with face value of RMB6 billion publicly on 2 February 2015. Such convertible corporate bonds are referred to as "Electric Convertible Bonds" and issued under the securities code "113008". The face value of each convertible bond is RMB100, totaling 60 million (6 million board lots). With the approval from the Shanghai Stock Exchange (Self-regulation Decision [2015] No. 048 (自律監管決定書 [2015]48 號文)), the convertible corporate bonds of RMB6 billion have been listed and traded on the Shanghai Stock Exchange since 16 February 2015 under the securities code "113008". The current share transfer price of the convertible bonds is RMB10.28 per share.

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, further adjusted from RMB10.66 per share to RMB10.65 per share from 28 November 2016, further adjusted from RMB10.65 per share to RMB10.46 per share from 24 October 2017, further adjusted from RMB10.46 per share to RMB10.37 per share from 9 November 2017, further adjusted from RMB10.37 per share to RMB10.28 per share from 28 August 2018. 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.

Up to 30 June 2018, the Electric Convertible Bonds amounting to RMB7,502,000 have been converted into 703,916 A Share. As at 30 June 2018, the unconverted Electric Convertible Bonds amounted to RMB5,992,498,000.

Changes in the Convertible Bonds during the Reporting Period

Unit: YUAN ;Currency: RMB

Name of convertible bond	Prior to current changes	Increase/decrease in the current changes			After current changes
		Converted	Redeemed	Resold	
Electric Convertible Bonds	5,992,498,000	-	-	-	5,992,498,000

Aggregated conversion of Convertible Bonds during the Reporting Period

Amount of shares converted during the Reporting Period (RMB)	0
Number of shares converted during the Reporting Period	0
Aggregated number of shares converted	703,916
Aggregated number of shares converted per the total number of shares issued by the Company before conversion (%)	0.005
Outstanding Convertible Bonds (RMB)	5,992,498,000
Outstanding Convertible Bonds per the total number of Convertible Bonds issued (%)	99.87

Information on the Company's liability and credit changes as well as the cash arrangement for the future annual debt repayment

As at 30 June 2018, the size of interest-bearing debts of the Company was RMB26,000 million, including bank borrowings of RMB15,938 million, convertible bonds of RMB5,477 million and the Eurobonds of RMB4,585 million. During the Reporting Period, the credit rating of the Company was AAA without changes.

The main sources of cash for the future annual debt repayment include: 1. operating cash flow and external investment incomes of the Company; 2. bank facilities granted to the Company (the total amount of comprehensive bank facilities granted to the Company as at 30 June 2018 was RMB75,944 million, of which RMB27,814 million has been used and RMB48,130 million has not yet been used).

Significant events

Acquisition of Suzhou Thvow Technology

In June 2018, the Company subscribed for 81,181,318 shares, representing 9.19% of the total share capital of Suzhou Thvow Technology Co., Ltd. ("Thvow Technology"), under a non-public shares issuance of Thvow Technology.

On 3 August 2018, the resolution in relation to the acquisition of shares in Suzhou Thvow Technology and entrustment of voting rights was considered and approved in the 70th meeting of the fourth session board of directors of the Company. The Company agreed to acquire 43,763,300 shares of Thvow Technology held by Mr. Chen Yuzhong and 7,514,196 shares of Thvow Technology held by Ms. Qian Fengzhu, the spouse of Mr. Chen Yuzhong, 51,277,496 shares in total and representing 5.81% of the total share capital of Thvow Technology for a consideration of RMB350,225,297.68. At the same time, the Company will be entitled to exercise voting rights associated with 131,290,074 shares of Thvow Technology held by Mr. Chen Yuzhong, representing 14.87% of the total share capital of Thvow Technology.

Upon completion of the Transactions, the Company will directly hold an aggregate of 132,458,814 shares of Thvow Technology, representing 15.00% of the total share capital of Thvow Technology, and will hold the voting rights of 131,290,074 shares of Thvow Technology, representing 14.87% of the total share capital of Thvow Technology, by way of voting rights entrustment. The total number of shares of Thvow Technology with voting rights attached being held by the Company will be 263,748,888, representing 29.87% of the total share capital of Thvow Technology. Accordingly, the Company will become the controlling shareholder of Thvow Technology. For details about the above matter, please refer to relevant announcement published on 3 August 2018 by the Company on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

The principal business of Thvow Technology consists of three segments, namely energy engineering services, manufacturing of high-end equipment and military-civilian integration.

Acquisition of Jiangsu Zhongneng

On 6 June 2018, the Company entered into the Framework Agreement on the Acquisition of Equity Interest of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) with GCL-Poly Energy Holdings Limited (hereafter referred to as "GCL-Poly Energy", a company listed on the Hong Kong Stock Exchange under the stock code of 3800). The Company contemplates the acquisition of 51% equity interest of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd., a subsidiary of GCL-Poly Energy. The transaction is preliminarily determined to be conducted through issue of shares and cash payment by the Company for acquisition of equity interest.

Since the kick-off of the issuance of shares and purchasing assets, the Company and related parties have proactively advanced relevant work on this reorganization, including rounds of active negotiations with all relevant parties involved in the Transaction. In view of the huge size of the target company and considering that the asset boundary of the underlying company involved in the Transaction has not yet been finalized, the Transaction plan is so complex that both parties to the Transaction did not reach a consensus on the relevant cooperation terms and the Transaction plan eventually. Therefore, both parties to the Transaction believed that the timing and conditions for continuing to advance this material assets reorganization plan were not favorable, and thus agreed to terminate the Framework Agreement on Acquisition of Equity Interest of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. In order to safeguard the interests of the Company and investors, the Company made a careful study and decided to terminate the plan for the issuance of shares and purchasing assets. For details about the above matter, please refer to relevant announcement published on 6 June 2018 by the Company on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Material Litigation

The Company and Shanghai Electric Rongchuang Financial Leasing Co., Ltd. (上海電氣融創融資租賃有限公司) ("Electric Leasing") filed a pleading with Shanghai High People's Court. The Company and Electric Leasing have received a notice of acceptance from Shanghai High People's Court in January 2018. The basic information of the litigations includes: 1. The Company applied to the court for a ruling that Wang Zhijun, as the first defendant, and Guan Hongyan, as the second defendant, (collectively the "Defendants") pay arrearages of RMB848,209,829.37 and the interests on delayed payment of RMB108,809,400, in aggregate RMB957,019,229.37, and applied to the court for a ruling that the court acceptance fee, attorney fee, preservation guarantee expenses and other litigation costs be borne by the Defendants. 2. Electric Leasing applied to the court for a ruling that Xinjiang Jiarun Resources Holdings Co. Ltd. (新疆嘉潤資源控股有限公司) ("Jiarun Company"), as the first defendant, pays Electric Leasing all rentals due but unpaid as well as rentals not yet due in the aggregate amount of RMB746,535,167.04 under the Financial Leasing Contract, penalty for breach of contract of RMB92,533,000.00, penalty for delayed performance of RMB58,905,556.77 and residual value transfer fee of RMB10,000, and Qingdao Antaixin Group Co. Ltd. (青島安泰信集團有限公司) ("Antaixin Company"), as the second defendant, and Wang Zhijun, as the third defendant, assume joint liability of guarantee for the aforementioned payments; that Electric Leasing be entitled to auction or sell the collaterals provided by Qingdao Shengshi Jiaye Business Development Co., Ltd. ("Shengshi Jiaye"), as the fourth defendant, under the Pledge Contract to the extent of the aforementioned scope of claim with priority of compensation; and that Jiarun Company, Antaixin Company, Wang Zhijun and Shengshi Jiaye jointly bear the court acceptance fee, attorney fee, preservation guarantee expenses and other litigation costs of the case. For details about the above matter, please refer to relevant announcement published on 16 January 2018 by the Company on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Employees

On 30 June 2018, the Group had approximately 29,692 employees (30 June 2017: approximately 27,618). 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.

The General Election of The Board of Directors and Supervisors

On 3 August 2018, the Board of Directors of the Company resolved to have (including) the election of members of the fifth session Board of Directors. The board of Directors considered and decided to nominate nine candidates for the fifth session of the board of directors to be considered and approved at the extraordinary general meeting which was preliminarily scheduled on 18 September 2018. Mr. Zheng Jianhua, Mr. Huang Ou, Mr. Zhu Zhaokai and Mr. Zhu Bin were nominated as candidates for the fifth session Executive Directors of the Company. Ms. Yao Minfang and Ms. Li An were nominated as candidates for the fifth session Non-Executive Directors of the Company. Mr. Jian Xunming, Dr. Chu Junhao and Mr. Xi Juntong were nominated as candidates for the fifth session Independent Non-Executive Directors of the Company.

On 3 August 2018, the Board of Supervisors of the Company resolved to have (including) the election of members of the fifth session Board of Supervisors. The board of Supervisors considered and decided to nominate certain candidates for the fifth session of the board of supervisors. The Fifth Board of supervisors shall consist of 5 supervisors, including 2 staff supervisors. Mr. Zhou Guoxiong, Mr. Hua Xingsheng, Mr. Han Quanzhi, Mr. Li Bin and Ms. Zhu Xi were nominated as candidates for the fifth board of supervisors. Mr. Li Bin and Ms. Zhu Xi were nominated as candidates for staff supervisors.

Share Capital Structure

	Number of shares	Approximate percentage of issued share capital
A shares	11,752,268,717	79.81%
H shares	2,972,912,000	20.19%
Total	14,725,180,717	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 2018 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	9,053,771,599*	Long position	77.04	61.48
	H	Interest of controlled corporation	1	303,642,000	Long position	10.21	2.06
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	8,662,879,405 *	Long position	73.71	58.83
	H	Beneficial owner	1	270,708,000	Long position	9.10	1.84
	H	Interest of controlled corporation	1,2	32,934,000	Long position	1.11	0.22
Shenergy (Group) Company Limited	A	Beneficial owner	1	390,892,194*	Long position	3.33	2.65
Sarasin & Partners LLP	H	Investment Manager		189,238,000	Long position	6.37	1.29

* As disclosed in the announcement on completion of assets acquisition and issuance of consideration shares and change in share capital published on 7 November 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 2018 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 2018, 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 Rules Governing the Listing of Securities on 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 2018 to 30 June 2018. No violation of the Model Code by relevant employees has been found by the Company.

Corporate Governance

For the first half of 2018, the Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Hong Kong Listing Rules except for a deviation from code provision A.2.1 of the Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the Code, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2018, Mr. Zheng Jianhua served

as the chairman of the Board and the chief executive officer, and acted as the president of the Company. The Nomination Committee of the Board has been responsible for finding and nominating suitable candidates for president of the Company to the Board, so that the Board can appoint a new president to be responsible for all the day-to-day operations of the Company and execution of instructions from the Board. In the meantime, in order to meet the requirements of Code A.2.1, the Company has made appropriate institutional arrangements to avoid over-centralization of management power. Mr. Zheng Jianhua was mainly responsible for the Company's strategic decisions, the other senior managers of the Company were jointly responsible for the Company's daily operations and execution of instructions from the Board. The Company is of the opinion that segregation of duties and responsibilities between the Board and the senior management has been well maintained and there exists no problem of over-centralization of management authority.

Audit Committee

During the Reporting Period, the Audit Committee has reviewed the accounting policies adopted by the Group with the management and the Company's external auditors, and conducted a review of the credit limits for connected transactions of the Company. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim condensed consolidated financial statements for the period under review.

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

This 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.

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. Li Bin, Mr. Zhou Changsheng and Mr. Zheng Weijian.

By order of the Board
Zheng Jianhua
Chairman of the Board and CEO

Shanghai, PRC
30 August 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
			(Restated)
Revenue	7	**51,273,997**	41,224,346
Cost of sales		**(42,493,415)**	(33,222,278)
Gross profit		**8,780,582**	8,002,068
Other income	7	**535,301**	264,268
Other gains, net	7	**35,421**	132,321
Other income and other gains, net	7	**570,722**	396,589
Distribution expenses		**(1,264,127)**	(1,129,320)
Administrative expenses		**(4,471,274)**	(4,719,787)
Net impairment losses on financial assets		**(541,440)**	-
Operating Profit		**3,074,463**	2,549,550
Finance costs		**(414,640)**	(298,166)
Finance income		**75,380**	89,101
Finance costs – net		**(339,260)**	(209,065)
Share of profits or losses accounted for using the equity method :			
Joint ventures		**124,285**	1,252
Associates		**383,051**	600,535
Profit before income tax	8	**3,242,539**	2,942,272
Income tax expense	9	**(311,347)**	(350,932)
Profit for the period		**2,931,192**	2,591,340
Profit attributable to:			
Owners of the Company		**1,764,016**	1,567,403
Non-controlling interests		**1,167,176**	1,023,937
		2,931,192	2,591,340
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10	**Cents per share**	**Cents per share**
Basic earnings per share		**11.98 cents**	11.25 cents
Diluted earnings per share		**11.98 cents**	11.25 cents

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The above condenced consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Note: In 2017, pursuant to the approval from the 37th and the 42nd meetings of the 4th session of the Board of the Company, the 2017 first extraordinary general meeting of the Company, the 2017 first A share class meeting and the 2017 first H share class meeting, the Company completed the transactions to acquire 47.18% equity interest (domestic shares) in Shanghai Prime Machinery Co., Ltd., 50.10% equity interest in Thales Saic Transportation System Limited Company, 100% equity interest in Shanghai Electric Group Asset Management Co., Ltd. and its land use rights and the affiliated buildings from Shanghai Electric (Group) Corporation ("SEC") by issuance a total of 877,918,006 A Shares of the Company, Renminbi-denominated ordinary A shares with par value of RMB1.00 each. The issue price was RMB7.55 per A share and the total consideration was RMB6,628,281,000. As the transaction was qualified as business combination under common control, the acquired entities had been combined from the beginning of the earliest financial period presented. Accordingly, the comparative figure has been restated.

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	12	**16,706,539**	16,468,912
Investment properties		**797,180**	832,508
Prepaid land lease payments		**5,710,638**	5,828,581
Goodwill		**2,615,714**	2,648,897
Intangible assets		**1,380,639**	1,393,008
Investments in joint ventures		**4,769,926**	4,395,635
Investments in associates		**7,487,799**	6,309,326
Available-for-sale investments		**-**	1,393,811
Financial assets at amortised cost		**6,957,885**	-
Financial assets at fair value through profit or loss		**3,877,314**	-
Contract assets		**2,042,299**	-
Deferred income tax assets		**4,457,380**	3,982,674
Loans and lease receivables		**-**	7,399,416
Other non-current assets		**221,622**	4,335,730
Total non-current assets		**57,024,935**	54,988,498
Current assets			
Inventories		**28,121,953**	29,057,351
Construction contracts		**-**	5,416,449
Contract assets		**17,989,367**	-
Trade receivables	13	**28,228,939**	27,905,847
Loans and lease receivables		**-**	10,956,118
Discounted bills receivable		**330,316**	179,926
Bills receivable		**2,897,165**	10,106,004
Prepayments, deposits and other receivables		**16,367,872**	12,170,116
Investments		**-**	11,325,754
Financial assets at fair value through profit or loss		**1,293,722**	-
Financial assets at fair value through other comprehensive income		**6,004,910**	-
Other financial assets at amortised cost		**14,114,698**	-
Derivative financial instruments		**116**	15,604
Due from the Central Bank*		**2,649,769**	3,267,497
Restricted deposits		**534,837**	565,322
Time deposits with original maturity over three months		**9,626,296**	10,922,202
Cash and cash equivalents		**22,088,398**	22,469,071
Total current assets		**150,248,358**	144,357,261
Total assets		**207,273,293**	199,345,759

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds	16	**10,062,534**	10,058,027
Interest-bearing bank and other borrowings	15	**6,658,747**	4,144,184
Provisions		**304,038**	243,817
Government grants		**965,373**	1,055,960
Other non-current liabilities		**1,396,683**	1,464,926
Deferred income tax liabilities		**655,326**	337,530
Total non-current liabilities		**20,042,701**	17,304,444
Current liabilities			
Bonds		**-**	1,599,506
Trade payables	14	**40,241,396**	33,740,212
Contract liabilities		**38,182,134**	-
Bills payable		**5,726,173**	7,144,728
Government grants		**584,295**	439,973
Other payables and accruals		**14,369,769**	56,627,701
Derivative financial instruments		**143,687**	8,537
Customer deposits		**2,520,694**	3,324,568
Interest-bearing bank and other borrowings	15	**9,279,516**	3,224,101
Tax payable		**878,923**	1,201,062
Provisions		**3,854,571**	4,009,340
Total current liabilities		**115,781,158**	111,319,728
Total liabilities		**135,823,859**	128,624,172

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Equity			
Equity attributable to owners of the Company			
Share capital	17	**14,725,181**	14,725,181
Reserves		**20,651,461**	20,637,494
Retained earnings		**21,050,341**	20,174,408
		56,426,983	55,537,083
Non-controlling interests		**15,022,451**	15,184,504
Total equity		**71,449,434**	70,721,587
Total equity and liabilities		**207,273,293**	199,345,759
Net current assets		**34,467,200**	33,037,533
Total assets less current liabilities		**91,492,135**	88,026,031

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Chairman and CEO: Mr.Zheng Jianhua

Non-executive Director: Mr. Li Jianjin

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited										
		Attributable to owners of the Company										
	Note	Issued capital RMB'000	Capital reserve RMB'000	Surplus reserves RMB'000	Defined benefit plans reserve RMB'000	Hedging revaluation reserve RMB'000	FVOCI reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017 as originally presented		14,725,181	17,553,804	3,193,254	3,816	27,517	13,826	(154,723)	20,174,408	55,537,083	15,184,504	70,721,587
Change in accounting policy		-	-	-	-	–	(4,427)	-	465,897	461,470	(10,592)	450,878
Restated total equity at 1 January 2018		14,725,181	17,553,804	3,193,254	3,816	27,517	9,399	(154,723)	20,640,305	55,998,553	15,173,912	71,172,465
Profit for the period		-	-	-	-	-	-	-	1,764,016	1,764,016	1,167,176	2,931,192
Other comprehensive income		–	–	–	603	(10,406)	(29,260)	57,575	-	18,512	(6,230)	12,282
Total comprehensive income for the period		-	-	-	603	(10,406)	(29,260)	57,575	1,764,016	1,782,528	1,160,946	2,943,474
Disposal of subsidiaries		-	2,083	-	-	-	-	-	-	2,083	2,332	4,415
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(1,316,269)	(1,316,269)
Dividends provided for		-	-	-	-	-	-	-	(1,353,980)	(1,353,980)	-	(1,353,980)
Others		-	(2,201)-	-	-	-	-	-	-	(2,201)	1,530	(671)
At 30 June 2018		14,725,181	17,553,686	3,193,254	4,419	17,111	(19,861)	(97,148)	21,050,341	56,426,983	15,022,451	71,449,434

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited										
		Attributable to owners of the Company										
	Note	Issued capital RMB'000	Capital reserve RMB'000	Surplus reserves RMB'000	Defined benefit plans reserve RMB'000	Hedging revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earrings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (Restated)		13,431,156	12,809,023	2,707,355	2,119	(1,367)	1,023,851	(105,915)	18,033,639	47,899,861	14,518,966	62,418,827
Profit for the period		-	-	-	-	-	-	-	1,567,403	1,567,403	1,023,937	2,591,340
Other comprehensive income		-	-	-	2,293	22,047	52,842	(13,083)	-	64,099	17,570	81,669
Total comprehensive income for the period (Restated)		-	-	-	2,293	22,047	52,842	(13,083)	1,567,403	1,631,502	1,041,507	2,673,009
Convertible bond - equity component		2	16	-	-	-	-	-	-	18	-	18
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	(1,377,229)	(1,377,229)
Others		-	3,772	-	-	-	-	-	-	3,772	578	4,350
At 30 June 2017 (Restated)		13,431,158	12,812,811	2,707,355	4,412	20,680	1,076,693	(118,998)	19,601,042	49,535,153	14,183,822	63,718,975

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Cash generated from operations	**(10,417,408)**	(5,925,332)
Income tax paid	**(1,080,368)**	(1,017,360)
Net cash used in operating activities	**(11,497,776)**	(6,942,692)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(986,261)**	(557,943)
Proceeds from disposal of items of property, plant and equipment	**40,432**	509,113
Purchases of other intangible assets	**(24,006)**	(97,755)
Other investing activities, net	**6,034,803**	(1,475,187)
Disposal of a subsidiary, net	**58,847**	-
Decrease in non-restricted time deposits with original maturity of over three months when acquired	**1,295,906**	2,659,852
(Increase)/decrease in reverse repurchase agreements	**(2,451,999)**	228,687
Decrease in an amount due from the Central Bank	**617,728**	170,526
Decrease/(increase) in finance lease receivables	**1,336,885**	(668,475)
Net cash generated from investing activities	**5,922,335**	768,818
Cash flows from financing activities		
Dividend paid to owners of the Company and non-controlling interests	**(528,029)**	(562,483)
Repayments of bank and other loans	**(3,512,516)**	(1,580,798)
Issue of bank and other loans	**10,480,347**	1,703,326
Other financing activities – net	**(1,273,835)**	323,328
Net cash generated from/(used in) financing activities	**5,165,967**	(116,627)
Net decrease in cash and cash equivalents	**(409,474)**	(6,290,501)
Cash and cash equivalents at beginning of period	**22,469,071**	31,196,462
Effect of foreign exchange rate changes on cash, net	**28,800**	94,287
Cash and cash equivalents at the end of period	**22,088,397**	25,000,248

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017 (the "Annual Financial Statements"), which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES(CONTINUED)

2.2 ACCOUNTING POLICY

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

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

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

The impact of the adoption of HKFRS 9 'Financial Instruments' and HKFRS 15 'Revenue from Contracts with Customers' is disclosed in note 3 below. The other standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 ACCOUNTING POLICY (CONTINUED)

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

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. CHANGES IN ACCOUNTING POLICIES

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

(A) IMPACT ON THE FINANCIAL STATEMENTS

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note 3(B) below, HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(A) IMPACT ON THE FINANCIAL STATEMENTS (CONTINUED)

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(A) IMPACT ON THE FINANCIAL STATEMENTS (CONTINUED)

Balance sheet (extract)	31 Dec 2017 As originally presented RMB'000	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 Restated RMB'000
Derivative financial instruments	8,537	-	-	8,537
Provisions	4,009,340	-	-	4,009,340
Other current liabilities	50,674,150	-	-	50,674,150
Total liabilities	128,624,172	-	340,535	128,964,707
Net assets	70,721,587	-	450,878	71,172,465
Share capital	14,725,181	-	-	14,725,181
Reserves	20,637,494	-	(4,427)	20,633,067
Retained earnings	20,174,408	-	465,897	20,640,305
Non-controlling interests	15,184,504	-	(10,592)	15,173,912
Total equity	70,721,587	-	450,878	71,172,465

(B) HKFRS 9 FINANCIAL INSTRUMENTS – IMPACT OF ADOPTION

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

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3(c) below. In accordance with the transitional provisions in HKFRS 9 (Paragraph 7.2.15) and (Paragraph 7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 9 FINANCIAL INSTRUMENTS – IMPACT OF ADOPTION (CONTINUED)

(I) CLASSIFICATION AND MEASUREMENT

On 1 January 2018 (the date of initial application of HKFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	Notes	FVPL RMB'000	FVOCI (Available-for-sale 2017) RMB'000	Amortised cost (Receivables 2017) RMB'000	Available-for-sale 2017 RMB'000	Other assets RMB'000
Closing balance 31 December 2017 – HKAS 39 *		517,628	-	-	10,704,807	19,539,052
Reclassify investments from available-for-sale to FVPL	(a)	3,591,830	-	-	(2,526,164)	-
Reclassify debt instruments and part of trade receivable and bills receiable from available-for-sale and trade receivable and bills receiable to FVOCI	(b)	-	14,958,908	-	(8,178,643)	(6,780,265)
Reclassify loans and lease receivalbes and reverse repurchase agreements from other financial assets to amortised cost	(c)	-	-	12,758,787	-	(12,758,787)
Opening balance 1 January 2018 - HFRS 9		**4,109,458**	**14,958,908**	**12,758,787**	**-**	**-**

The impact of these changes on the group's equity is as follows:

	Notes	Effect on AFS reserves RMB'000	Effect on FVOCI reserve RMB'000	Effect on retained earnings* RMB'000
Opening balance – HKAS 39		13,826	-	20,174,408
Reclassify investments from available-for-sale to FVPL	(a)	(4,427)	-	791,989
Reclassify debt instruments from available-for-sale to FVOCI	(b)	(9,399)	9,399	-
Total impact		(13,826)	9,399	791,989
Opening balance - HKFRS 9		-	9,399	20,966,397

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 9 FINANCIAL INSTRUMENTS – IMPACT OF ADOPTION (CONTINUED)

(I) CLASSIFICATION AND MEASUREMENT (CONTINUED)

(a) Reclassification from available-for-sale to FVPL

Certain investments in unlisted equity investments were reclassified from available-for-sale to financial assets at FVPL (RMB2,526,164,000 as at 1 January 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Related fair value gains of RMB1,065,666,000 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. Related fair value gains of RMB4,427,000 were transferred from the available-for-sale financial assets reserve to FVOCI reserve on 1 January 2018. In the six months to 30 June 2018, net fair value losses of RMB33,891,000 relating to these investments were recognised in profit or loss, along with deferred tax expense of RMB8,191,000 and non-controlling interest expence of RMB4,774,000.

(b) Available-for-sale debt instruments and part of trade receivable and bills receiable classified as FVOCI

Debt instruments and part of trade receivable and bills receiable were reclassified from available for sale and trade receivable and bills receiable to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, debt instruments with a fair value of RMB14,958,908,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RMB9,399,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

(c) Reclassify loans and lease receivalbes and reverse repurchase agreements from other financial assets to amortised cost

Loans and lease receivalbes and reverse repurchase agreements are required to be held as amortised cost under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 9 FINANCIAL INSTRUMENTS – IMPACT OF ADOPTION (CONTINUED)

(II) IMPAIRMENT OF FINANCIAL ASSETS

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of inventory and construction contracts
- contract assets relating to construction contracts, and
- loan and lease receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 3(B) above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables, contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and lease receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for both trade receivables and contract assets:

1 January 2018	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Undue	1%	34,358,969	-355,005
Within 3 months	2%	3,745,622	-57,680
Over 3 months but within 6 months	2%	1,947,221	-34,005
Over 6 months but within 1 year	29%	2,142,770	-621,294
Over 1 year but within 2 years	41%	3,391,226	-1,379,282
Over 2 years but within 3 years	63%	4,101,669	-2,599,183
Over 3 years past due	87%	2,682,386	-2,325,934
Total		**52,369,863**	**-7,372,383**

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(B) HKFRS 9 FINANCIAL INSTRUMENTS – IMPACT OF ADOPTION (CONTINUED)

(II) IMPAIRMENT OF FINANCIAL ASSETS

Trade receivables, contract assets(continued)

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Contract assets RMB'000	Trade receivables RMB'000	Lease receivables RMB'000
At 31 December 2017 – calculated under HKAS 39	-	6,966,530	629,267
Amounts restated from the impact of adoption of HKFRS 15	570,270	(69,993)	-
Amounts restated through opening retained earnings	252,954	136,870	67,548
Opening loss allowance as at 1 January 2018 - calculated under HKFRS 9	**823,224**	**7,033,407**	**696,815**

The loss allowances increased by a further RMB357,420,000 to RMB7,390,827,000 for trade receivables, decreased by RMB18,246,000 to RMB804,978,000 for contract assets and increased by RMB64,197,000 to RMB761,012,000 for lease receivables during the six months to 30 June 2018. The increase would have been RMB58,974,000 higer under the incurred loss model of HKAS 39.

Trade receivables, contract assets and lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 5 years past due.

(C) HKFRS 9 FINANCIAL INSTRUMENTS – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018

Classification

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(C) HKFRS 9 FINANCIAL INSTRUMENTS – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018 (CONTINUED)

Measurement

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

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

- DEBT INSTRUMENTS

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(C) HKFRS 9 FINANCIAL INSTRUMENTS – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018(CONTINUED)

Measurement(continued)

- EQUITY INSTRUMENTS

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

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

Impairment

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

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(D) HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS – IMPACT OF ADOPTION

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

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

(I) PRESENTATION OF ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

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

* The amounts in this column are before the adjustments from the adoption of HKFRS 9, including increases in the impairment loss allowance for trade receivables and contract assets, see note 3(B) above.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(E). HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS – ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(E). HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS – ACCOUNTING POLICIES(CONTINUED)

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

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

Revenue from sales of goods

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

Service income

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

Construction contract

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

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

Interest Income

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

Rental income

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

4. 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 2017 except for the impairment of financial assets.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table above.

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5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 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 2017.

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

5.2 LIQUIDITY RISK

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

5.3 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).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 FAIR VALUE ESTIMATION (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
Equity investments	75,948	-	-	75,948
Debt investments	24,402	-	-	24,402
Fund investment	167,635	-	-	167,635
Investment products	-	674,022	-	674,022
Derivative financial instruments	-	351,830	-	351,830
Financial assets at fair value through other comprehensive income (FVOCI)				
Equity investments	377,496	2,020,119	1,457,202	3,854,817
Debt investments	-	12,711	-	12,711
Fund investment	-	-	22,498	22,498
Investment products	-	3,066,015	-	3,066,015
Notes receivable and accounts receivables	-	2,926,184	-	2,926,184
Total financial assets	645,481	9,050,881	1,479,700	11,176,062
Financial liabilities				
Derivative financial instruments	-	143,687	-	143,687
Total financial liabilities	-	143,687	-	143,687

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 FAIR VALUE ESTIMATION (CONTINUED)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale investments:				
Equity investments	765,654	-	-	765,654
Debt investments	-	174,247	-	174,247
Investment funds	499,583	-	-	499,583
Investment products	-	8,512,412	-	8,512,412
Investments at fair value through profit or loss:				
Equity investments	54,589	-	-	54,589
Debt investments	21,401	-	-	21,401
Convertible debenture arrangements	-	441,633	-	441,633
Investment funds	5	-	-	5
Derivative financial instruments	-	15,604	-	15,604
Total assets	1,341,232	9,143,896	-	10,485,128
Liabilities				
Derivative financial instruments	-	8,537	-	8,537
Total liabilities	-	8,537	-	8,537

6. SEGMENT INFORMATION

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

The details of operating segments are as follows:

(a) the new energy and environmental protection segment is engaged in the design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products, and heavy machinery including large forging components, and in the provision of solution package for comprehensive utilisation of solid waste, sewage treatment, power generation environment protection and distributed energy systems;

(b) the high efficiency and clean energy equipment segment is engaged in the design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products;

(c) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, electrical motors, machine tools, marine crankshafts and other electromechanical equipment products;

(d) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial products and services, international trading services, financial lease and related consulting services and insurance brokerage services;

(e) the 'others' segment includes components such as the central research institute and spare houses management.

6. SEGMENT INFORMATION (CONTINUED)

Business segments

The revenue and profit or loss as well as assets and liabilities of each business segment of the Group for the period ended and as of 30 June 2018 are presented below:

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

6. SEGMENT INFORMATION (CONTINUED)

Business segment (Continued)

The revenue and profit or loss as well as assets and liabilities of each business segment of the Group for the period ended and as of 30 June 2017 are presented below (Restated):

For period ended 30 June 2017 (Unaudited)	New energy and environmental protection equipment	High efficiency and clean energy equipment	Industrial equipment	Modern services	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue							
Sales to external customers	4,918,831	11,510,687	16,068,722	7,726,340	999,766	-	41,224,346
Intersegment sales	426,950	2,199,508	353,392	555,796	3,027	(3,538,673)	-
Total	5,345,781	13,710,195	16,422,114	8,282,136	1,002,793	(3,538,673)	41,224,346
Operating profit/(loss)	209,970	367,513	1,243,929	739,996	(114,170)	102,312	2,549,550
Financial expenses							(209,065)
Share of profits and losses of:							
Joint ventures							1,252
Associates							600,535
Profit before tax							2,942,272
Income tax expense							(350,932)
Profit for the period							2,591,340
As of 30 June 2017 (Unaudited)							
Assets and Liabilities							
Total assets	26,305,859	60,622,834	47,348,737	80,700,436	25,782,042	(49,163,682)	191,596,226
Total liabilities	17,194,092	43,844,471	30,924,542	68,210,564	13,262,348	(45,558,766)	127,877,251

Geographical segment

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

	Unaudited					
	For the six months ended 30 June 2018			For the six months ended 30 June 2017 (Restated)		
	Mainland China RMB'000	Other countries/ jurisdictions RMB'000	Total RMB'000	Mainland China RMB'000	Other countries/ jurisdictions RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	45,543,209	5,730,788	51,273,997	35,938,153	5,286,193	41,224,346

7. REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

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

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

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

7. REVENUE, OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

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

8. PROFIT BEFORE TAX

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

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

9. INCOME TAX

The Company and all of its subsidiaries that operate in Mainland China were subject to the statutory corporate income tax rate of 25% for the six months ended 30 June 2018 under the income tax rules and regulations of the PRC, except that:

Eleven subsidiaries of the Company were subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises", approved by certain government bureaus. These subsidiaries include Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., Shanghai Boiler Works Co., Ltd., Shanghai Electric Wind Power Equipment Co., Ltd., Shanghai Machine Tool Works Ltd., Shanghai Centrifuge Institute Co., Ltd., Shanghai Electric Automation R&D Institute Co., Ltd., Shanghai Capital Numerical Control Co., Ltd., Shanghai Institute of Mechanical & Electric Engineering Co., Ltd., Shanghai Electric Power Generation Equipment Co., Ltd., Shanghai Blower Works Co., Ltd., and Thales SEC Transportation System Ltd.,. The above mentioned subsidiaries, upon receipt of the "High-New Technology Enterprise Certificate", are subject to corporate income tax rate of 15% for 3 years from the year of the receipt of the said certificate.

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

	Unaudited	
	For the six months ended 30 June	
	2018 **RMB'000**	**2017** **RMB'000**
		(Restated)
The Group:		
Current - Mainland China		
Charge for the period	**503,289**	681,500
Overprovision in prior years	**(79,064)**	(22,413)
Current - Elsewhere		
Charge for the period	**28,585**	30,859
Deferred	**(141,463)**	(339,014)
Total tax charge for the period	**311,347**	350,932

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

Basic

The calculation of the basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the parent company amounting to RMB1,764,016,000 (for the six months ended 30 June 2017: RMB1,567,403,000), and the weighted average number of ordinary shares of 14,725,181,000 (for the six months ended 30 June 2017: 13,937,478,000) in issue during the period.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has potential ordinary shares arisen from the Electric Convertible Bonds (Note16). The Electric Convertible Bond is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate interest expense less the tax effect. The result is anti-dilutive and therefore there is no dilutive ordinary share for the calculation of diluted earnings per share for the six month ended 30 June 2018.

11. DIVIDENDS

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018						
Cost	10,218,472	16,145,888	513,270	1,442,103	2,557,178	30,876,911
Accumulated depreciation and impairment	(3,563,700)	(9,466,537)	(381,630)	(995,090)	(1,042)	(14,407,999)
Net carrying amount	**6,654,772**	**6,679,351**	**131,640**	**447,013**	**2,556,136**	**16,468,912**
Opening net carrying amount	6,654,772	6,679,351	131,640	447,013	2,556,136	16,468,912
Translation reserve	(3,734)	(6,052)	(127)	(277)	(1,284)	(11,474)
Additions	6,764	102,505	9,024	40,689	972,387	1,131,369
Transfers	17,020	142,014	4,165	21,413	(184,612)	-
Transferred to intangible assets	-	-	-	-	(1,715)	(1,715)
Disposals	(1,811)	(13,284)	(1,558)	(5,745)	(8,956)	(31,354)
Deduction due to disposal of subsidiaries	-	(54,879)	(55)	(1)	-	(54,935)
Depreciation for the year	(188,119)	(502,669)	(17,168)	(86,308)	-	(794,264)
Closing net carrying amount	**6,484,892**	**6,346,986**	**125,921**	**416,784**	**3,331,956**	**16,706,539**
At 30 June 2018						
Cost	10,230,219	16,215,795	518,616	1,470,096	3,332,957	31,767,683
Accumulated depreciation and impairment	(3,745,327)	(9,868,809)	(392,695)	(1,053,312)	(1,001)	(15,061,144)
Net carrying amount	**6,484,892**	**6,346,986**	**125,921**	**416,784**	**3,331,956**	**16,706,539**

13. TRADE RECEIVABLES

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

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

For the sale of large-scale products, deposits and progress payments are required from customers. Retention money is calculated mainly at 5% to 10% of the total sales value, with retention periods of one to two years.

For the sale of other products, the Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance or cash on delivery is normally required. The credit period is generally three months and may extend to six months for key customers.

14. TRADE PAYABLES

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

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

15. INTEREST BEARING BANK BORROWINGS AND OTHER BORROWINGS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Non-current	**6,658,747**	4,144,184
Current	**9,279,516**	3,224,101
Total borrowings	**15,938,263**	7,368,285

Movement of borrowings is analysed below:

For the six months ended 30 June 2018	RMB'000
Balance at 1 January 2018	**7,368,285**
New borrowings	**10,480,347**
Repayment of borrowings	**(1,896,404)**
Exchange (gains)/loss	**(13,965)**
Balance at 30 June 2018	**15,938,263**

The interest expense for the six months ended 30 June 2018: RMB200,924,000 (for the six months ended 30 June 2017: RMB79,267,000).

16. 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 , and has repaid the principle with an offering size of RMB1,600 million bond and its interest on 27 February 2018

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 EUR600,000,000 at the rate of 1.125%.

17. ISSUED CAPITAL

	30 June 2018 (Unaudited) RMB'000	**31 December 2017 (Audited) RMB'000**
Registered, issued and fully paid:		
A shares of RMB1.00 each	**11,752,269**	11,752,269
H shares of RMB1.00 each	**2,972,912**	2,972,912
	14,725,181	14,725,181

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

18. CONTINGENT LIABILITIES

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Guarantees given to banks in order to obtain credit limit for companies below:		
Associates	**190,290**	190,290
Including guarantees given to banks for the credit limit that has been used by the companies below:		
Associates	**187,294**	186,691
Non-financial guarantee letters issued by Finance Company on behalf of:		
Associates	**5,679**	2,631

(b) As at 30 June 2018, non-financial guarantees issued by financial institutions for the Group amounted to RMB 20,996,686,000 (31 December 2017: RMB21,991,183,000).

(c) As at 30 June 2018, contingent liabilities amounted to RMB97,260,000 relating to pending lawsuits and arbitration (31 December 2017: RMB62,357,000).

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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 year	**96,738**	99,823
In the second to fifth years, inclusive	**209,455**	234,017
After five years	**8,662**	19,988
	314,855	353,828

(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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 year	**173,999**	270,676
In the second to fifth years, inclusive	**335,149**	374,805
After five years	**406,916**	335,227
	916,064	980,708

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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for:		
In respect of the acquisition of		
Land and buildings	**138,450**	148,170
Plant and machinery	**954,569**	946,494
	1,093,019	1,094,664
Authorised, but not contracted for:		
In respect of the acquisition of		
Plant and machinery	**167,711**	-
Investment in the following companies		
Associate	**-**	-
	1,260,730	1,094,664

21. RELATED PARTY TRANSACTIONS

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

	Notes	Unaudited For the six months ended 30 June 2018 RMB'000	Unaudited For the six months ended 30 June 2017 RMB'000 (Restated)
Purchase of materials from:	(i)		
Associates		**1,782,447**	1,436,954
Joint ventures		**-**	15,802
SEC group companies		**30,493**	42,432
Other related companies		**1,592,800**	772,562
		3,405,740	2,267,750
Sales of goods to:	(i)		
Ultimate holding company		**-**	447
Associates		**76,151**	48,556
Joint ventures		**10,109**	-
SEC group companies		**179,247**	182,979
Other related companies		**2,277,511**	1,623,547
		2,543,018	1,855,529
Construction contracts from:	(i)		
Other related companies		**1,762,517**	1,787,774
Purchases of services from:	(i)		
Associates		**-**	1,263
SEC group companies		**8,706**	13,994
Other related companies		**155,992**	3,688
		164,698	18,945
Provision of services to:	(i)		
Ultimate holding company		**2,830**	3,139
Associates		**1,473**	1,352
SEC group companies		**75,027**	35,644
		79,330	40,135

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 2018 have been included above.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Notes	Unaudited For the six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Rental income from:	(ii)		
Associates		**5,243**	7,771
SEC group companies		**3,095**	6,933
Other related companies		**6,892**	6,177
		15,230	20,881
Rental fee to:	(ii)		
Ultimate holding company		**6,105**	11,695
SEC group companies		**3,102**	2,911
		9,207	14,606

Notes:

(i) The sales and purchases, services and construction contracts were conducted in accordance with mutually agreed terms.

(ii) The rental income and rental fee were based on mutually agreed terms with reference to the market rates.

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

	Unaudited For the six months ended 30 June 2018 RMB'000	2017 RMB'000 (Restated)
Interest expenses for customer deposits:		
Ultimate holding company	**3,262**	1,787
Associates	**142**	133
SEC group companies	**8,336**	6,958
Other related companies	**207**	728
	11,947	9,606
Interest income for loans and bills discounting:		
Ultimate holding company	**65,385**	38,611
Associates	**2,926**	4,352
SEC group companies	**65,710**	77,257
Other related companies	**704**	1,321
	134,725	121,541

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.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

As at 30 June 2018, the Group provided guarantee which amount to no more than RMB37,290,000 for the borrowings that associate, Nabtesco Precision obtained. As at 30 June 2018, the Group actual guarantee amounted to JPY297,000,000 and RMB16,500,000; and the Group provided RMB153,000,000 of guarantee to Chongqing Shenhua Thin Film Solar Power Technology Co., Ltd., an associate of the Group; and Finance Company has issued non-financial guarantee letters on behalf of related parties totalling RMB5,679,000 (31 December 2017: RMB2,631,000).

(d) Compensation of key management personnel of the Group

	Unaudited	
	For the six months ended 30 June	
	2018 **RMB'000**	**2018** **RMB'000**
Fees	**375**	375
Salaries and other allowances	**1,410**	1,889
Employee benefits	**49**	72
Welfare after retirement	**56**	63
	1,890	2,399

22. SUBSEQUENT EVENTS

On 21 May 2018, the board of directors of the Company approved the Resolution on the Company's Subscription of New Shares Issued by Suzhou Thvow Technology Co., On 6 June 2018, the Company contributed RMB590,999,995.04 and subscribed 81,181,318 shares of Thvow Technology, representing 9.195% of the total share capital, with a lock-up period from 12 June 2018 to 11 June 2019.

On 3 August 2018, the Company entered into the Share Purchase Agreement with Mr. Chen Yuzhong and Ms. Qian Fengzhu and the Voting Rights Entrustment Agreement with Mr. Chen Yuzhong Pursuant to the Purchase Agreement, the Company agreed to acquire 43,763,300 shares of Suzhou Thvow Technology Co., Ltd. ("Thvow Technology" or "the Target Company") held by Mr. Chen Yuzhong and 7,514,196 shares of Thvow Technology held by Ms. Qian Fengzhu, the spouse of Mr. Chen Yuzhong, 51,277,496 shares in total and representing 5.81% of the total share capital of Thvow Technology for the consideration of RMB350,225,297.68. At the same time, the Company will be entitled to exercise voting rights associated with 131,290,074 shares of Thvow Technology held by Mr. Chen Yuzhong, representing 14.87% of the total share capital of Thvow Technology (the aforementioned transactions are hereinafter as the "Transactions"). Upon completion of the Transactions, the Company will hold shares with voting rights attached in 263,748,931 shares of Thvow Technology, representing approximately 29.87% of the total share capital of Thvow Technology, and will become the largest shareholder of Thvow Technology.

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 30 August 2018.