上海电气
SHANGHAI ELECTRIC

2019
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, Huang Ou
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 Laws:	Grandall Law Firm (Shanghai)
Legal Advisers as to Hong Kong and U.S. Laws:	Clifford Chance
Legal Advisers as to Japanese Laws:	Anderson Mori & Tomotsune

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PERFORMANCE HIGHLIGHTS

- Revenue of the Company for first half of 2019 was **RMB52,956 million**, an increase of **3.28%** over the corresponding period of last year

- Profit attributable to owners of the Company for first half of 2019 reached **RMB1,843 million**, an increase of **4.5%** over the corresponding period of last year

- Basic earnings per share of the Company for first half of 2019 were **RMB12.35 cents**, an increase of **3.09%** over the corresponding period of last year

- New orders for first half of 2019 amounted to **RMB77.54 billion**, a year-on-year increase of **6.5%**

- 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

The first half of 2019 saw a weakening of the global economic growth momentum. China's economy, however, remained generally stable while making further progress. In line with the "three-step" development strategy, Shanghai Electric further broke free from ideological shackles, stuck to the roadmap of pursuing market-oriented, specialized and globalized operations, and focused on the development of strategic industries by deepening reforms and speeding up innovation, thereby maintaining steady growth momentum.

Results Review

From 1 January 2019 to 30 June 2019 (the "Reporting Period"), the Group achieved a revenue of RMB52,956 million, representing a year-on-year increase of 3.28%; the net profit attributable to owners of the Company amounted to RMB1,843 million, representing a year-on-year increase of 4.5%.

During the Reporting Period, by leveraging upon its years of experience in developing solutions for industrial applications of artificial intelligence (AI) in wind power, environmental protection, thermal power, elevators and other fields, the Company made unified planning and pooled its advantageous resources to initially develop an industrial Internet platform at the group level called "SEunicloud" based on the advantages and characteristics of its equipment manufacturing business. SEunicloud, built on optimizing products and services, aims to serve as a platform featuring multi-industry compatibility and cross-industry application and will evolve into a hub for housing industrial data assets and analytical capability configuration. The platform is capable of providing services to various lines of business within the Group such as thermal power, gas turbines, wind power, machine tools, rail transit, environmental protection, electric motors, and distributed energy and helping enterprises to materialize innovative application of industrial Internet at fast pace and low cost and enterprises within the Group will become more digital and intelligent. During the Reporting Period, we won bids for the Yancheng smart energy big data platform project in Jiangsu, which provides multi-dimensional data access and support for planning, construction and operation of energy projects in Yancheng city and effectuates intelligent management of the entire energy chain. This is the first urban smart energy big data platform project we have ever been awarded, marking the successful transformation of Shanghai Electric towards digitization.

During the Reporting Period, the Company obtained new orders in the amount of RMB77.54 billion, representing an increase of 6.5% over the corresponding period of the preceding year. In particular, new orders from new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 21.6%, 21.8%, 36.8% and 19.8% of the total new orders, respectively. As at the end of the Reporting Period, our orders on hand amounted to RMB255.66 billion (with orders in the aggregate amount of RMB73.13 billion not yet coming into effect), of which orders from new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services accounted for 19.0%, 36.2%, 6.7% and 38.1%, respectively.

New Energy and Environmental Protection Equipment

Shanghai Electric is the only nuclear power equipment manufacturing conglomerate with a complete industry chain covering main and auxiliary equipment for nuclear and conventional islands and heavy forgings for nuclear power equipment in China, maintaining a leading market share in respect of nuclear island main equipment in China. During the Reporting Period, Shanghai Electric systematically proceeded with the production of nuclear island equipment for on-hand orders through implementing the technology development strategy of "mastering current generation technologies, developing next-generation technologies and exploring next-next-generation technologies (掌握一代，研製一代，跟踪開發一代)". During the Reporting Period, we won the bid for the new component loader project at the Xiapu nuclear power plant in Fujian of CNNC Longyuan Technology Co., Ltd.(中核龍原科技有限公司) and the renovation project for the PMC fueling machine of unit 1 at the Ningde nuclear power plant in Fujian of China Nuclear Power Technology Research Institute (中廣核研究設計院). Shanghai Electric Nuclear Power Equipment Co., Ltd. formally joined the global nuclear power equipment supply chain of US-based Westinghouse Electric Company after passing the supplier qualification examination, which will play a positive role in propelling Shanghai Electric to grow into an international nuclear power equipment manufacturer. During the Reporting Period, we signed the first batch of Sino-Italian cooperation projects on radioactive waste management and decommissioning of nuclear facilities with Italy-based Ansaldo Nucleare S.p.A. and CNNC Environmental Protection Co., Ltd., which is an innovative move taken by Shanghai Electric to extend its nuclear power business chain from the front-end market to the back-end market of the nuclear fuel cycle. We are making active efforts to develop intelligent nuclear power equipment and innovate our business model, and are cultivating our innovative capabilities in design, equipment and service integration through setting up a technological R&D platform, so as to transform from an equipment vendor to a provider of "equipment integration + technical services". In addition, we strive to upgrade our production mode for nuclear power products from "traditional discrete manufacturing" to "digital high-end equipment manufacturing" through building a collaborative management platform for digital manufacturing. During the Reporting Period, we received new orders for nuclear island equipment of RMB1.01 billion, representing a year-on-year increase of 12.0%. As at the end of the Reporting Period, our orders on hand for nuclear island equipment amounted to RMB11.56 billion, representing a decrease of 4.1% when compared to the position at the beginning of the year.

For wind power equipment business, we endeavored to transform from a wind turbine equipment manufacturer to a wind power service provider for the whole life cycle (covering "wind resources –wind turbines – wind farms – power grids – environment"). With respect to onshore wind power sector, during the Reporting Period, we were awarded the contract for supplying wind turbines with an aggregate capacity of 1.4 GW for the Phase I of the 6 GW demonstration project at the Ulanqab wind power base in Inner Mongolia, China's first wind power grid-parity demonstration base, which is the largest purchase order ever in the history of global onshore wind power equipment sector. In addition, we have obtained the order for 39 units of 4MW onshore wind turbines and towers for the Croatian project of Norinco International, marking the official entry of Shanghai Electric into the European wind power market. With respect to offshore wind power sector, we won the bid for supplying 29 units of 7.0MW offshore wind turbines for the 200MW wind power project of State Power Investment Corporation in Shenquan, Jieyang, Guangdong. During the Reporting Period, in line with our development strategy of becoming a "wind farm lifetime service provider", we entered into China's first long-term procurement framework agreement concerning spare parts of offshore wind power equipment with Jiangsu Longyuan Offshore Wind Power Co., Ltd.(江蘇海上龍源風力發電有限公司), providing a paradigm of innovative business models for the aftermarket of offshore wind farm operation and maintenance. During the Reporting Period, Shanghai Electric further upgraded its internally developed "Feng Yun" system, a remote management platform based on cloud computing and big data, using digital technology to enhance its core competitiveness in the whole industry chain covering the design and manufacturing of wind power equipment, construction and operation and maintenance of wind farms. During the Reporting Period, we received new orders for wind power equipment of RMB5.72 billion, representing a year-on-year increase of 40.0%. As at the end of the Reporting Period, our orders on hand for wind power equipment amounted to RMB23.87 billion, representing an increase of 14.6% from the beginning of the year.

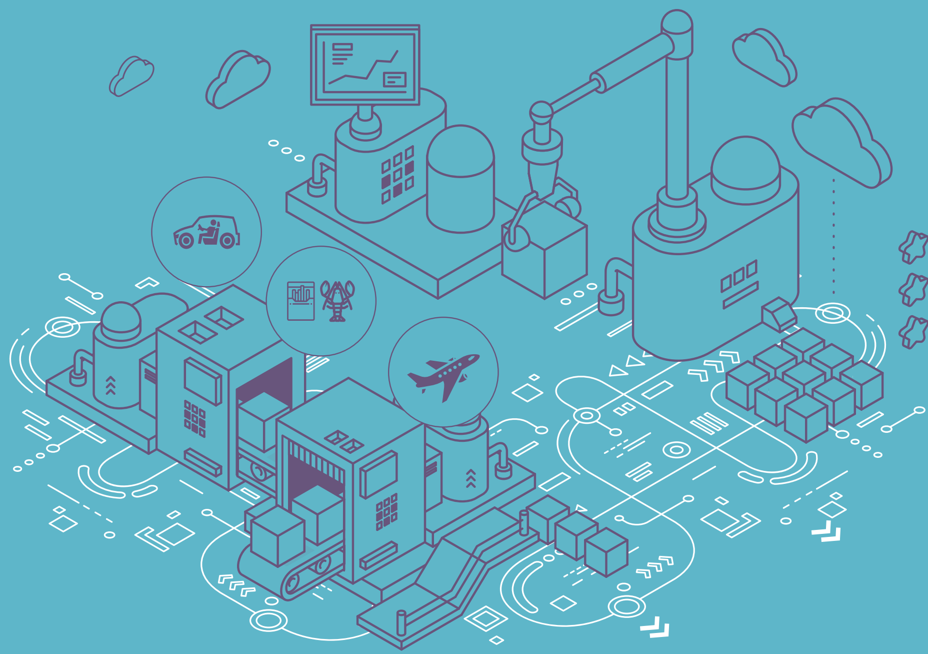
For environmental protection business, we have preliminarily set up a comprehensive industry chain covering domains of "engineering + design, technology + product, operation + service" with a focus on areas such as power station environment protection, solid waste treatment and water treatment. During the Reporting Period, we won the bid for supplying one 35MW turbine-generator set for Huangyan waste-to-energy plant in Taizhou, Zhejiang, which was the first order we obtained for medium-sized power generating equipment in the waste-to-energy field; and we won the bid for the renovation (waste-to-energy) project of the waste disposal site of Dandong, Liaoning, which dispose 1,500 tonnes of domestic waste per day. During the Reporting Period, the Hai'an hazardous waste disposal center in Nantong of Jiangsu province, funded by us, was officially put into operation; we were awarded the turnkey contract for the construction of the Xinghe center for integrated disposal and recycling of environmentally hazardous waste in Guizhou province, which integrates comprehensive recycling and harmless disposal of environmentally hazardous waste. In addition, we are actively developing the technologies for dry anaerobic fermentation and harmless treatment of industrial waste salt, as part of our efforts to expand garbage sorting and disposal and industrial waste salt treatment business. Our water treatment business focuses on rural distributed sewage treatment and regional comprehensive water environment management. During the Reporting Period, we successively signed contracts for the comprehensive water environment management project in Qidong of Jiangsu province and the rural domestic sewage treatment project of Bright Food Group Shanghai Chongming Farm Co., Ltd.(光明食品集團上海崇明農場有限公司). Our prefabricated building business aims to provide customers with prefabricated building solutions that integrate design, manufacturing, construction, operation and research and development services. During the Reporting Period, we received new orders for environmental protection equipment of RMB10.05 billion, representing a year-on-year increase of 282.8%. As at the end of the Reporting Period, our orders on hand for environmental protection equipment amounted to RMB13.14 billion, representing an increase of 158.4% from the beginning of the year.

For energy storage business, in pursuit of the goal of "being a leading player in domestic energy storage sector, shifting from an energy storage battery manufacturer to energy storage product manufacturer and EPC contractor", we pushed ahead with the construction of the Shanghai Electric-Guoxuan base in Nantong of Jiangsu province, the smart energy demonstration project in Shanghai Minhang Industrial Park, and the energy storage demonstration projects in Jinzhai of Anhui and Golmud of Qinghai. During the Reporting Period, with regard to H2 proton-exchange membrane fuel cell (H2 PEMFC) technology, our research and development center, Shanghai Electric Central Research Institute, has successfully developed fuel cell engine system with proprietary intellectual property rights. And fuel cell stack and membrane electrode assembly technologies and products are in research and development process. The first generation of fuel cell engine system - HEnV-30 which has passed the tests conducted by the National Center of Supervision and Inspection on Motor Vehicle Products Quality (Shanghai) (國家機動車產品質量監督檢驗中心（上海）) as required under the Announcement on On-road Vehicle Manufacturers and Products and is scheduled to complete mounting on vehicle and trial operation this year. We have developed a relatively complete technological reserve and industrial competitiveness in respect of the fuel cell system-reactor-membrane electrode industry chain. During the Reporting Period, we have established, in cooperation with ENOVATE Automotive Technology Group Co., Ltd.(天際汽車科技集團有限公司), a strategic development platform for power battery systems used in new energy vehicles, aiming for carrying out independent research and development of technologies related to power battery systems and mass production of power battery systems and key components.

High Efficiency and Clean Energy Equipment

During the Reporting Period, facing a new round of restrictive policies concerned reducing coal-fired power generation as well as the situation of declining demand and overcapacity in the domestic thermal power market, we vigorously pushed forward institutional innovation, adopted joint marketing and other means to drive the transformation and upgrading of thermal power equipment manufacturing business and provided system solutions for users inside and outside the PRC. During the Reporting Period, we successively obtained orders from Huaneng Ruijin plant in Jiangxi for supplying boilers, steam turbines, and generators for 2×1000MW ultra-supercritical second reheat units and from Huadian Hunan for supplying steam turbines and generators for 2×1000MW ultra-supercritical primary reheat units of the Pingjiang power plant, and maintained our leading position in the domestic market for efficient coal-fired generating units. Meanwhile, we continued to advance the implementation of our global development strategy, boosted product technology and service standards and enhanced our capability to manage overseas projects, thereby alleviating the impact of the declining demand in domestic coal-fired power market. During the Reporting Period, we received new orders for coal-fired power equipment of RMB3.99 billion, representing a year-on-year increase of 1,827.5%. As at the end of the Reporting Period, our orders on hand for coal-fired power equipment amounted to RMB55.14 billion, representing a decrease of 6.1% from the beginning of the year.

We are committed to becoming a provider of integrated services covering the whole life cycle of gas turbines. During the Reporting Period, we signed a supply contract with Ansaldo and Benxi Steel Group for one AE94.2K gas turbine and syngas compressor train, which marked the first order accepted by a domestic gas turbine manufacturer for supplying gas turbine working with ultra-low heating value gas. During the Reporting Period, the two 9F gas turbine units for the Gaoyao Jintao trigeneration project of Guangdong Datang International Zhaoqing Heat & Power Co., Ltd. and the No.2 gas combined-cycle unit of Shanghai Shenergy Fengxian Thermal Power Co., Ltd. (上海申能奉賢熱電有限公司), all supplied by us, were all put into operation. During the Reporting Period, we established Shanghai Electric Power Plant Industrial Gas Turbine Technology Center, which, with the goal of developing proprietary technologies and industrial gas turbines, will act in line with the national heavy-duty gas turbine program and carry out research on basic, cutting-edge and key generic technologies to support the development of our gas turbine business and the improvement of its product lines. Besides, we actively expanded into the gas turbine maintenance market, and secured orders in relation to the long-term support services for 12 gas turbines by the end of June 2019. Our first overseas project for providing long-term support services for gas turbines, namely the long-term service agreement in relation to the gas turbines of a thermal power plant in Kushtia, Bangladesh, has come into effect. During the Reporting Period,



we received new orders for gas turbines of RMB4.05 billion, representing a year-on-year increase of 258.4%. At the end of the Reporting Period, our orders on hand for gas turbines amounted to RMB10.87 billion, representing an increase of 50.9% from the beginning of the year.

For power transmission and distribution equipment business, we focused on developing electricity, industry and engineering markets, and actively extended towards both upper and lower ends of the industry chain. During the Reporting Period, we passed the qualification review as power cable supplier of Shentong Metro, received orders for supplying power cables for Wuhan Metro and Shijiazhuang Metro, and poised to tap into the market of metro operation and maintenance services.

Industrial Equipment

During the Reporting Period, despite the policy on continuous promotion of rental housing construction and new urbanization as well as the increase in market demands resulted from the retrofit of obsolete elevators and the increasing practice of installation of elevators for old houses, the elevator industry experienced all-round competition in terms of price, quality, delivery time and services due to the high prices of raw materials and overcapacity. Faced with the situation of the market and the trend of the escalating agglomeration of strategic customers, Shanghai Mitsubishi Elevator Co., Ltd ("SMEC") made greater effort in maintaining and developing relationships with major strategic customers during the Reporting Period. In particular, SMEC continued to work closely with core strategic partners such as Evergrande, China Overseas, Greenland, Country Garden, Longfor and Forte, and increased its effort in tracking core and major projects in the second-tier and third-tier cities. During the Reporting Period, SMEC was proactively engaged in the retrofit of obsolete elevators, installation of elevators for old houses and other livelihood projects. To satisfy "users' needs and experience", SMEC applied the most cutting-edge technologies and energy conservation and environmental protection concepts in the renovation and retrofit of elevator; proactively explored and launched "one-stop elevator installation service", i.e., "provision of one-stop services throughout the whole lifecycle for residents with the need of elevator installation including 'professional agency services for proceeding with procedures in the early stage, installation, design and construction in the middle stage, and after-services of elevator maintenance in the final stage'". In 2018, SMEC completed the installation of 3,000 elevators for the old houses. In 2019, the business is expected to grow by more than 30% year-on-year. At the same time, SMEC continued to explore the development of service industrialization and built a new service center, logistics center and training center; it established the concept of "service marketing", took the retrofit of obsolete elevators as the key to create a new growth area for its services, and promoted the application of the Internet of Things in its engineering services to increase the informatization of installation project management and sampling inspection on maintenance quality. The operational efficiency and management and control capabilities were improved through the analysis and application of customer information and big data. In the first half of 2019, revenue generated from SMEC's service business including installation, repairs and maintenance exceeded RMB3.2 billion, representing over 32% of the operating revenue of the elevator business.

In the fields of intelligent manufacturing and smart cities, we promoted technological R&D and the application of R&D results, with a focus on areas such as intelligent manufacturing, intelligent transportation and municipal automation, and built our core competitive edges in the automation industry of Shanghai Electric according to the guiding principle of "building on products, pursuing technology integration, and delivering system solutions". To advance the development goal of intelligent manufacturing of "transformation from traditional manufacturing to intelligent manufacturing to improve the competitiveness of products of the existing businesses", we selected ten intelligent manufacturing demonstration projects within the Group, including intelligent plant, intelligent operation and maintenance and smart energy. During the Reporting Period, the Electric Power Equipment (Thermal Power, Nuclear Power) Large-scale Turbine Generator Intelligent Plant of Shanghai Power Generator Plant(上海電氣電站設備有限公司上海發電機廠) passed the acceptance and review by experts organised by Shanghai Municipal Commission of Economy and Informatization as one of the first batch of demonstration projects of intelligent manufacturing standardization and new model application of the Ministry of Industry and Information Technology, and is the first "intelligent plant" of Shanghai Electric that has passed the acceptance. During the Reporting Period, Shanghai Electric Automation Engineering Co., Ltd., a subsidiary of the Group, was selected as one of the second batch of 12 intelligent manufacturing system solution providers in Shanghai. In the field of smart cities, we won the bid for the project of "Intelligent Station of Huinan Station of Shanghai Rail Transit Line 16"; and Thales SEC Transportation System Limited Company won the bid for the signal project of Hefei Rail Transit Line 4 in Anhui, and will provide the interconnection CBTC signal system for the line.

Modern Services

During the Reporting Period, we continued to develop our power plant engineering business at a steady pace and actively explored overseas markets. We were awarded the EPC general contract for the open pit coal mine project in Thar Coal Block-1, Pakistan, the key project for promoting energy cooperation along the "China-Pakistan Economic Corridor", marking Shanghai Electric's formal entry into the field of open pit mine construction. At present, Shanghai Electric has established or promoted the construction of more than 25 overseas power plant projects in more than 20 countries and regions in the world including Vietnam, India, Malaysia, Pakistan, Dubai and Serbia. During the Reporting Period, we acquired new orders for power plant engineering projects of RMB13.72 billion, representing a year-on-year decrease of 57.2%. At the end of the Reporting Period, our orders on hand for power plant engineering projects amounted to RMB87.09 billion, representing an increase of 8.6% from the beginning of the year.

During the Reporting Period, our power transmission and distribution equipment division proactively expanded overseas markets through adopting the "technology export + engineering" combined model and enhanced its competitiveness by further tapping into mature markets and exploring emerging markets. During the Reporting Period, the Doraleh substation project, the second EPC project that we undertook in Djibouti, was handed over to the owner for operation after completion of the trial power transmission, and a Take-over Certificate (TOC) was issued by the owner.

During the Reporting Period, Shanghai Electric Finance Group (上海電氣金融集團) accelerated the development at three levels of "managing treasury, promoting product sales and project contracting, and supporting the development of new businesses and introduction of new technologies", and created a relatively sound business portfolio and evolved towards a comprehensive financial service provider with presence in both domestic and overseas markets. During the Reporting Period, Shanghai Electric Finance Group made every effort to improve its comprehensive financial service capabilities, deepened the integration of industry and finance, and provided support for the Group's equipment sales and engineering contracting by way of fueling development through investments. Relying on the "manufacturer leasing model", the leasing company of Shanghai Electric Finance Group exerted the boosting function of financial lease for industries to support the development of new energy businesses including sea water desalination, energy storage, environmental protection, solar photovoltaic power, solar thermal power and distributed energy, helping the Group accelerate transformation to development of new energy and new business. During the Reporting Period, Shanghai Electric Finance Group, as a cornerstone investor, and social institutions initiated the establishment of relevant industry funds for the industrial fields of Shanghai Electric including energy and environmental protection to carry out investment and M&A activities. During the Reporting Period, we obtained the approval from the Hong Kong Insurance Authority to establish the first professional captive insurance company under an industrial equipment manufacturing conglomerate in China. The captive insurance company will become Shanghai Electric's insurance management platform, risk management tool and cost management center, which will help the Group integrate resources in domestic and international reinsurance markets and provide full-cycle risk management and insurance services for the Group's projects under the "Belt & Road" initiative, as well as support the Group's implementation of "going global" strategy.

Outlook

Looking forward to the second half of 2019, in order to improve the development quality and enhance our core competitiveness, we will proactively develop new industries and markets, fully seize the opportunity of digital, network and intelligent integrative development and proactively cultivate new development momentum. We will gradually build the core competitiveness of the new industry in accordance with the strategic plan, and continue to promote the high-quality development of Shanghai Electric amidst challenges and make unremitting efforts to fulfil the "three-step" development strategy.

Zheng Jianhua
Chairman and CEO
Shanghai, the PRC
30 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group achieved a revenue of RMB52,956 million, representing a year-on-year increase of 3.28%; the net profit attributable to owners of the Company amounted to RMB1,843 million, representing a year-on-year increase of 4.5%.

Principal Activities and Operation Review of the Company

Table Showing Revenue by Business Segments

Unit: 100 million; Currency: RMB

Business Segments	Revenue	Cost of Sales	Gross Profit Margin (%)	Year-on-year Change in Revenue (%)	Year-on-year Change in Cost of Sales (%)	Year-on-year Change in Gross Profit Margin
New Energy and Environmental Protection Equipment	87.14	75.77	13.0	22.8	25.0	-1.6 percentage points
High Efficiency and Clean Energy Equipment	153.27	135.43	11.6	-10.7	-9.8	-0.9 percentage point
Industrial Equipment	210.31	172.36	18.0	4.2	4.5	-0.3 percentage point
Modern Services	114.43	86.29	24.6	10.0	0.3	+7.4 percentage points

New Energy and Environmental Protection Equipment

During the Reporting Period, the new energy and environmental protection equipment segment achieved sales revenue of RMB8,714 million, representing an increase of 22.8% as compared to that of the corresponding period of the preceding year, mainly due to the significant year-on-year increase in revenue from the rapidly expanding environmental protection business. Gross profit margin of the segment decreased by 1.6 percentage points from that of the corresponding period of the preceding year to 13.0%, mainly due to the increase in the prices of key parts; the operating profit margin of the segment decreased by 0.5 percentage point from that of the corresponding period of the preceding year to 3.5%.

High Efficiency and Clean Energy Equipment

During the Reporting Period, the high efficiency and clean energy equipment segment achieved a turnover of RMB15,327 million, representing a decrease of 10.7% as compared to that of the corresponding period of the preceding year, mainly due to the deferral of delivery of gas turbine according to customers' requests, resulting in a decrease in corresponding revenue; gross profit margin of the segment decreased by 0.9 percentage point from that of the corresponding period of the preceding year to 11.6% mainly attributable to the decrease in the gross profit margin of coal-fired power generation equipment as a result of a decrease in selling price caused by the fierce market competition, while operating profit margin of the segment decreased by 3.0 percentage points from that of the corresponding period of the preceding year to -0.7%.

Industrial Equipment

During the Reporting Period, the industrial equipment segment recorded a turnover of RMB21,031 million, representing an increase of 4.2% as compared to that of the corresponding period of the preceding year. The increase was mainly due to various levels of increase in revenue from certain businesses within the segment including elevators, electric motors and automation; gross profit margin of the segment decreased by 0.3 percentage point from that of the corresponding period of the preceding year to 18.0%, mainly due to a decrease in the gross profit margin as a result of the fierce competition in the elevator business market; while operating profit margin of the segment decreased by 0.2 percentage point from that of the corresponding period of the preceding year to 7.2%.

Modern Services

During the Reporting Period, the modern services segment recorded a turnover of RMB11,443 million, representing an increase of 10.0% as compared to that of the corresponding period of the preceding year. The increase was mainly due to an increase in turnover of approximately RMB3 billion arising from the consolidation of the revenue from engineering services of Suzhou Thvow Technology Co., Ltd. during the Reporting Period. Gross profit margin of the segment increased by 7.4 percentage points from that of the corresponding period of the preceding year to 24.6%, mainly attributable to the changes in the structure of gross profit margin of power plant engineering. Operating profit margin of the segment increased by 7.9 percentage points from that of the corresponding period of the preceding year to 18.6%.

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	254,693,497	218,521,865	16.55
Equity attributable to owners of the Company	61,313,418	57,290,196	7.02
Net assets per share attributable to owners of the Company (Yuan/share)	4.05	3.89	4.11

	The Reporting Period (January to June)	The corresponding period of the last year	Increase/decrease for the current Reporting Period as compared to the corresponding period of the last year (%)
Revenue	52,956,456	51,273,997	3.28
Operating profit	3,960,602	3,074,463	28.82
Profit before income tax	3,553,114	3,242,539	9.58
Net profit attributable to owners of the Company	1,843,477	1,764,016	4.50
Basic earnings per share (Yuan)	0.1235	0.1198	3.09
Weighted average return on net assets (%)	3.14	3.14	-
Net cash flow generated from operating activities	-9,992,835	-11,497,776	N/A
Net cash flow per share generated from operating activities (Yuan)	-0.66	-0.78	N/A

Review of Revenue by Geographical Areas

Unit: 100 million; Currency: RMB

Geographical Areas	Revenue	Year-on-year Change in Revenue (%)
Mainland China	450.54	-1.07
Elsewhere	79.02	37.90
Total	529.56	3.28

Major Financial Reporting Items and Analysis of Changes

Unit: 100 million; Currency: RMB

	January to June 2019	January to June 2018	Year-on-year Change (%)
Revenue	529.56	512.74	3.28
Cost of Sales	433.69	424.93	2.06
Selling and distribution costs	12.21	12.64	-3.40
Administrative expenses	49.00	44.71	9.60
Finance costs	8.00	3.39	135.99
Net cash flows from operating activities	-99.93	-114.98	N/A
Net cash flows from investing activities	7.78	59.22	-86.86
Net cash flows from financing activities	39.28	51.66	-23.96
Research and development costs	15.91	14.61	8.90

Analyses of Changes

Reason for change in finance costs: the change in finance costs was mainly due to the increase in the level of interest-bearing debts;

Reason for change in net cash flows generated from investing activities: the change was mainly due to an increase in funds investment of the Finance Company of the Company.

Assets and Liabilities

As at 30 June 2019, the Group has total assets of RMB254,693 million (31 December 2018: RMB218,522 million), an increase of RMB36,171 million, or 16.6%, compared with that of the beginning of the year. Total current assets increased by RMB28,470 million from the beginning of the year to RMB180,198 million (31 December 2018: RMB151,728 million), accounting for 70.8% of the total assets. Total non-current assets were RMB74,496 million as at 30 June 2019 (31 December 2018: RMB66,794 million), representing an increase of RMB7,702 million from the beginning of the year and accounting for 29.2% of the total assets.

As at 30 June 2019, total liabilities of the Group were RMB166,590 million (31 December 2018: RMB144,885 million), representing an increase of RMB21,705 million, or 15.0%, compared with that of the beginning of the year. Total current liabilities increased by RMB26,238 million from the beginning of the year to RMB145,861 million (31 December 2018: RMB119,623 million), whereas total non-current liabilities decreased by RMB4,532 million from the beginning of the year to RMB20,730 million (31 December 2018: RMB25,262 million).

As at 30 June 2019, total net current assets of the Group were RMB34,337 million (31 December 2018: RMB32,105 million), representing an increase of RMB2,232 million from the beginning of the year.

Source of Funding and Indebtedness

As at 30 June 2019, the Group had an aggregate amount of bank and other borrowings and bonds of RMB35,843 million (31 December 2018: RMB32,689 million), representing an increase of RMB3,154 million as compared with that as of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB20,810 million, representing an increase of RMB10,459 million as compared with that as of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB15,033 million, representing a decrease of RMB7,305 million as compared with that of the beginning of the year.

As at 30 June 2019, among the Group's bank and other borrowings, the unsecured borrowings denominated in US dollars amounted to USD94,502,000 in total (31 December 2018: USD191,902,000), equivalent to RMB 649,673,000 (31 December 2018: RMB 1,317,062,000); borrowings denominated in Euros amounted to EUR105,702,000 in total (31 December 2018: EUR42,442,000), equivalent to RMB826,272,000 (31 December 2018: RMB 333,063,000); borrowings denominated in Hong Kong dollars amounted to HKD868,000,000 in total (31 December 2018: HKD450,000,000), equivalent to RMB763,545,000 (31 December 2018: RMB 394,290,000). The mortgage bank borrowings denominated in Euros amounted to EUR6,691,000 in total (31 December 2018: EUR100,495,000), equivalent to RMB52,305,000 (31 December 2018: RMB788,612,000). The bank guaranteed borrowings denominated in US dollars amounted to USD89,163,000 (31 December 2018: USD73,515,000), equivalent to RMB612,968,000 (31 December 2018: RMB504,549,000); borrowings denominated in Euros amounted to EUR98,891,000 (31 December 2018: EUR0), equivalent to RMB773,034,000 (31 December 2018: RMB0). All other unsecured bank borrowings are denominated in RMB.

Pledge of Assets

As at 30 June 2019, the Group's bank deposits of RMB1,585 million (31 December 2018: RMB703 million), notes receivables of RMB349 million (31 December 2018: RMB198 million) and trade receivables of RMB751million (31 December 2018: RMB0) were pledged with financial institutions to secure borrowings or credit facilities from financial institutions. In addition, certain buildings, equipment and inventories of the Group, with net carrying value of RMB2,668 million as at 30 June 2019 (31 December 2018: RMB595 million), were pledged as securities for certain borrowings from financial institutions of the Group.

Gearing Ratio

As at 30 June 2019, 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 30.18%, representing a decrease of 3.34 percentage points from that as at the beginning of this year.

Contingent Liabilities

Please refer to note 19 to the unaudited interim condensed consolidated financial information for details.

Capital Commitments

Please refer to note 21 to the unaudited interim condensed consolidated financial information for details.

Capital Expenditure

Total capital expenditure of the Group for the Reporting Period was approximately RMB2,475 million (30 June 2018: RMB1,229 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.

In this regard, 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: 100 million; Currency: RMB

Total amount of proceeds	30.00	Total proceeds invested during the year	-
Total proceeds used for other purposes instead of the scheduled one(s)	25.49	Total cumulative proceeds invested (Note1)	2.10
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	84.97%		

Projects with investment commitment	Project changed or not (including those with partial changes (if any))	Total amount of proceeds with investment commitment	Total investment after adjustment	Amount invested during the year	Cumulative amount invested as at the end of the Reporting Period (Note1)	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	Yes	10.55	-	-	-	-	N/A	N/A
Innovative Industry Park Reformation Project at Beinei Road (Note2)	No	2.26	2.26	-	-	2020	N/A	N/A
Technology Innovative Park Reformation Project at Jinshajiang Branch Road	Yes	3.28	-	-	-	-	N/A	N/A
Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road	Yes	11.66	-	-	-	-	N/A	N/A
Tax, surcharges and other expenses in relation to the restructuring	No	2.25	2.10	-	2.10	2018	N/A	N/A
Acquisition of 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited (Note 3)	Yes	-	3.42	-	-	2018	N/A	N/A
Acquisition of 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited (Note 3)	Yes	-	7.56	-	-	2018	N/A	N/A
Proceeds-funded projects under investigation yet pending for confirmation	Yes	-	14.51	-	-	-	N/A	N/A
Total	-	30.00	29.85	-	2.10	-	-	-

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: 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 2019.

Note 3: As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018 and at the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting held on 6 May 2019, Shanghai Electric has first completed the abovementioned acquisitions through its wholly-owned subsidiary SEI. Upon completion of the last instalment of payment for the acquisitions, it will supplement the self-owned funds early invested with the proceeds.

Changes in proceeds-funded project	As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018 and the 2018 third extraordinary general meeting, 2018 first A share class meeting and 2018 first H share class meeting held on 10 December 2018, Shanghai Electric will no longer use any of the proceeds of RMB2,554 million (including interest income, the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out) to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5,000,000. For the change in respect of the three projects, Shanghai Electric is conducting investigation and survey on the new proceeds-funded projects and will propose a specific plan on the changes of proceeds-funded projects for consideration by the Board and at the general meeting of the Company and publish announcements thereon in a timely manner. The change in the "Innovative Industry Park Reformation Project at Beinei Road" will be subject to the approval of the positioning of the project and the accreditation of the cultural and creative park and therefore it is temporarily unable to determine the plan on the change and the amount of proceeds involved. As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018, Shanghai Electric proposes to use RMB342 million out of the proceeds to acquire the 100% equity interests of Wujiang Taihu Industrial Wastes Treatment Company Limited. (吳江市太湖工業廢棄物處理有限公司) through its wholly-owned subsidiary SEI from Orient Landscape and Taizhou Zongze, and use RMB756 million out of the proceeds to acquire the 100% equity interests of Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司) from Orient Landscape and Taizhou Zongze. Shanghai Electric intends to first proceed with the aforesaid acquisitions with its self-owned funds through its wholly-owned subsidiary SEI. Then, upon consideration and approval of the resolution in relation to the proposed change in use of proceeds at the shareholders' general meeting of the Company, it will supplement the self-owned funds early invested with the proceeds. The above matters have been considered and approved at the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting held on 6 May 2019. As of now, Shanghai Electric has first completed the abovementioned acquisitions through its wholly-owned subsidiary SEI. Upon completion of the last instalment of payment for the acquisitions, it will supplement the self-owned funds early invested with the proceeds.
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 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 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 and returned all the abovementioned proceeds totaling RMB2 billion to the special account for proceeds on 14 January 2019. On 18 January 2019, 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 sixth meeting of the fifth session of the Board of the Company. It was approved that idle proceeds totaling RMB2.5 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 21 January 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 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 RMB5.13 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, further adjusted from RMB10.28 per share to RMB5.19 per share from 12 December 2018, further adjusted from RMB5.19 per share to RMB5.13 per share from 8 August 2019. 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 2019, the Electric Convertible Bonds amounting to RMB1,531,499,000 have been converted into 294,342,852 A Share. As at 30 June 2019, the unconverted Electric Convertible Bonds amounted to RMB4,468,501,000.

Changes in 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	Sale back	
Electric Convertible Bonds	5,992,463,000	1,523,962,000	-	-	4,468,501,000

Aggregated Conversion of Convertible Bonds during the Reporting Period

Amount of shares converted during the Reporting Period (RMB)	1,523,962,000
Number of shares converted during the Reporting Period	293,632,194
Aggregated number of shares converted	294,342,852
Aggregated number of shares converted per the total number of shares issued by the Company before conversion (%)	2.30
Outstanding Convertible Bonds (RMB)	4,468,501,000
Outstanding Convertible Bonds per the total number of Convertible Bonds issued (%)	74.48

Information on the Company's Liability, Credit Changes and the Cash Arrangement for the Future Annual Debt Repayment

As at 30 June 2019, the size of interest-bearing debts of the Company was RMB35,843 million, including bank borrowings of RMB24,309 million, convertible bonds of RMB4,370 million, Eurobonds of RMB4,687 million and mid-term notes of RMB2477 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 2019 was RMB85,785 million, of which RMB28,619 million has been used and RMB57,166 million has not yet been used).

Significant Events

Restrictive A-share Incentive Scheme

On 22 January 2019, the Board considered and approved the Relevant Resolution in relation to the proposed adoption of Restricted A Share Incentive Scheme ("the Scheme"). The purpose of the Scheme is to establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the Directors, Senior and Middle Management and key technical (business) personnel of the Company, and align the interests of the Shareholders and the Company with those of the core team members of the Company so that all parties will make joint efforts for the Company's long-term development. On 6 May 2019, the resolution in respect of the proposed adoption of the Restricted A Shares Incentive Scheme was considered and approved at the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting.

The participants under the Scheme ("the Participants") cover Directors and Senior Management, middle management and key technical (business) personnel. The Participants do not include the Independent Directors and the Supervisors, any Shareholder or actual controller, whether jointly or individually, holding more than 5% of the shares of the Company, or their respective spouses, parents and children. Pursuant to the Administrative Measures on Share Incentives of Listed Companies (上市公司股權激勵管理辦法) and the Trial Measures on Implementation of Share Option Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (國有控股上市公司（境內）實施股權激勵試行辦法（國資發分配〔2006〕175 號）), the Grant Price of Restricted Shares shall be 60% of the fair market value of the shares of the Company. The fair market value of the A shares of the Company shall be RMB 5.044 per share. Accordingly, the Grant Price of the Restricted Shares shall be RMB 3.03 per share. The proceeds raised by the Company from issuance of ordinary A shares to the Participants will be fully used to replenish the working capital of the Company.

On 29 April 2019, the Company received the Approval on the Implementation of Restricted A Share Incentive Scheme of Shanghai Electric (Hu Guo Zi Wei Fen Pei [2019] No.80) (關於同意上海電氣實施限制性股票激勵計劃的批復（滬國資委分配〔2019〕80 號）) from the Shanghai Municipal State-owned Assets Supervision and Administration Commission. On 6 May 2019, upon consideration by the Board, the Company approved the grant of 136,500,000 restricted shares to 2,235 participants at the grant price of RMB3.03.

As at 20 May 2019, the Company received subscription funds in an aggregate amount of RMB404,741,340.00 paid by 2,194 Participants for subscription of 133,578,000 Restricted Shares. All Participants made capital contribution in cash, including RMB133,578,000.00 included in the share capital and RMB271,163,340.00 transferred to the capital reserve. The Company completed the registration of Restricted Shares under the Restricted A Share Incentive Scheme of the Company with China Securities Depository and Clearing Co., Ltd. Shanghai Branch on 21 June 2019.

For details of the Restricted A Share Incentive Scheme, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 22 January 2019.

Introduction of Third-party Investors for Capital Contribution to Certain Subsidiaries

On 20 June 2019, the Board considered and approved the implementation of market-based debt-to-equity conversion by way of accepting the proposed cash capital contribution to Shanghai Electric International Economic and Trade Co., Ltd. (上海電氣國際經濟貿易有限公司), Shanghai Electric Industrial Company Limited (上海電氣實業有限公司), Shanghai Electric Group Shanghai Electric Machinery Co., Ltd. (上海電氣集團上海電機廠有限公司), Shanghai Institute of

Mechanical and Electrical Engineering Co., Ltd. (上海市機電設計研究院有限公司) and Shanghai Electric Nuclear Power Equipment Co., Ltd. (上海電氣核電設備有限公司), all being wholly-owned subsidiaries of the Company (collectively referred to as "Target Companies"), with cash so received to be used for repayment of debts, and the introduction of ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司), BOCOM Financial Asset Investment Company Limited (交銀金融資產投資有限公司) and BOC Financial Asset Investment Co., Ltd. (中銀金融資產投資有限公司) to make cash contribution of RMB10 billion in aggregate to the abovementioned five Target Companies. The proceeds from the Capital Contribution are proposed to be used for repayment of borrowings of the Company or the Target Companies from financial institutions.

For details of the Capital Contribution, please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange on 20 June 2019.

Employees

On 30 June 2019, the Group had approximately 33,720 employees (30 June 2018: approximately 29,692), representing an increase of approximately 4,028 employees as compared with that of the corresponding period of last year, mainly due to increase in number of employees resulted from consolidation of Suzhou Thvow Technology Co., Ltd. during the Reporting Period. 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.

General Election of the Board of Directors and Supervisors

On 21 February 2019, Mr. LI Bin, an employee supervisor of the fifth session of the board of supervisors of the Company, passed away in Shanghai due to an illness. On 20 May 2019, Ms. ZHU Xi, an employee supervisor of the fifth session of the board of supervisors of the Company, resigned as a supervisor of the Company due to age concern.

On 20 May 2019, employee representatives of the Company resolved to appoint Mr. YUAN Shengzhou and Ms. ZHANG Yan as employee representative supervisors of the Company for a term from 20 May 2019 to the expiry of the term of the fifth session of the board of supervisors.

The biographical details of Mr. Yuan and Ms. Zhang are set out as follows:

Mr. YUAN Shengzhou, born in 1965, a member of Communist Party of China ("CPC"), holds a master's degree and is a senior political affairs specialist. He served as the secretary of Youth League Committee, director of the office of the CPC Party

Committee, deputy secretary of the CPC Party Committee, secretary of the commission for discipline inspection, chairman of the labour union, chairman of the Supervisory Committee, secretary of the CPC Party Committee, and executive director (legal representative) of Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd., the deputy secretary of the CPC Party Committee and vice president of Shanghai Electric Environmental Protection Group, and a supervisor of the Supervisory Committee of Shanghai Electric (Group) Corporation. He currently serves as employee representative supervisor of the Company and the vice chairman of Shanghai Mechanical and Electrical Labour Union.

Ms. ZHANG Yan, born in 1975, a member of the CPC, holds an Executive Master degree of Business Administration. She served as the deputy director of the general office of Shanghai Electric Development Co., Ltd., assistant to the head of the investment management department of Shanghai Electric Assets Management Company Limited, deputy head of the financial budget department of Shanghai Electric (Group) Corporation, and deputy director of the Board Secretary's Office and standing deputy head of the risk management department of Shanghai Electric Group Company Limited. She currently serves as employee representative supervisor and the head of the risk management department of the Company, director of Shanghai Mechanical & Electrical Industry Co., Ltd., chairman of the Supervisory Committee of Suzhou Thvow Technology Co., Ltd., and supervisor of Shanghai Electric Group Finance Co., Ltd.

Save as disclosed above, each of Mr. Yuan and Ms. Zhang does not hold any position in the Company or any other subsidiaries of the Company, nor did any of them hold any directorship in any other listed companies in the last three years. Each of Mr. Yuan and Ms. Zhang does not have any relationship with any directors, supervisors, senior management or substantial shareholders of the Company. Both Mr. Yuan and Ms. Zhang have entered into a service contract with the Company in respect of their administrative duties. They receive remuneration from the Company for their administrative duties, and they will not receive any remuneration from the Company for serving as employee representative supervisors.

Share Capital Structure

30 June 2019	Number of shares	Approximate percentage of issued share capital
A shares	12,179,485,653	80.38%
H shares	2,972,912,000	19.62%
Total	15,152,397,653	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 2019 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	74.34	59.75
	H	Interest of controlled corporation	1	303,642,000	Long position	10.21	2.00
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	[8,662,879,405]	Long position	71.13	57.17
	H	Beneficial owner	1	270,708,000	Long position	9.11	1.79
	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	3.21	2.58
Sarasin & Partners LLP	H	Investment Manager		189,238,000	Long position	6.37	1.25

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 2019 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 2019, the interests and short positions of the Directors, Supervisors and 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 in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the Securities and Futures Ordinance (the "SFO")) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules were as follows:

Name	Class of shares	Capacity	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 (%)
HUANG Ou	A	Beneficiary owner	765,000	Long position	0.006	0.005

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Hong Kong Listing Rules. All Directors and Supervisors of the Company confirmed that they had complied with the requirements contained in the Model Code during the period from 1 January 2019 to 30 June 2019. The Company was not aware of any non-compliance with the Model Code by any of its employees.

Corporate Governance

During the Reporting Period, the Board of the Company performed the following functions: to formulate and review the Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual of employees and Directors; and to review the Company's compliance with the code provisions and disclosure in the "Corporate Governance Report".

During the Reporting Period, the Board is of the view that the Company had complied with the requirements of the code provisions set out in Appendix 14 of the Hong Kong Listing Rules (the "Code"), except for the deviation from requirement of A.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1, 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. During the Reporting Period, Mr. Zheng Jianhua served as the Chairman of the Board and the Chief Executive Officer of the Company while Mr. Huang Ou, an executive Director and the President of the Company, was fully responsible for the daily operations and execution of the Company. The Company is of the view that segregation of duties and responsibilities between the Board and the management has been well maintained and there is no over-centralization of management power under such mechanism.

Audit Committee

During the Reporting Period, the Audit Committee has reviewed the accounting policies adopted by the Company 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 directors of the Company are Mr. Zheng Jianhua, Mr. Huang Ou, Mr. Zhu Zhaokai and Mr. Zhu Bin; the non-executive directors of the Company are Ms. Yao Minfang and Ms. Li An; and the independent non-executive directors of the Company are Mr. Kan Shun Ming, Dr. Chu Junhao and Dr. Xi Juntong.

As at the date of this report, the Supervisors of the Company are Mr. Zhou Guoxiong, Mr. Hua Xingsheng, Mr. Han Quanzhi, Ms. Zhang Yan and Mr. Yuan Shengzhou.

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

Shanghai, the PRC
30 August 2019

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Six months ended 30 June	
		2019 RMB'000	2018 RMB'000
Revenue	8	**52,956,456**	51,273,997
Cost of sales		**(43,369,055)**	(42,493,415)
Gross profit		**9,587,401**	8,780,582
Other income	8	**452,944**	535,301
Other gains, net	8	**471,100**	35,421
Other income and other gains, net	8	**924,044**	570,722
Distribution expenses		**(1,221,354)**	(1,264,127)
Administrative expenses		**(4,900,434)**	(4,471,274)
Net impairment losses on financial assets and contract assets		**(429,055)**	(541,440)
Operating Profit		**3,960,602**	3,074,463
Finance income		**191,021**	75,380
Finance costs		**(990,683)**	(414,640)
Finance costs – net		**(799,662)**	(339,260)
Share of net profits of incestments accounted for using the equity method :			
Joint ventures		**(29,728)**	124,285
Associates		**421,902**	383,051
Profit before income tax	9	**3,553,114**	3,242,539
Income tax expense	10	**(660,636)**	(311,347)
Profit for the period		**2,892,478**	2,931,192
Profit is attributable to:			
Owners of the Company		**1,843,477**	1,764,016
Non-controlling interests		**1,049,001**	1,167,176
		2,892,478	2,931,192
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE THE ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in RMB per share)			
Basic earnings per share	11	**12.35 cents**	11.98 cents
Diluted earnings per share	11	**12.33 cents**	11.98 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	
	2019 RMB'000	2018 RMB'000
Profit for the period	**2,892,478**	2,931,192
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	**35,403**	(27,909)
Changes in the fair value of trade receivables at fair value through other comprehensive income, net of tax	**(46,369)**	-
Cash flow hedges, net of tax	**913**	(14,201)
Exchange differences on translation of foreign operations	**(26,192)**	52,041
Overseas net investment hedging	**13,331**	-
	(22,914)	9,931
Items that will not be reclassified subsequently to profit or loss		
Remeasurements gains of defined benefit obligations	**(10,383)**	2,351
Other comprehensive income for the period, net of tax	**(33,297)**	12,282
Total comprehensive income for the period	**2,859,181**	2,943,474
Attributable to:		
Owners of the Company	**1,832,458**	1,782,528
Non-controlling interests	**1,026,723**	1,160,946
	2,859,181	2,943,474

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**20,026,637**	16,179,074
Right-of-use assets		**6,843,008**	—
Investment properties		**1,106,679**	814,069
Prepaid land lease payments		**—**	5,870,721
Goodwill		**3,715,360**	3,398,942
Intangible assets		**3,241,661**	2,933,962
Investments in joint ventures		**4,883,708**	4,957,373
Investments in associates		**8,736,267**	8,606,062
Deferred tax assets		**5,427,537**	4,801,223
Contract assets		**8,057,703**	8,133,980
Financial assets at fair value through other comprehensive income		**322,991**	261,372
Financial assets at amortised cost		**5,815,063**	5,196,141
Financial assets at fair value through profit or loss		**5,835,739**	5,360,846
Other non-current assets		**483,273**	280,153
Total non-current assets		**74,495,626**	66,793,918
Current assets			
Inventories		**30,888,947**	27,929,297
Contract assets		**24,435,288**	12,229,782
Financial assets at fair value through other comprehensive income		**11,358,087**	9,117,488
Financial assets at amortised cost		**13,318,225**	12,879,108
Financial assets at fair value through profit or loss		**5,206,447**	4,419,450
Trade receivables	14	**30,883,002**	18,840,593
Discounted bills receivable		**227,497**	317,917
Bills receivable		**6,208,998**	5,485,044
Prepayments, deposits and other receivables		**22,705,973**	18,032,675
Derivative financial instruments		**1,527**	788
Due from the Central Bank*		**2,006,030**	2,577,728
Restricted deposits		**1,654,517**	702,980
Time deposits with original maturity over three months		**4,730,747**	7,352,953
Cash and cash equivalents		**26,564,242**	31,842,144
		180,189,527	151,727,947
Assets classified as held for sale		**8,344**	-
Total current assets		**180,197,871**	151,727,947
Total assets		**254,693,497**	218,521,865

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds	17	**6,846,371**	12,749,245
Interest-bearing bank and other borrowings	16	**8,187,023**	9,588,836
Lease liabilities		**686,996**	—
Provisions		**348,031**	281,167
Government grants		**1,384,848**	1,004,508
Other non-current liabilities		**2,468,842**	1,009,326
Deferred income tax liabilities		**807,389**	628,895
Total non-current liabilities		**20,729,500**	25,261,977
Current liabilities			
Trade payables	15	**47,995,503**	38,880,814
Contract liabilities		**39,827,664**	36,566,071
Financial liabilities at fair value through profit or loss		**123,468**	104,540
Bills payable		**7,800,248**	6,387,498
Government grants		**-**	414,545
Other payables and accruals		**21,438,197**	17,165,670
Bonds		**4,687,553**	-
Derivative financial instruments		**3,910**	5,168
Customer deposits		**2,243,461**	4,431,761
Interest-bearing bank and other borrowings	16	**16,122,189**	10,351,116
Lease liabilities		**254,013**	—
Tax payable		**1,073,864**	1,183,926
Provisions		**4,290,694**	4,132,159
Total current liabilities		**145,860,764**	119,623,268
Total liabilities		**166,590,264**	144,885,245

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Equity			
Equity attributable to owners of the Company			
Share capital	18	**15,152,398**	14,725,188
Reserves		**23,422,566**	20,726,678
Retained earnings		**22,738,454**	21,838,330
		61,313,418	57,290,196
Non-controlling interests		**26,789,815**	16,346,424
Total equity		**88,103,233**	73,636,620
Total equity and liabilities		**254,693,497**	218,521,865

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

Chairman and CEO: Mr.Zheng Jianhua

Executive Director and President: Mr. Huang Ou

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited											
		Attributable to owners of the Company											
	Note	Share capital RMB'000	Capital reserve RMB'000	Treasury Shares RMB'000	Surplus reserves RMB'000	Defined benefit plans reserve RMB'000	Hedging reserve RMB'000	FVOCI reserve RMB'000	Exchange differences reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2018		14,725,188	17,575,988	-	3,345,427	4,157	37,948	(59,607)	(177,235)	21,838,330	57,290,196	16,346,424	73,636,620
Change in accounting policies		–	–	-	–	–	-	-	-	(12,083)	(12,083)	(6,092)	(18,175)
Balance at 1 January 2019		14,725,188	17,575,988	-	3,345,427	4,157	37,948	(59,607)	(177,235)	21,826,247	57,278,113	16,340,332	73,618,445
Profit for the year		-	-	-	-	-	-	-	-	1,843,477	1,843,477	1,049,001	2,892,478
Other comprehensive income:													
Remeasurement of defined benefit plans		-	-	-	-	(5,717)	-	-	-	-	(5,717)	(4,666)	(10,383)
FVOCI reserve		-	-	-	-	-	-	13,403	-	-	13,403	(24,369)	(10,966)
Cash flow hedges, net of tax		-	-	-	-	-	913	-	-	-	913	-	913
Currency translation differences		-	-	-	-	-	-	-	(32,949)	-	(32,949)	6,757	(26,192)
Overseas net investment hedging, net of tax		-	-	-	-	-	13,331	-	-	-	13,331	-	13,331
Total comprehensive income		-	-	-	-	(5,717)	14,244	13,403	(32,949)	1,843,477	1,832,458	1,026,723	2,859,181
Convertible bond - equity component		293,632	1,008,244	-	-	-	-	-	-	-	1,301,876	-	1,301,876
Employee share schemes													
– value of employee services		-	16,665	-	-	-	-	-	-	-	16,665	-	16,665
– issue of treasury shares to employees		133,578	271,163	(404,741)	-	-	-	-	-	-	-	-	-
Addition of subsidiaries		-	-	-	-	-	-	-	-	-	-	2,630,877	2,630,877
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	(12,804)	(12,804)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,290,515)	(1,290,515)
Dividend paid to shareholders		-	-	-	-	-	-	-	-	(931,270)	(931,270)	-	(931,270)
Absorption of non-controlling interests' investment		-	1,813,863	-	-	-	-	-	-	-	1,813,863	8,186,137	10,000,000
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	-	(96,529)	(96,529)
Others		-	1,713	-	-	-	-	-	-	-	1,713	5,594	7,307
At 30 June 2019		15,152,398	20,687,636	(404,741)	3,345,427	(1,560)	52,192	(46,204)	(210,184)	22,738,454	61,313,418	26,789,815	88,103,233

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		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 earrings 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		-	-	(32,253)	-	-	(4,427)	-	498,150	461,470	(10,592)	450,878
Restated total equity at 1 January 2018		14,725,181	17,553,804	3,161,001	3,816	27,517	9,399	(154,723)	20,672,558	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 (Restated)		-	-	-	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 (Restated)		14,725,181	17,553,686	3,161,001	4,419	17,111	(19,861)	(97,148)	21,082,594	56,426,983	15,022,451	71,449,434

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 2019

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Cash generated from operations	**(9,081,783)**	(10,417,408)
Income tax paid	**(911,052)**	(1,080,368)
Net cash used in operating activities	**(9,992,835)**	(11,497,776)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(1,433,404)**	(986,261)
Proceeds from disposal of items of property, plant and equipment	**59,467**	40,432
Purchases of other intangible assets	**(173,436)**	(24,006)
Other investing activities, net	**(1,563,218)**	6,034,803
Disposal of a subsidiary, net	**6,156**	58,847
Decrease in non-restricted time deposits with original maturity of over three months when acquired	**2,622,206**	1,295,906
Decrease/(Increase) in reverse repurchase agreements	**784,173**	(2,451,999)
Decrease in an amount due from the Central Bank	**571,698**	617,728
(Increase)/Decrease in finance lease receivables	**(95,301)**	1,336,885
Net cash generated from investing activities	**778,341**	5,922,335
Cash flows from financing activities		
Dividend paid to owners of the Company and non-controlling interests	**(591,670)**	(528,029)
Repayments of bank and other loans	**(16,735,387)**	(3,512,516)
Issue of bank and other loans	**11,037,670**	10,480,347
Other financing activities – net	**10,217,309**	(1,273,835)
Net cash generated from/(used in) financing activities	**3,927,922**	5,165,967
Net decrease in cash and cash equivalents	**(5,286,572)**	(409,474)
Cash and cash equivalents at beginning of period	**31,842,144**	22,469,071
Effect of foreign exchange rate changes on cash, net	**8,670**	28,800
Cash and cash equivalents at the end of period	**26,564,242**	22,088,397

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 2019

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(CONT'D)

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018 (the "Annual Financial Statements"), which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 ACCOUNTING POLICY

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 16 Leases
- HK(IFRIC) 23 Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9 - Prepayment Features with Negative Compensation
- Amendments to HKAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to HKAS 19 - Plan Amendment, Curtailment or Settlement, and
- Annual improvements 2015-2017 Cycle.

The impact of the adoption of HKFRS 16 'Leases' 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.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

The group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3.1 ADJUSTMENTS RECOGNISED ON ADOPTION OF HKFRS 16

On adoption of HKFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The range of lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were 2.59%-4.90%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

3. CHANGES IN ACCOUNTING POLICIES(CONT'D)

3.1 ADJUSTMENTS RECOGNISED ON ADOPTION OF HKFRS 16 (CONT'D)

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	639,527
Discounted using the lessee's incremental borrowing rate of at the date of initial application	571,050
(Less): short-term leases recognised on a straight-line basis as expense	(75,139)
(Less): low-value leases recognised on a straight-line basis as expense	(34)
Lease liability recognised as at 1 January 2019	495,877
Of which are:	
Current lease liabilities	171,734
Non-current lease liabilities	324,143
	495,877

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3. CHANGES IN ACCOUNTING POLICIES(CONT'D))

3.1 ADJUSTMENTS RECOGNISED ON ADOPTION OF HKFRS 16 (CONT'D))

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Properties	**609,939**	326,175
Machinery	**258,825**	124,025
Motor vehicles	**14,707**	11,371
Office equipment and others	**16,625**	10,072
Land	**5,942,912**	5,870,721
Total right-of-use assets	**6,843,008**	6,342,364

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB 471,643,000
- deferred tax assets – increase by RMB 6,059,000
- lease liabilities – increase by RMB 495,877,000

The net impact on retained earnings on 1 January 2019 was a decrease of RMB 12,083,000.

Earnings per share was insignificantly impacted for the six months to 30 June 2019 as a result of the adoption of HKFRS 16.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

3. CHANGES IN ACCOUNTING POLICIES (CONT'D)

3.2 THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The group leases various land, properties, machinery, motor vehicles, office equipment and others. Rental contracts are typically made for fixed periods of 3 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

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 2018 .

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 2018.

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 (CONT'D)

5.3 FAIR VALUE ESTIMATION (CONT'D)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2019:

	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)				
Investment funds	3,822,242	-	-	3,822,242
Equity investments	357,065	-	-	357,065
Debt investments	285,416	-	-	285,416
Investment products	-	406,517	-	406,517
Non-hedging derivative financial instruments	-	335,207	-	335,207
Derivative financial instruments				
Forward foreign exchange contract	-	1,527	-	1,527
Other Current assets:				
Notes receivable measured at fair value and recorded in other comprehensive gains	-	-	649,295	649,295
Interbank negotiable certificates of deposit	-	6,486,611	-	6,486,611
Trade receivables measured at fair value and recorded in other comprehensive gains	-	-	4,222,181	4,222,181
Other non-current financial assets	1,031,834		4,803,905	5,835,739
Other Debt investments	-	322,991	-	322,991
Total financial assets	5,496,557	7,552,853	9,675,381	22,724,791
Financial liabilities				
Forward interest rate contract	-	3,910	-	3,910
Transaction financial liabilities	-	123,468	-	123,468
Total financial liabilities	-	127,378	-	127,378

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

5.3 FAIR VALUE ESTIMATION (CONT'D)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2019:

	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)				
Investment funds	3,541,849	-	-	3,541,849
Equity investments	57,653	-	-	57,653
Debt investments	19,805	-	-	19,805
Investment products	-	466,255	-	466,255
Non-hedging derivative financial instruments	-	333,888	-	333,888
Derivative financial instruments				
Forward foreign exchange contract	-	788	-	788
Other Current assets:				
Notes receivable measured at fair value and recorded in other comprehensive gains	-	-	604,834	604,834
Interbank negotiable certificates of deposit	-	5,787,735	-	5,787,735
Trade receivables measured at fair value and recorded in other comprehensive gains	-	-	2,724,919	2,724,919
Other non-current financial assets	1,087,735	-	4,273,111	5,360,846
Other Debt investments	-	261,372	-	261,372
Total financial assets	4,707,042	6,850,038	7,602,864	19,159,944
Financial liabilities				
Forward interest rate contract	-	5,168	-	5,168
Transaction financial liabilities	-	104,540	-	104,540
Total financial liabilities	-	109,708	-	109,708

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 (CONT'D)

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 2019 (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	8,263,887	13,528,076	20,622,381	10,298,731	243,381	-	52,956,456
Intersegment sales	450,585	1,799,229	408,947	1,143,947	111,387	(3,914,095)	-
Total	8,714,472	15,327,305	21,031,328	11,442,678	354,768	(3,914,095)	52,956,456
Operating profit/(loss)	309,069	(113,346)	1,516,536	2,126,055	(26,384)	148,672	3,960,602
Financial costs - net							(799,662)
Share of profits and losses of:							
Joint ventures							(29,728)
Associates							421,902
Profit before tax							3,553,114
Income tax expense							(660,636)
Profit for the period							2,892,478
As of 30 June 2019 (Unaudited)							
Assets and Liabilities							
Total assets	41,276,693	59,846,243	62,223,461	110,727,757	52,208,628	(71,589,285)	254,693,497
Total liabilities	21,318,493	40,966,448	31,663,031	82,464,290	46,373,028	(56,195,026)	166,590,264

6. SEGMENT INFORMATION (CONT'D)

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 2018 are presented below:

For period ended 30 June 2018 (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	6,599,390	15,244,773	19,634,998	9,497,032	297,804	-	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	20,178,406	10,400,446	395,650	(3,956,233)	51,273,997
Operating profit/(loss)	284,185	396,269	1,499,656	1,114,508	(242,945)	22,790	3,074,463
Financial expenses - net							(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	52,478,945	82,153,350	42,318,360	(59,775,381)	207,273,293
Total liabilities	17,214,036	42,903,152	31,802,352	67,553,198	25,799,978	(49,448,857)	135,823,859

Geographical segment

Information on revenue of geographical segments of the Group for the six months ended 30 June 2019 and the six months ended 30 June 2018 is listed below:

	Unaudited					
	For the six months ended 30 June 2019			For the six months ended 30 June 2018		
						(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	45,053,778	7,902,678	52,956,456	45,543,209	5,730,788	51,273,997

7. BUSINESS COMBINATION

On 1 February 2019, the Group scoped in Suzhou Thvow Technology Co., Ltd., for consideration of RMB 664,943,000. The acquisition is expected to increase the group's market share and reduce cost through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
Long-term equity investment	664,943
Total purchase consideration	664,943

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB`000
Cash and cash equivalents	1,865,757
Property, plant and equipment	3,182,309
Intangible assets	708,748
Inventories	1,974,043
Receivables	19,192,798
Payables	(17,148,239)
Employee benefit obligations	(54,927)
Borrowings	(7,376,004)
Net deferred tax assets	431,755
Net identifiable assets acquired	2,776,240
Less: non-controlling interest	(2,434,377)
Add: goodwill	323,080
	664,943

8. 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	
	2019 RMB'000	2018 RMB'000
Revenues		
Revenues from main operations	**39,077,289**	39,029,915
Sale of goods	**8,458,497**	6,996,696
Construction services	**3,719,745**	3,536,351
Rendering of services	**51,255,531**	49,562,962
Revenues from other operations		
Sales of raw materials, spare parts and semi-finished goods	**331,899**	337,824
Finance lease income	**304,185**	308,355
Rental income under operating leases	**209,027**	296,525
Finance Company*:		
Interest income from banks and other financial institutions	**314,567**	402,777
Interest income on loans receivable and discounted bills receivable	**180,231**	168,240
Others	**361,016**	197,314
	1,700,925	1,711,035
	52,956,456	51,273,997

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

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

	Unaudited For the six months ended 30 June 2019 RMB'000	 2018 RMB'000
Other income		
Interest income on debt investment	**51,240**	170,803
Dividend income from equity investments and investment funds	**28,135**	3,742
Subsidy income	**373,569**	360,756
	452,944	535,301
Other gains, net		
Gain on disposal of property, plant and equipment	**6,121**	50,628
Gain on disposal of right-of-use assets	**418,443**	-
Investments at fair value through profit or loss:		
Unrealised fair value loss, net	**(49,433)**	(89,034)
Realised fair value (loss)/gain, net	**52,952**	(1,088)
Derivative financial instruments - transactions not qualifying as hedges:		
Unrealised fair value gain, net	**714**	29,029
Debt restructure gain, net	**-**	2,466
Exchange (loss)/gain, net	**(6,372)**	2,932
Others	**48,675**	40,488
	471,100	35,421
	924,044	570,722

9. PROFIT BEFORE TAX

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

	Unaudited	
	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Cost of inventories sold	**32,398,447**	32,248,593
Cost of construction contracts	**7,255,588**	6,730,330
Cost of services provided	**3,667,134**	3,495,542
Finance Company:		
Interest expense due to banks and other financial institutions	**33,894**	7,003
Interest expense on customer deposits	**13,992**	11,947
	47,886	18,950
Depreciation of property, plant and equipment	**856,379**	794,264
Depreciation of investment properties	**43,265**	46,662
Amortisation of patents and licences	**23,606**	13,883
Amortisation of concession intangible assets	**41,631**	15,514
Amortisation of other intangible assets	**19,994**	17,169
Amortisation of other non-current assets	**42,119**	33,928
Amortisation of right-of -use assets	**223,881**	—
Amortisation of prepaid land lease payments	**—**	118,439
Research and development costs:		
Amortisation of technology know-how	**9,890**	10,518
Current period expenditure	**1,590,897**	1,460,519
	1,600,787	1,471,037
Staff costs	**4,379,806**	3,643,208
Impairment of inventories to net realisable value	**364,467**	604,949
Impairment of contract assets	**(11,405)**	81,617
Impairment of trade receivables and other receivables	**378,993**	356,167
Impairment of loans receivable	**36,909**	35,009
Impairment of lease receivables	**47,374**	64,197
Impairment of discounted bills receivable	**(3,430)**	4,450
Impairment of property, plant and equipment	**32,552**	-
Impairment of intangible assets	**453**	-
Impairment of bills receivable	**(19,386)**	-
Impairment of assets classified as held for sale	**3,703**	-
Product warranty provision:		
Additional provision	**277,357**	332,853
Onerous contract provision:		
Additional provision	**179,288**	246,980

10. 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 2019 under the income tax rules and regulations of the PRC, except that:

Seventeen 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 Nuclear Power Equipment Co., Ltd., Shanghai KSB Pump Co., Ltd., Shanghai Electric SHMP Casting & Forging Co., Ltd., Shanghai Enviroment Protection Complete Engineering Co., Ltd., SEC - SPX Engineering Technology Co., Ltd., Shanghai Denso Fuel Injection Co.,Ltd., Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., Shanghai Boiler Works Co., Ltd., Shanghai Turbine Works Co., Ltd., Shanghai Blower Works Co., Ltd., Shanghai Electric Gas Turbine Co., Ltd., Shanghai No.1 Machine Tool Works Ltd., Shanghai Electric Wind Power Equipment Co., Ltd., Shanghai Machine Tool Works Ltd., Shanghai Centrifuge Institute Co., Ltd., Shanghai Electric Automation D&R Institute Co., Ltd. and Shanghai Institute of Mechanical & Electric Engineering Co., Ltd. The above mentioned subsidiaries, upon receipt of the "High-New Technology Enterprise Certificate", are subject to corporate income tax rate of 15% for 3 years from the year of the receipt of the said certificate.

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	
	2019 RMB'000	**2018 RMB'000**
The Group:		
Current - Mainland China		
Charge for the period	**886,039**	503,289
Less provision/(overprovision) in prior years	**54,562**	(79,064)
Current - Elsewhere		
Charge for the period	**394**	28,585
Deferred	**(280,359)**	(141,463)
Total tax charge for the period	**660,636**	311,347

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

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

The calculation of basic earnings per share is based on:

	Unaudited	
	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to owners of the Company	**1,843,477**	1,764,016
(Less): Profit attributable to expect to unlock restricted stock in the future	**(15,526)**	-
Profit attributable to owners of the Company used in the basic earnings per share calculation	**1,827,951**	1,764,016

	Unaudited	
	For the six months ended 30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**14,798,772,530**	14,034,092,485

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (CONT'D)

Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with convertible bond , and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of convertible bonds using the conversion price at year end.

	Unaudited	
	For the six months ended 30 June	
	2019 RMB'000	**2018 RMB'000**
Profit from continuing operations attributable to the ordinary equity holders of the company		
Used in calculating basic earnings per share	**1,827,951**	1,764,016
Add: interest savings on convertible bonds	**103,621**	-
Used in calculating diluted earnings per share	**1,931,572**	1,764,016
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**1,931,572**	1,764,016

	Unaudited	
	For the six months ended 30 June	
	2019	**2018**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**14,798,772,530**	14,725,181,000
Adjustments for calculation of diluted earnings per share:		
Convertible bonds	**860,982,851**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**15,659,755,381**	14,725,181,000

12. DIVIDENDS

	Unaudited	
	For the six months ended 30 June	
	2019 RMB'000	**2018 RMB'000**
Dividends provided during the half-year	**931,270**	1,353,980

On 10 June 2019, the 2018 Annual General Meeting resolved to a final dividend of RMB 6.146 cents per share (tax inclusive), totalling to RMB 931,270,000.

13. 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
Cost:						
At 1 January 2019	11,031,130	16,800,155	506,201	1,595,894	1,846,805	31,780,185
Additions	77,146	135,421	10,392	42,789	1,362,268	1,628,016
Additions due to acquisition of subsidiaries	1,620,889	445,528	14,960	16,402	1,304,682	3,402,461
Disposals	(52,093)	(93,963)	(29,489)	(27,287)	(29,401)	(232,233)
Deduction due to disposal of subsidiaries	(8,580)	(11,401)	(1,857)	(886)	-	(22,724)
Transfer from construction in progress	146,809	300,105	2,377	63,111	(512,402)	-
Transfer to investment properties	(211,044)	-	-	-	-	(211,044)
Transfer to other intangible assets	-	-	-	-	(7,111)	(7,111)
Translation reserve	644	199	142	265	1,041	2,291
At 30 June 2019	12,604,901	17,576,044	502,726	1,690,288	3,965,882	36,339,841
Accumulated depreciation and impairment:						
At 1 January 2019	3,920,135	10,208,314	381,245	1,090,502	915	15,601,111
Depreciation for the year	207,312	539,571	16,306	93,190	-	856,379
Impairment for the year	-	7,466	-	-	25,086	32,552
Transfer to investment properties	(26,706)	-	-	-	-	(26,706)
Deduction of depreciation due to the disposals	(7,903)	(79,732)	(25,853)	(23,238)	-	(136,726)
Deduction in depreciation due to disposal of subsidiaries	(2,927)	(8,442)	(1,686)	(595)	-	(13,650)
Translation reserve	74	35	8	53	74	244
At 30 June 2019	4,089,985	10,667,212	370,020	1,159,912	26,075	16,313,204
Net carrying amount:						
At 30 June 2019	8,514,916	6,908,832	132,706	530,376	3,939,807	20,026,637

14. TRADE RECEIVABLES

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Undue	**13,736,316**	7,187,262
Within 3 months	**3,048,636**	2,300,654
Over 3 months but within 6 months	**3,709,748**	2,130,297
Over 6 months but within 1 year	**3,711,998**	2,329,926
Over 1 year but within 2 years	**4,587,029**	3,838,576
Over 2 years but within 3 years	**1,424,951**	697,799
Over 3 years past due	**664,324**	356,079
	30,883,002	18,840,593

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.

15. TRADE PAYABLES

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 3 months	**24,070,596**	22,081,283
Over 3 months but within 6 months	**4,236,147**	4,383,890
Over 6 months but within 1 year	**9,235,105**	5,201,144
Over 1 year but within 2 years	**5,216,436**	2,983,805
Over 2 years but within 3 years	**2,472,861**	1,699,875
Over 3 years	**2,764,358**	2,530,817
	47,995,503	38,880,814

16. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Non-current	**8,187,023**	9,588,836
Current	**16,122,189**	10,351,116
Total borrowings	**24,309,212**	19,939,952

Movement of borrowings is analysed below:

	RMB'000
For the six months ended 30 June 2019	
For the six months ended 30 June 2019	
Balance at 1 January 2019	19,939,952
Additional borrowings from acquisition of subsidiaries	9,610,391
New borrowings	11,037,543
Repayment of borrowings	(16,216,610)
Exchange (gains)/loss	(62,064)
Balance at 30 June 2019	24,309,212

The interest expense for the six months ended 30 June 2019: RMB 810,989,000 (for the six months ended 30 June 2018: RMB200,924,000).

17. BONDS

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%.

On 13 December 2018, the Group issued a middle-term note of RMB2.5 billion, abbreviated as 18 Electric MTN001 with a term of five years and annual interest rate of 4.15%.

18. ISSUED CAPITAL

	30 June 2019 (Unaudited) RMB'000	**31 December 2018 (Audited) RMB'000**
Registered, issued and fully paid:		
A shares of RMB1.00 each	**12,179,486**	11,752,276
H shares of RMB1.00 each	**2,972,912**	2,972,912
	15,152,398	14,725,188

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

19. CONTINGENT LIABILITIES

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Guarantees given to banks in order to obtain credit limit for companies below:		
Associates	**351,150**	4,351,150
Including guarantees given to banks for the credit limit that has been used by the companies below:		
Associates	**258,203**	2,530,733
Non-financial guarantee letters issued by Finance Company on behalf of:	**1,354**	4,084
Associates	**-**	2,721
Joint ventures	**1,354**	6,805

(b) As at 30 June 2019, non-financial guarantees issued by financial institutions for the Group amounted to RMB 26,983,021,000 (31 December 2018: RMB27,126,815,000).

(c) As at 30 June 2019, contingent liabilities amounted to RMB240,979,000 relating to pending lawsuits and arbitration (31 December 2018: RMB174,693,000).

20. 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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 1 year	**91,799**	98,643
In the second to fifth years, inclusive	**174,060**	165,161
After five years	**219,778**	73,070
	485,637	336,874

21. 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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Contracted, but not provided for:		
In respect of the acquisition of		
Land and buildings	**195,106**	195,134
Plant and machinery	**661,231**	1,313,667
	856,337	1,508,801
Authorised, but not contracted for:		
In respect of the acquisition of		
Plant and machinery	**81,234**	122,920
	937,571	1,631,721

22. RELATED PARTY TRANSACTIONS

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

	Note	Unaudited For the six months ended 30 June 2019 RMB'000	2018 RMB'000
Purchase of materials from:	(i)		
Associates		**1,434,184**	1,782,447
SEC group companies		**7,450**	30,493
Other related companies		**450,759**	1,592,800
		1,892,393	3,405,740
Sales of goods to:	(i)		
Ultimate holding company		**91,221**	-
Associates		**84,140**	76,151
SEC group companies		**53,632**	179,247
Other related companies		**1,790,103**	2,277,511
Joint ventures		**-**	10,109
		2,019,096	2,543,018
Construction contracts from:	(i)		
Other related companies		**506,058**	1,762,517
Sales of scraps to:			
Associates		**1,921**	-
Purchases of services from:	(i)		
SEC group companies		**13,539**	8,706
Other related companies		**-**	155,992
		13,539	164,698
Provision of services to:	(i)		
Ultimate holding company		**6,654**	2,830
Associates		**2,969**	1,473
SEC group companies		**42,770**	75,027
Other related companies		**5,130**	-
		57,523	79,330

As the financial performance of certain subsidiaries of Group collective is expected to be significant to the consolidated financial performance of the Group of 2019, 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 2019 have been included above.

22. RELATED PARTY TRANSACTIONS(CONT'D)

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

	Notes	Unaudited For the six months ended 30 June	
		2019 RMB'000	**2018 RMB'000**
As a leasor:			
Leasee:	(ii)		
Associates		**6,184**	5,243
SEC group companies		**-**	3,095
Other related companies		**-**	6,892
		6,184	15,230
Right- of- use assets recognized as a leasee:			
Lessor:	(ii)		
Ultimate holding company		**6,190**	-
Interests of lease liability recognized as a leasee:			
Ultimate holding company		**162**	-

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.

22. RELATED PARTY TRANSACTIONS(CONT'D)

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

	Unaudited	
	For the six months ended 30 June	
	2019 **RMB'000**	**2018** **RMB'000**
Interest expenses for customer deposits:		
Ultimate holding company	**2,249**	3,262
Associates	**237**	142
SEC group companies	**11,194**	8,336
Other related companies	**313**	207
	13,993	11,947
Interest income for loans and bills discounting:		
Ultimate holding company	**68,930**	65,385
Associates	**22,173**	2,926
SEC group companies	**59,424**	65,710
Other related companies	**-**	704
	150,527	134,725

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

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

As at 30 June 2019, the Group provided guarantee which amount to no more than RMB300,000,000 and RMB51,150,000 respectively, for the borrowings that associates, Chongqing Shenhua Thin Film Solar Power Technology Co., Ltd. and Nabtesco (China) Precision Equipment Co., Ltd. obtained. As at 30 June 2019, the Group actually provided RMB213,599,332 of guarantee to Chongqing Shenhua Thin Film Solar Power Technology Co., Ltd. and RMB48,088,920 of guarantee to Nabtesco (China) Precision Equipment Co., Ltd.; and Finance Company has issued non-financial guarantee letters on behalf of related parties totalling RMB4,163,000 (31 December 2018: RMB6,805,000).

The Group provided the ultimate holding company with a counter-guarantee of no more than USD168,800,000 (equivalent to RMB1,140,000,000).

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group

	Unaudited	
	For the six months ended 30 June	
	2019 **RMB'000**	**2018** **RMB'000**
Fees	**375**	375
Salaries and other allowances	**4,576**	1,410
Employee benefits	**175**	49
Welfare after retirement	**206**	56
Employee share schemes	**614**	-
	5,946	1,890

23. SUBSEQUENT EVENTS

As at 30 June 2019, the Group has no significant subsequent events.

24. 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 2019.