

2020 INTERIM REPORT

Shanghai Electric Group Company Limited

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





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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 Zhong Tian (Special General Partnership)
Legal Advisers as to PRC laws	Grandall Law Firm(Shanghai)
Legal Advisers as to Hong Kong laws and U.S. laws	Clifford Chance

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**Website designated for publishing interim report required
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PERFORMANCE HIGHLIGHTS

- Total revenue of the Company for first half of 2020 reached **RMB53,237 million**, an increase of **0.53%** over the corresponding period of last year
- Profit attributable to owners of the Company for first half of 2020 was **RMB1,522 million**, a decrease of **17.57%** over the corresponding period of last year
- Basic earnings per share of the Company for first half of 2020 were **RMB0.1 yuan**, a decrease of **16.67%** over the corresponding period of last year
- New orders for first half of 2020 amounted to **RMB108.84 billion**, a year-on-year increase of **40.8%**
- The Board did not recommend the payment of an interim dividend in respect of the Reporting Period

CHAIRMAN'S STATEMENT



Chairman and CEO
Zheng Jianhua

In the first half of 2020, due to the spread of the novel coronavirus epidemic (COVID-19), the systematic risks and uncertainties in the global economy increased significantly. The reshaping of the global industrial chains caused by the epidemic and the increasingly intensified trade protectionism further increased pressures on the economic downturn. China's economy started to recover after experiencing the impacts of the epidemic on the supply and demand. With the stable advancing of work and production resumption, the economic and social order gradually recovered. In the first half of 2020, in the face of the risks and challenges caused by the epidemic and in line with the “three steps forward” strategy, Shanghai Electric undertook the mission and responsibility of serving national strategies, adhered to the development orientation of providing green, environment friendly, intelligent, interconnected, digital and overall solutions, accelerated the adjustment of industrial structures and the changes in growth driving forces, fostered and boosted strategic emerging industries, laying a solid foundation for achieving the operation targets for the whole year.

Results Review

From 1 January 2020 to 30 June 2020 (the “Reporting Period”), the Company achieved total revenue of RMB53,237 million, representing a year-on-year increase of 0.53%; the net profit attributable to owners of the Company amounted to RMB1,522 million, representing a year-on-year decrease of 17.57%; the net profit attributable to the owners of the Company after deduction of non-recurring profit and loss amounted to RMB1,347 million, basically remained the same level as that of the corresponding period of the preceding year.

During the Reporting Period, the Company obtained new orders in the amount of RMB108.84 billion, representing a year-on-year increase of 40.8%. In particular, new orders for energy equipment, industrial equipment and integrated services accounted for 48.3%, 25.1% and 26.6% of the total new orders, respectively. As at the end of the Reporting Period, our orders on hand amounted to RMB294.37 billion (with orders in the aggregate amount of RMB85.54 billion not yet coming into effect), representing an increase of 20.5% from the end of the preceding year. Within the order backlog as at the end of the Reporting Period, orders for energy equipment, industrial equipment and integrated services accounted for 49.3%, 5.5% and 45.2% of the total orders on hand, respectively.

Under the policy environment with China vigorously advancing 5G network and industrial internet and leveraging on our technical advantages and accumulation of experience in high-end equipment manufacturing, we increased investments and inputs in technology and actively explored new business models in the times of industrial internet with the focus on “online new economy”. Our self-established “SEunicloud” industrial internet platform was officially released at the 2019 China International Industry Fair (CIIF). “SEunicloud” integrates emerging technologies such as artificial intelligence, big data, and cloud computing, conducts “digital empowerment”, and promotes the upgrading and rebuilding of industrial modes, operating modes and value modes and facilitates Shanghai Electric in developing an “industrial triangle” digital ecology with “hardware + industrial internet services + e-commerce and offline services”. “SEunicloud” has developed and integrated applications such as equipment networking, fault diagnosis, remote operation and maintenance and energy planning and will be developed into a hub for housing and allocating data assets of Shanghai Electric. It will give play to the advantages of application scenarios and industrial data and provide intelligent application solutions on intelligent production, internet-based coordination, individualized customization and extended services to platform users of the Group. Currently, “SEunicloud” has gained access to nearly 100,000 equipment including

power generation equipment, elevators and machine tools.

We are currently carrying out forward-looking layouts and deep exploration on new industries and new business types such as intelligent manufacturing, smart energy, smart transportation and smart city.

In the field of intelligent manufacturing, Shanghai Electric focuses on innovation-driven and industrial transformational development, and empowers industrial transformation and upgrading with digital, network, and intelligent means. We are advancing a batch of intelligent manufacturing demonstrative projects within the Group, covering smart factory, smart operation and maintenance, smart supply chain and other sectors. The “power equipment (thermal and nuclear power) large-scale turbine generator smart factory” project of our turbine generator plant has passed the acceptance and assessment by experts organized by the Shanghai Economic and Information Commission (上海市經濟與信息委員會). The project is among the first batch of demonstrative projects for intelligent manufacturing standardization and new model application of MIIT, and also a state-level “smart factory”. The gas turbine intelligent service system has gained access to a total of 14 units in 8 power plants and the intelligent gas turbine operation and maintenance system has been under operation for 100,000 hours. It has developed series of intelligent products and services covering online performance testing, intelligent cleaning of gas turbines, equipment health testing and fault alarming. We have obtained the contract on the intelligent ammonia spraying optimization project on the denitration system of new 2x660MW units in the third phase of Shaanxi Guohua Jinjie Power Plant (陝西國華錦界電廠). It is our first order obtained in the sector of the environmental and intelligent ammonia spraying technology with our proprietary R&D technology and will become a typical project in realizing intelligent empowerment. We accelerated the cloud-based application of business systems, established the smart supply chain platform of Shanghai Electric and achieved digitalized procurement to empower the overall procurement segment and processes. The smart supply chain platform of Shanghai Electric covers over 70 subsidiaries with over 12,000 suppliers.

In the field of smart energy, with the transformation of the national energy structure while conducting layout on new energy and renewable energy, Shanghai Electric seized opportunities in policies on new energy consumption, new infrastructure and the construction of 5G base stations and focused on the development of the energy storage industry. Through Shanghai Electric Gotion New Energy Technology Co., Ltd. (上海電氣國軒新能源科技有限公司) (“Electric Gotion”),

a controlled subsidiary of the Company, and Shanghai Electric Central Research Institute, we conducted technical research and product development on lithium iron phosphate batteries, all-vanadium flow batteries and hydrogen fuel batteries and developed business capabilities on battery management systems and the integration of energy storage systems. In recent years, we undertook a batch of demonstrative projects, including the project on the grid-side sharing energy storage and power station in Golmud of Qinghai, the demonstrative project on independent electrochemical energy storage in Jinzhai of Anhui and the user-side energy storage project and comprehensive energy projects in Tinghu District, Yancheng of Jiangsu with innovative models. In the field of charging stations, we obtained various orders such as the energy storage system for the charging station of Beijing Huashang Sanyou New Energy Company (北京華商三優新能源公司) and the project on charging piles in the aircraft movement area of Beijing Daxing Airport. We acquired Shenzhen Yinghe Technology Co., Ltd. (“Yinghe Technology”, 深圳市贏合科技股份有限公司), which owns the core technology of all aspects of lithium battery equipment and provides overall solutions. The acquisition will facilitate the rapid transformation of Shanghai Electric’s scientific research achievements in the field of energy storage, and further optimize the industrial layout. While deeply cultivating the energy storage market, we also actively promoted the expansion and application of Internet technology in distributed energy, new energy and other sectors. We took over the “Internet +” smart energy demonstrative project of Samsung in Chongming of Shanghai and adopted the concept of the integration of “wind-solar energy storage and power charging”, achieving mutual complementation of wind-solar energy storage, the unified management of grid-connected and off-grid systems and flexible trading based on green energy. The smart energy demonstrative project in Minhang Industrial Zone of Shanghai undertaken by us consists of distributed power source, energy storage device, integrated charging pile for wind-solar energy storage and power-charging, and comprehensive energy intelligent management platform, which can realize the use of renewable energy, peak load shifting of electricity utilization, and demand control, for the purpose of saving energy and increasing power utilization efficiency in the industrial zone.

In the field of smart transportation, based on our traditional advantages on the production and manufacturing of metros, tramcars and other hardware and the development of the software system, we consistently iterated and upgraded the intelligence level of unmanned driving, IERT (intelligent electronic rail transit system), suburban railways, intercity transportation and other new-generation rail transit products. The Huinan smart station project of Line 16 of Shanghai Rail Transit (上海市軌道交通16線惠南站智慧車站項目) undertaken by us is

CHAIRMAN'S STATEMENT

one of the first batch of Shanghai Rail Transit Smart Station Pilot Stations, in which, remote control functions such as escalators and shielded doors, as well as station operation achieved intelligent management. We won the bids for the comprehensive intelligent maintenance project for Line 5 of Shanghai Rail Transit. Based on the urban rail transit intelligent maintenance and health management platform, we will provide comprehensive intelligent maintenance services for the full life cycle of three professional facilities and equipment, namely vehicles, power supply and traffic signals, to achieve the transformation from “informationization” to “intelligentization” of metro maintenance services and from “planned repairing” to “repairing based on conditions” for facilities and equipment maintenance. With the market-leading CBTC 2.0 solutions to the signal system and signal solutions to suburban rapid rail transit, monorail transit and other traffic means, we are providing assistance to 35 metro lines in 15 cities, including Shanghai, Beijing, Wuhan and Guangzhou, with a total mileage of over 1,400 kilometers.

In the field of smart city, leveraging on our accumulation of technology in intelligent manufacturing, big data and the Internet of Things, we provide intelligent solutions to infrastructure construction in cities. For Xiongan New Area, we participated in compiling the framework system of intelligent infrastructure, compiled the application systems, sensory sensing and data fusion, and joined the independent research and development of the first intelligent access device — X-Hub intelligent gateway, laying a foundation for the intelligent and digital construction of Xiongan New Area. The Smart Energy Big Data Platform Project in Yancheng, Jiangsu Province undertaken by us is to provide multidirectional data access and support for the planning, construction and operation of various energy projects in Yancheng to realize intelligent management of the entire energy chain.

During the Reporting Period, the operation of major business segments of the Group is as follows:

Energy 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 plants while it maintains a leading market share in respect of nuclear island main equipment. During the Reporting Period, by 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)”, Shanghai Electric systematically proceeded with the

production of nuclear island equipment for on-hand orders. During the Reporting Period, we won the bids of the project on the manufacturing of an early component for TF coils in the “Comprehensive Research Facility for Fusion Technology”, a key national scientific and technological facility under the “13th Five-year Plan” of the Chinese Academy of Sciences, which is of strategic significance for us to further participate in domestic and overseas nuclear fusion projects and expand into the equipment market. During the Reporting Period, we assumed 3 projects on the first breakthrough and demonstrative application of high-end intelligent equipment in Shanghai, including the first breakthrough in the pressure vessels and reactor vessel internals of “Hualong One” nuclear power reactor, the first breakthrough in the heavy forging for steam generators of “Hualong One” nuclear power reactor and the first breakthrough in the forgings for CAP1400 nuclear power pipeline, and all of them have passed the acceptance and assessment by experts.

During the Reporting Period, we received new orders for nuclear power equipment of RMB2.69 billion, representing a year-on-year increase of 244.8%. Our orders on hand for nuclear power equipment by the end of the Reporting Period amounted to RMB19.10 billion, representing an increase of 5.7% from the end of the preceding year.

In the field of wind power equipment, as China’s largest offshore wind power equipment manufacturer, we take “becoming the world’s leading wind power life cycle service provider” as our goal to create greater value for our customers. During the Reporting Period, China’s first 8.0MW offshore wind turbine was successfully put into operation at the island of the Shantou base of Shanghai Electric. The project is the first “Internet of Energy +” demonstrative project of Shanghai Electric at the level of industrial parks with the integration of wind-solar energy storage. The SPIC Jiangsu Binhai South H3 offshore wind power project undertaken by us has completed the installation of the first wind turbine and deployed 75 sets of 4.0MW wind turbines with a total installed capacity of 300MW. We have executed a strategic cooperation framework agreement on the 1GW wind power project with China First Heavy Industries and Tsitsihar City and the three parties will develop and construct a local wind power project with a capacity of no less than 1GW. Our internally developed “Feng Yun” system, a remote management platform based on cloud computing and big data, can cover and accommodate data of all types of onshore and offshore wind power equipment and has gained data access to over 3,000 wind turbines in over 100 wind farms. During the Reporting Period, the application for the spin-off and listing of Shanghai Electric Wind Power Group Co., Ltd., a subsidiary of the Company, on the STAR Market has been accepted by Shanghai Stock Exchange.

During the Reporting Period, we received new orders for wind power equipment of RMB33.96 billion, representing a year-on-year increase of 505.8%. Our orders on hand for wind power equipment by the end of the Reporting Period amounted to RMB57.09 billion, representing an increase of 90.4% from the end of the preceding year. Among orders for wind power equipment, new orders for offshore wind power equipment during the Reporting Period amounted to RMB24.91 billion, representing a year-on-year increase of 707.3%; the orders on hand for offshore wind power equipment at the end of the Reporting Period amounted to RMB38.94 billion, representing an increase of 126.9% from the end of the preceding year.

With the further elimination of backward thermal power capacity and the continuous progress with the power system reform in China, our coal-fired power equipment business continued to improve product technology and service levels and maintained leading in the domestic market for high-efficiency coal-fired units. We further advanced the going global strategy and obtained more orders in overseas market, partially offsetting the impact of the declining demand in domestic coal-fired power market. During the Reporting Period, we won the bids for the project on 2×650MW ultra supercritical secondary reheating coal-fired units of Huaneng Shidongkou First Power Plant (華能石洞口第一電廠), which is the first demonstrative project with equal capacity replacement in China. We obtained orders of supplying 2×660MW ultra supercritical steam turbine and turbine generator for SPIC Inner Mongolia Baiyin Huakengkou Power Plant (國家電投內蒙古白音華坑口電廠) and 2×660MW ultra supercritical steam turbine and generator for the second phase of Inner Mongolia Mengtai Dongsheng Power Plant (內蒙古蒙泰東勝). We also secured orders for sets of 2×135MW steam turbine and generator for the third phase of Rizhao Xuri Power Generation Plant (日照旭日發電廠), a self-owned power plant under Rizhao Iron and Steel, orders of supplying major equipment for 2×350MW boiler, turbine and generator for the Indonesian industrial park of Qingshan Iron and Steel and orders of supplying three major equipment for the 1,320MW coal-fired power station project in Patuakhali, Bangladesh.

During the Reporting Period, we acquired new orders for coal-fired power equipment of RMB2.32 billion, representing a year-on-year decrease of 42.7%.

In the field of gas turbines, Shanghai Electric has achieved the coverage of full industrial chains including the design, manufacturing, repairing, spares part, consultancy and other businesses on gas turbines. Through the continuous exploration and innovation in the sector of key technologies on gas turbines, it completed self-iteration of more efficient and cleaner solutions with longer useful life for gas turbines. We established an

intelligent platform to provide users with digital and intelligent solutions on gas turbines. During the Reporting Period, we entered into a contract on supplying major equipment for the floating rapid power generation project of 240MW gas turbines with Wison Offshore & Marine Co., Ltd. (惠生海洋工程有限公司) to provide major equipment for full-set gas turbine power generation units of two floating rapid power generation ships with gas turbines. During the Reporting Period, we obtained the project on the overhauls of the EPC rotor drawings of gas turbine power generation units of Huadian Fengxian (華電奉賢), which has demonstration effects on the repairing of over 20 same units of Shanghai Electric in the future. In addition, we also signed contracts on long-term maintenance and service for the gas turbines of the SPIC Guangdong Branch in Sihui. As at the end of the Reporting Period, we have secured orders in relation to the long-term support services for 22 gas turbines in 11 projects. During the Reporting Period, we signed contracts with Beijing Energy Group (京能集團) on the intelligent optimization system of certain load performance of E-class gas turbines, which is our first joint R&D with users on such type of gas turbines and will effectively improve the combined cycle efficiency of the units under certain loads, assist power plants in saving fuel expenses and provide solid guarantees for the digital and intelligent operation and maintenance of gas turbine power plants and achieving the building of intelligent power plants.

During the Reporting Period, we acquired new orders for gas turbines of RMB3.20 billion, representing a year-on-year decrease of 22.1%.

In the field of energy storage, with the goal of becoming a leader in the domestic energy storage industry, we have captured further market share with strategic layout based on our technical research results for years in the field. We invested in the construction of a sharing energy storage project in Golmud of Qinghai. The project will build a 32MW/64MWh power station with energy storage in the first phase, which will be connected to the local grid in Qinghai and effectively mitigate the curtailment of solar and wind power in surrounding areas. The new development model of sharing energy storage enjoys the highest utilization in intensive resources input, friendly grid operation and the revenue of renewable energy plants. During the Reporting Period, Electric Gotion won the bids for supplying ancillary energy storage systems for the 50MW wind farm in Shencun, Xuanzhou District, Anhui Province and the 50MW wind power project (Phase II) in Boyong, Qiaocheng District, marking our official expansion into the wind power energy storage market. During the reporting period, by virtue of its super technical strength and ever-growing brand value in the automotive lithium-ion battery equipment manufacturing industry, Yinghe Technology has undertaken the contracts for supply of automatic lithium-ion battery

CHAIRMAN'S STATEMENT



manufacturing equipment from CATL, Soundon New Energy and Hunan Times Union* (湖南時代聯合), including numerous key equipment for the front, middle and back sections of the lithium-ion battery production line, achieving further enhancement in the field of the lithium-ion battery manufacturing under the whole-line model.

In the field of grid and industrial intelligent power supply system solutions, we actively promoted the development strategy from power business to engineering, from traditional grid business to new grid technology. During the Reporting Period, we won the bids for the energy storage frequency adjustment project of Guangdong Yuedian Dapu Power Plant (廣東粵電大埔電廠), achieving breakthroughs in the commercial operation of the energy storage frequency adjustment project of Shanghai Electric. Leveraging on the outstanding performance of energy storage batteries in rapid releasing and absorption of active power, the project can improve the stability of the grid and participate in the domestic power ancillary service market. During the Reporting Period, we won bids for various projects in domestic and overseas grid markets, including the supply of equipment for the medium- and low-voltage packages in the Phase-III expansion of Aut's Technology (Chongqing) Co., Ltd. (奧特斯科技(重慶)有限公司), the supply of high- and medium-voltage electric equipment for the project with loans from the World Bank in Uzbekistan and the project of the power transmission line in Sarawak, Malaysia.

During the Reporting Period, we acquired new orders for grid and industrial intelligent power supply system solutions of RMB5.10 billion, representing a year-on-year increase of 11.7%.

Industrial Equipment

During the Reporting Period, with the effective containment of the COVID-19 epidemic in China, the real estate and infrastructure sectors were rapidly recovering from the shock brought by the epidemic, and thereby the demand for elevator products experienced recovery growth in the second quarter. Shanghai Mitsubishi Elevator Co., Ltd ("SMEC"), depending on its core competitiveness such as team cohesiveness, brand reputation, service network coverage and manufacturing capabilities, continued to maintain its stable growth in business development. During the Reporting Period, SMEC has been awarded the tender to provide 83 elevators in the 501 China International Silk Road Center project of Greenland and 53 high-speed elevators in the Hangzhou Shimao's "Wisdom Gate" project. SMEC has taken service innovation as an effective way to enhance the competitiveness of the manufacturing industry. By providing strong additional services for its products and dynamically introducing the world's advanced level of elevator installation and maintenance technologies, it is committed to the enhancement of large-scale, standardized, differentiated services and brand building, developing a full-coverage and three-dimensional marketing service network. As of the end of the Reporting Period, SMEC has set up 89 immediate branches and more than 360 branches providing maintenance service across the country. The development and comprehensive promotion and application of the IoT-based elevator integrated supervision and control system has further enhanced the quality and efficiency of SMEC'S maintenance services, not only promoting the application of the IoT in the elevator field, but also guiding the standardized and professionalized development of the elevator

maintenance industry, which facilitated the core competitiveness of SMEC's elevator maintenance services.

In the field of intelligent manufacturing equipment, we have deepened our industrial collaboration and seized the opportunity of industrial upgrading towards "flexible-manpower-line, unmanned and intelligent" direction. During the Reporting Period, Germany Broetje Company won the bid for the automatic drilling and riveting machine for Airbus A220 Project of AVIC SAC Commercial Aircraft Company Ltd., marking a new breakthrough made by us in the field of intelligent manufacturing for aviation and aerospace industries.

In the field of construction industrialization, with our independent equipment research and development and manufacturing capabilities, we focus on building a full industry chain of services covering prefabricated construction design, production equipment manufacturing, and PC component production, providing one-stop solutions for prefabricated construction market. By building an "intelligent manufacturing + industrial internet platform", we are capable of integrating industry resources with management expertise while constructing digital plants and intelligent equipment. Our "Matechstone Cloud Chain" sharing service platform effectively connected upstream and downstream resources in the industry chain through the use of cloud computing, big data, Internet of Things and other information technologies, creating a one-stop collaborative service platform for the prefabricated construction industry that integrates project management, intelligent manufacturing, centralized procurement, logistics and distribution, and supply chain financial services.

During the Reporting Period, we acquired new orders for construction industrialization of RMB0.74 billion. At the end of the Reporting Period, our orders on hand for construction industrialization amounted to RMB0.6 billion.

Integrated Services

In the field of energy engineering and services, we continued to cultivate overseas markets and markets in countries along the "One Belt and One Road" initiative and sped up in becoming a leading enterprise in the global energy engineering general contracting industry. During the Reporting Period, the world's tallest 222-meter solar thermal tower, the core construction of the 700 MW concentrated solar power (CSP) project was topped out. It is under the 950MW CSP and photovoltaic (PV) hybrid power station project, the world's largest CSP project in Dubai, undertaken by Shanghai Electric. The phase-I demonstration project of the "PV + energy storage" power station ancillary to the CSP and PV project in Dubai was officially initiated,

marking that Shanghai Electric's overall solutions to solar energy storage and battery energy storage products expanded into overseas markets for the first time. We reached cooperation with Singapore Land Energy Company (新加坡大地能源公司) and secured the contract on the general contracting of the PV power station project (the second phase of Sunshine Land) in the business park of Singapore Changi Airport. The project is currently the biggest concentrated PV power station under plan in Singapore. During the Reporting Period, we obtained the contract on the 28MW PV power station project of JAGA in Japan and the contract on the general contracting of the biomass electricity and heat cogeneration and clean heat supply project of CR Power in Caofeidian. During the Reporting Period, Unit 5 of the 1000MW ultra supercritical coal-fired units of China Guodian Hanchuan Plant (國電漢川電廠), the first overhauls project on 1000MW units undertaken by us, was connected to the grid. The expansion project constructed by Shanghai Electric under general contracting in Sylhet, Bangladesh has completed the trial operation on the reliability of units, making it the first overseas combined cycle project of Shanghai Electric under general contracting put into operation. In addition, based on demands for e-commerce services, we released the "e Station" (e站通), an e-commerce platform of Shanghai Electric, during the Reporting Period to promote the accurate matching of services from factories and demands of power plants and gradually achieve the establishment of the ecosystem of energy services. Currently, users with online trading on the "e Station" include 152 power plants.

During the Reporting Period, we acquired new orders for energy engineering and services of RMB18.17 billion, representing a year-on-year decrease of 1.3%. At the end of the Reporting Period, our orders on hand for energy engineering and services amounted to RMB113.82 billion, representing an increase of 7.4% from the end of the preceding year; among which, the overseas orders amounted to RMB66.26 billion, representing an increase of 7.6% from the end of the preceding year.

In the field of environmental protection engineering and services, we have maintained rapid development momentum, and achieved technological and market breakthroughs in various fields such as power plant environmental protection, solid waste treatment and water treatment. During the Reporting Period, we won the order for the PPP project on rural sewage treatment in Huaiyuan County, Bengbu City, Anhui Province. The project includes the construction of sewage network and sewage treatment facilities in 16 stations of townships and towns and 2 provincial beautiful villages in Huaiyuan County as well as the establishment of an operation and maintenance supervision platform covering the scope of the project. During the Reporting Period, we won the order for the medical waste disposal project (the first stage) in Foshan City. The project is the only medical

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waste disposal facilities in Foshan City and adopts the unique thermolysis, gasification and incineration techniques. All sewage from the factory is recycled after handling and achieved zero discharge. The winning of the project marks an important step for the Company to conduct layouts on the treatment of hazardous waste and medical waste. We won the order for the lead-acid battery recycling and secondary lead smelting project in Chenzhou. The project can handle 160,000 tons of waste lead-acid batteries each year and produce secondary lead of 110,000 tons each year. During the Reporting Period, the rural domestic sewage treatment and maintenance center of Shanghai Electric in Chongming District was put into operation, providing services such as integrated sewage equipment maintenance, ancillary pipeline dredging, pump station dredging and replacement and repairing of ancillary electric components.

During the Reporting Period, we acquired new orders for environmental protection engineering and services of RMB4.45 billion, representing a year-on-year decrease of 38.7%. At the end of the Reporting Period, our orders on hand for environmental protection engineering and services amounted to RMB9.94 billion, representing an increase of 23.8% from the end of the preceding year.

In the field of automation engineering and services, we are committed to helping customers build a streamlined, rationalized, standardized, automated and unmanned manufacturing system. During the Reporting Period, Shanghai Electric Automation D&R Institute Co., Ltd., a subsidiary of the Company, and China Railway Shanghai Engineering Group Co., Ltd. jointly won the order for the project on the engineering automation and electromechanical integrated installment and debugging for the second phase of Xinzhou Sewage Treatment Plant in Ningbo, providing customers with systematic and overall solutions on “intelligent water”. During the Reporting Period, we won the order for the program on the operation and dispatching system of the tramcar EPC project in Ice Township of Prince City (太子城冰雪小鎮) in the Olympic venue in Chongli, Zhangjiakou. The program on the operation and dispatching system is an important control equipment to guarantee the driving control, driving safety and high-efficiency operation of tramcars and is a key system for the operation and control of tramcars. During the Reporting Period, we won the order for the program on the integration of the signal systems for the Phase-I of Nanchang Metro Line 4 and Zhengzhou Metro Line 6. We also won the order for the program on the integration and subcontracting of the electromechanical system for the Phase-I of the tramcar system in Jiaxing, marking the expansion of Shanghai Electric’s rail transit target markets from urban metros to suburban railways.

During the Reporting Period, we acquired new orders for automation engineering and services of RMB2.43 billion, representing a year-on-year increase of 473.7%. At the end of the

Reporting Period, our orders on hand for automation engineering and services amounted to RMB5.06 billion, representing an increase of 38.0% from the end of the preceding year.

During the Reporting Period, in order to coordinate execution of our group strategy, our financial business 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 evolved towards a comprehensive financial service provider with presence in both domestic and overseas markets. During the Reporting Period, our financial business provided guarantees to the new demands of subsidiaries of the Group in business transformation through innovative financial instruments and various measures. We entered into strategic cooperation agreements with downstream customers in the industrial chain, achieving mutual recognition of letters of guarantee, assisting subsidiaries of the Group in conducting business with downstream customers with higher efficiency, more convenience and lower costs and promoting the development of the industry. During the Reporting Period, we continued to deepen the integration between business and finance, gave play to the coordinated advantages and provided comprehensive service plans on “promoting production with finance” to meet the capital demands in overseas investments, projects and trade, promote the implementation of key projects through funds and other diversified investment means and achieve cooperation and win-win results.

Outlook

Looking forward to the second half of 2020, we will focus on accelerating the adjustment of the industrial chain as the principal line and vigorously advance the implementation of the “three steps forward” strategy with deepening the reform of systems and mechanisms as the driver. We will focus on advancing “four transformations”, namely the digital transformation, the transformation of product structure, the transformation of industrial modes and the transformation of business models. We will cultivate strategic emerging industries and achieve new layouts on energy storage, new energy, intelligent manufacturing and other sectors. We will forge ahead, overcome external difficulties caused by the epidemic, vigorously “reshape Shanghai Electric” and continue to struggle forward and achieve the “Electric Dream”.

Zheng Jianhua
Chairman and CEO
Shanghai, the PRC,
28 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group achieved total revenue of RMB53,237 million, representing a year-on-year increase of 0.53%; the net profit attributable to owners of the Company amounted to RMB1,522 million, representing a year-on-year decrease of 17.57%; the net profit attributable to the owners of the Company after deduction of non-recurring profit and loss amounted to RMB1,347 million, basically remained the same level as that of the corresponding period of the preceding year.

Principal Activities and Operation Review of the Company

Table Showing Principal Activities by Business Segments

Unit: 100million; 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
Energy Equipment	192.92	157.99	18.1	2.3	-0.2	2.1 percentage points
Industrial Equipment	204.64	171.45	16.2	-0.8	1.9	-2.2 percentage points
Integrated Services	178.57	142.09	20.4	9.7	11.9	-1.6 percentage points

Energy Equipment

During the Reporting Period, the energy equipment segment achieved revenue of RMB19,292 million, representing an increase of 2.3% as compared with the same period last year, which was mainly attributable to a faster growth of wind power equipment business. During the Reporting Period, gross profit ratio of the energy equipment segment reached 18.1%, representing an increase of 2.1 percentage points as compared with the same period last year, primarily due to change in gross profit margin structure of energy equipment.

Industrial Equipment

During the Reporting Period, the industrial equipment segment's revenue was RMB20,464 million, representing a decrease of 0.8% as compared with the same period last year, which was mainly attributable to the decrease in overseas revenue of fastener business caused by the epidemic. During the Reporting Period, gross profit ratio of the industrial equipment segment was 16.2%, representing a decrease of 2.2 percentage points as compared with the same period last year, primarily due to the decrease in gross profit ratio of fastener business overseas affected by the pandemic and the decrease in gross profit ratio of elevator business resulted from the adoption of the pricing strategy designed to further expand market share.

Integrated Services

During the Reporting Period, the integrated services segment achieved revenue of RMB17,857 million, representing an increase of 9.7% as compared with the same period last year, which was mainly attributable to the increase in revenue of energy engineering and services. During the Reporting Period, gross profit ratio of the integrated services segment was 20.4%, representing a decrease of 1.6 percentage points as compared with the same period last year, primarily due to change in gross profit margin structure of energy engineering and services.

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	289,052,705	280,523,589	3.04
Equity attributable to owners of the Company	64,976,453	63,345,856	2.57
Net assets per share attributable to owners of the Company (Yuan/share)	4.29	4.18	2.63

Unit: '000; Currency: RMB

	The Reporting Period (from January to June 2020)	The corresponding period of the last year	Increase/decrease for the current Reporting Period as compared to the corresponding period of the last year (%)
Total revenue	53,236,808	52,956,456	0.53
Operating revenue	52,818,950	52,459,563	0.69
Operating profit	3,022,176	3,520,985	-14.17
Total profit	3,086,735	3,560,544	-13.31
Net profit attributable to owners of the Company	1,522,052	1,846,457	-17.57
Basic earnings per share (Yuan)	0.10	0.12	-16.67
Weighted average return on net assets (%)	2.37	3.14	A decrease of 0.77 percentage point
Net cash flow generated from operating activities	-16,028,231	-10,217,135	N/A
Net cash flow per share generated from operating activities (Yuan)	-1.06	-0.67	N/A

Review of Revenue by Geographical Areas

Unit: 100 million; Currency: RMB

Geographical Areas	Revenue	Year-on-year Change in Revenue (%)
Mainland China	439.40	-2.47
Elsewhere	92.97	17.64
Total	532.37	0.53

Major Financial Reporting Items and Analysis of Changes

Unit: 100 million; Currency: RMB

	January to June 2020	January to June 2019	Year-on-year Change (%)
Total revenue	532.37	529.56	0.53
Operating revenue	528.19	524.60	0.69
Operating cost, interest expenses, and handling charges and commissions expenses	427.36	424.97	0.56
Operating cost	426.90	424.50	0.57
Selling and distribution expenses	16.81	15.17	10.81
General and administrative expenses	30.52	31.98	-4.57
Research and development expenditures	16.93	15.91	6.41
Financial expenses	7.11	8.74	-18.65
Net cash flows from operating activities	-160.28	-102.17	N/A
Net cash flows from investing activities	13.68	-1.82	N/A
Net cash flows from financing activities	8.96	51.12	-82.47

Analyses of Changes

Reason for change in net cash flows from operating activities: mainly due to increase in payment for goods as compared with last year due to the procurement of goods for production and stock order.

Reason for change in net cash flows from investing activities: mainly due to increase in cash received from disinvestment of the Finance Company of the Company.

Reason for change in net cash flows from financing activities: mainly due to change in the repayment of interest-bearing debts during the Reporting Period.

Assets and Liabilities

As at 30 June 2020, the Group has total assets of RMB289,053 million (31 December 2019: RMB280,524 million), an increase of RMB8,529 million, or 3.04%, compared with that of the beginning of the year. Total current assets increased by RMB8,011 million from the beginning of the year to RMB207,212 million (31 December 2019: RMB199,201 million), accounting for 71.7% of the total assets. Total non-current assets were RMB81,841 million as at 30 June 2020 (31 December 2019: RMB81,323 million), representing an increase of RMB518 million from the beginning of the year and accounting for 28.3% of the total assets.

As at 30 June 2020, total liabilities of the Group were RMB192,574 million (31 December 2019: RMB188,934 million), representing an increase of RMB3,640 million, or 1.93%, compared with that of the beginning of the year. Total current liabilities increased by RMB4,544 million from the beginning of the year to RMB168,605 million (31 December 2019: RMB164,061 million), whereas total non-current liabilities decreased by RMB904 million from the beginning of the year to RMB23,969 million (31 December 2019: RMB24,873 million).

As at 30 June 2020, total net current assets of the Group were RMB38,607 million (31 December 2019: RMB35,140 million), representing an increase of RMB3,467 million from the beginning of the year.



MANAGEMENT DISCUSSION AND ANALYSIS

Source of Funding and Indebtedness

As at 30 June 2020, the Group had an aggregate amount of bank and other borrowings and bonds of RMB46,838 million (31 December 2019: RMB43,277 million), representing an increase of RMB3,561 million as compared with that as of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB29,770 million, representing an increase of RMB4,679 million as compared with that as of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB17,068 million, representing a decrease of RMB1,118 million as compared with that of the beginning of the year.

As at 30 June 2020, among the Group's bank and other borrowings, the unsecured borrowings denominated in US dollars amounted to USD211,526,000 in total (31 December 2019: USD256,458,000), equivalent to RMB1,497,452,000 (31 December 2019: RMB 1,789,105,000); borrowings denominated in Euros amounted to EUR705,480,000 in total (31 December 2019: EUR128,141,000), equivalent to RMB5,616,136,000 (31 December 2019: RMB1,001,486,000); borrowings denominated in Hong Kong dollars amounted to HKD800,000,000 in total (31 December 2019: HKD828,000,000), equivalent to RMB730,720,000 (31 December 2019: RMB 741,706,000); borrowings denominated in Swiss Franc amounted to CHF340,000 in total (31 December 2019: CHF534,000), equivalent to RMB2,534,000 (31 December 2019: RMB3,847,000); borrowings denominated in Pound amounted to GBP86,000 in total (31 December 2019: RMB0), equivalent to RMB748,000 (31 December 2019: RMB0). The mortgage bank borrowings denominated in Euros amounted to EUR6,484,000 in total (31 December 2019: EUR6,494,000), equivalent to RMB51,621,000 (31 December 2019: RMB50,758,000). The bank guaranteed borrowings denominated in US dollars amounted to USD169,502,000 (31 December 2019: USD174,375,000), equivalent to RMB1,199,989,000 (31 December 2019: RMB1,216,475,000); borrowings denominated in Euros amounted to EUR99,295,000 (31 December 2019: EUR99,093,000), equivalent to RMB790,489,000 (31 December 2019: RMB774,464,000). All other unsecured bank borrowings are denominated in RMB.

Pledge of Assets

As at 30 June 2020, the Group's bank deposits amounted to RMB1.001 billion (31 December 2019: RMB1,583 million), notes receivable amounted to RMB114 million (31 December 2019: RMB181 million), and certain property and equipment with a carrying amount of RMB952 million (31 December 2019: RMB677 million) were pledged to banks to obtain bank borrowings

or credit facilities. In addition, as at 30 June 2020, none of the Group's bank borrowings was pledged by the Group's inventory (31 December 2019: RMB400 million). Part of the Group's bank borrowings was secured by the Group's long-term receivables, with a carrying amount of RMB1,965 million (31 December 2019: 1,700 million).

Gearing Ratio

As at 30 June 2020 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 32.68%, representing an increase of 0.59 percentage point as compared with 32.09% at the beginning of the year.

Contingent Liabilities

Please refer to note 20 to the unaudited interim consolidated financial information for details.

Capital Commitments

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

Capital Expenditure

Total capital expenditure of the Group for the Reporting Period was approximately RMB1,816 million (first half year of 2019: RMB2,475 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

On 7 November 2017, the Company completed the issue of A shares with an aggregate amount of RMB3 billion to eight specific investors (including Shanghai Electric (Group) Corporation, the controlling shareholder of the Company) by way of non-public issuance. Proceeds from the non-public issuance were originally intended to be used to finance the projects including the Emerging Industrial Park Development Project at Gonghe New Road, the Innovative Industry Park Reformation Project at Beinei Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. According to the requirements such as adjustments by government authorities to the planning of the relevant areas where the proceeds-funded projects are located, in light of the Company's business development and the change in market conditions and on the principles of satisfying the requirements for use of raised proceeds and reducing the risks associated with the implementation of proceeds-funded projects, as considered and approved at the 2nd meeting of the 5th session of the Board and approved at the 2018 third extraordinary general meeting of the Company, the proceeds would not be used to

finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. After consideration and approval of the 4th meeting of the 5th session of the Board and the approval of the first extraordinary general meeting in 2019, the Company applied part of the proceeds towards the successfully completed acquisitions of the 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) and the 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司). After consideration and approval of the 20th meeting of the 5th session of the Board and the approval of the second extraordinary general meeting in 2019, the Company adjusted the amount of raised funds used in the reconstruction project of Beinei Road Creative Industry Park and used part of the raised funds in the project of Shanghai Electric Nantong Central Research Institute, and the remaining raised funds were used in permanent replenishment of working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Schedule of Use of Proceeds

Unit: '00 million; Currency: RMB

Total amount of proceeds	30.00	Total proceeds invested during the year	0.62
Total proceeds used for other purposes instead of the scheduled one(s)	27.09	Total cumulative proceeds invested (Note1)	23.83
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	90.30%		

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 (Note2)	Date of achieving the project's designed serviceable condition	Benefits generated during the year	Achieved the estimated goal or not
Emerging Industrial Park Development Project at Gonghe Xin Road	Yes	10.55	-	-	-	-	N/A	N/A
Innovative Industry Park Reformation Project at Beinei Road (Note2)	Yes	2.26	0.66	-	-	2021	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	Yes	-	3.42	-	3.42	2019	N/A	N/A
Acquisition of 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited	Yes	-	7.56	-	7.56	2019	N/A	N/A
Shanghai Electric Nantong Central Research Institute Project	Yes	-	7.26	0.62	1.90	2021	N/A	N/A
Permanent replenishment of working capital	Yes	-	8.85	-	8.85	2019	N/A	N/A
Total	-	30.00	29.85	0.62	23.83	-	-	-

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 2020.

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 would 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.

As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018 and 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 proposed 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 Shanghai Electric Investment Company Limited (“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 intended to first proceed with the aforesaid acquisitions with its self-owned funds through its wholly-owned subsidiary SEI. Shanghai Electric has first completed the abovementioned acquisitions through its wholly-owned subsidiary SEI and supplemented the self-owned funds early invested with the proceeds.

Changes in proceeds-funded project

As considered and approved at the 20th meeting of the fifth session of the board of directors of the company on September 27 2019, and as considered and approved at the 2019 second extraordinary general meeting, the 2019 second A share class meeting and the 2019 second H share class meeting on November 14 2019, Shanghai Electric proposed to change the total investment and implementation mode of as well as the amount of proceeds earmarked for the Beinei Road Project. In particular, the total investment would be adjusted to RMB130 million; a project company would be jointly established by Shanghai Electric Group Property Company Limited (上海電氣集團置業有限公司) (“SEC Property”) and Shanghai Yuanying Investment Management Co., Ltd. (上海元盈投資管理有限公司) (“Shanghai Yuanying”), a controlled subsidiary of Shanghai Guorun Investment and Development Company Limited (上海國潤投資發展有限公司) (“Guorun Investment”) to function as the implementation entity. The project company (the name of which shall be subject to the approved business name) has a registered capital of RMB20 million, and is owned as to 60% by SEC Property through its contribution of self-financed funds in the amount of RMB12 million. Proceeds earmarked for the project was reduced from RMB226 million to RMB66 million, which would be provided to SEC Property by Shanghai Electric through capital contribution, and in turn allocated to the project company by SEC Property by way of entrusted bank loans at an interest of 8% per annum for construction of No. 32 park zone reformation project at Beinei Road. In addition, upon intensive research and demonstration, Shanghai Electric proposed to appropriate RMB726 million from the RMB1,451 million previously set apart for proceeds-funded projects yet pending for confirmation to invest in the Shanghai Electric Nantong Central Research Institute Project, and use the remaining proceeds of RMB891 million (including interest income and the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out. Such funds comprise proceeds of RMB885 million and interest income therefrom of RMB6 million) to replenish working capital permanently.

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 the 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 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 the 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 and returned all the abovementioned proceeds to the special account for proceeds on 9 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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, and 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 2020, the Electric Convertible Bonds amounting to RMB1,531,882,000 have been converted into 294,416,777 A Share. As at 30 June 2020, the unconverted Electric Convertible Bonds amounted to RMB4,468,118,000.

Changes in the Convertible Bonds during the Reporting Period

Unit: YUAN ; Currency: RMB

Name of convertible bond	Prior to current changes	Increase/decrease in the current changes			After current changes
		Converted	Redeemed	Resold	
Electric Convertible Bonds	4,468,165,000	47,000	-	-	4,468,118,000

Aggregated Conversion of Convertible Bonds during the Reporting Period

Amount of shares converted during the Reporting Period (RMB)	47,000
Number of shares converted during the Reporting Period	9,160
Aggregated number of shares converted	294,416,777
Aggregated number of shares converted per the total number of shares issued by the Company before conversion (%)	2.30
Outstanding convertible bonds (RMB)	4,468,118,000
Outstanding convertible bonds per the total number of convertible bonds issued (%)	74.47

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

As at 30 June 2020, the size of interest-bearing debts of the Company was RMB46,838 million, including bank borrowings of RMB39,905 million, convertible bonds of RMB4,450 million and mid-term notes of RMB2,483 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 2020 was RMB124,892 million, of which RMB47,911 million has been used and RMB76,981 million has not yet been used).

Significant Events

Material Equity Investment

In February 2020, the Company entered into the Share Transfer Agreement with Mr. Wang Weidong and Ms. Xu Xiaoju, pursuant to which, the Company will acquire 27,442,449 shares held by Mr. Wang Weidong and Ms. Xu Xiaoju in Yinghe Technology. Upon completion of the Share Transfer, the Company will hold 64,032,381 shares in Yinghe Technology, representing 17.03% of the total share capital of Yinghe Technology. As of the date of this report, the number of directors nominated by the Company represented more than half of the number of the seats on the board of Yinghe Technology, and Mr. Wang Weidong and Ms. Xu Xiaoju have given up the voting rights attached to the 109,769,800 shares held by them in Yinghe Technology, and therefore the Company is the controlling shareholder of Yinghe Technology.

Spin-off and Listing of Shanghai Electric Wind Power Group co., Ltd. on the Science and Technology Innovation Board of Shanghai Stock Exchange

On 6 January 2020 and 15 April 2020, the Board of the Company considered and approved the relevant resolutions that Shanghai Electric Wind Power Group Co., Ltd. ("SEWP") proposed to conduct the initial public offering of its RMB

(Renminbi, the lawful currency of the People's Republic of China) ordinary shares and seek for listing on the Science and Technology Innovation Board of Shanghai Stock Exchange upon completion of the share issuance (the "Spin-off"). On 7 May 2020, the relevant resolutions of the Spin-off were considered and approved at the 2020 first extraordinary general meeting of the Company.

During the Reporting Period, the Company has applied for, and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") has agreed, that the Company may proceed with the proposed Spin-off under Practice Note 15 of the Listing Rules. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of paragraph 3(f) of Practice Note 15 of the Listing Rules. The Company will not provide any guarantee for allotment of SEWP shares to its shareholders.

SEWP has received a notice of acceptance of the listing application from the Shanghai Stock Exchange on 19 June 2020.

General Mandate for Buy-back of Certain H Shares of the Company

On 29 June 2020, the grant of general mandate to the Board for buy-back of certain issued H shares of the Company was approved at the general meeting and class meetings of the Company. To stabilize investors' investment expectations and promote the long-term sustainable development of the Company, the Company proposed to buy back its H shares not exceeding 10% of the total issued H shares of the Company as at the date of the approval at the general meeting and class meetings, based on the current operation situation, financial position and future development prospect of the Company. Such general mandate will be valid for a maximum of one year, and no later than the end of the next annual general meeting or the date on which such general mandate stated under this resolution is revoked or amended by a special resolution at a general meeting and class meeting of the Company, whichever is earlier.

Alignment in the Preparation of Financial Statements in Accordance with the China Accounting Standards for Business Enterprises and Cessation of Appointment of the International Auditor

The Company has prepared financial statements and

MANAGEMENT DISCUSSION AND ANALYSIS

announced the interim results of the Company for the six months ended 30 June 2020 in accordance with the PRC Accounting Standards for Business Enterprises.

On 15 April 2020, the Board of the Company considered and approved the relevant resolutions that the Company will prepare only one set of its financial statements in accordance with the PRC Accounting Standards for Business Enterprises from 2020 onwards and cease to appoint PricewaterhouseCoopers as the international auditor of the Company at the same time in order to improve efficiency and save compliance costs and audit fees. The relevant resolutions were considered and approved at the annual general meeting for the year of 2019 of the Company. The Company is of the view that the alignment in the preparation of financial statements in accordance with the PRC Accounting Standards for Business Enterprises will not have a significant impact on the financial position, operating results and cash flows of the Company in 2020 and in the future.

Employees

On 30 June 2020, the Group had approximately 34,078 employees (30 June 2019: approximately 33,720). 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 and 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.

Material Events After the Period

General Election of the Board of Directors and Supervisors

In August 2020, according to the relevant regulatory requirements on office term of independent directors of listed companies under PRC laws, Dr. Chu Junhao, an independent non-executive Director of the Company, resigned as an independent non-executive Director, chairman and member of Remuneration Committee, chairman and member of Nomination Committee, member of Audit Committee and member of Strategy Committee due to the expiry of his six-year term of office as an independent Director of the Company. Dr. Chu Junhao will continue to perform his duties as an independent Director of the Company until a new independent non-executive director is elected at the general meeting of the Company.

In August 2020, Dr. Xi Juntong was appointed as the



chairman and a member of the remuneration committee as well as the chairman and a member of the nomination committee, and the term of his office will start from 28 August 2020 to the end of the term of the fifth session of the Board; Dr. XU Jianxin was appointed as a member of the strategy committee of the Company, and the term of his office will start from 28 August 2020 to the end of the term of the fifth session of the Board.

In August 2020, the Board of the Company agreed to nominate Dr. Liu Yunhong as an independent Director candidate for the fifth session Board of the Company, with the term of office from the approval date of the general meeting to the expiration of the term of the fifth session of the Board.

The biographical details of Dr. Liu are set out below:

Liu Yunhong, aged 44, currently serves as the deputy head of the Institute of International M&A and Investment of Renmin

University of China and the head of Foresea Life Insurance (Shanghai) Research Institute, an independent director of Shanghai Aerospace Automobile Electromechanical Co., Ltd., an independent director of Bank of Guiyang Co., Ltd., an adjunct professor and tutor of postgraduates of Renmin University of China, Shanghai University of Finance and Economics and East China University of Political Science and Law. Dr. LIU has served as the head of Legal and Compliance Division of Guotai Asset Management Co., Ltd., did post-doctoral research work at the Shanghai Stock Exchange, served as general manager of Investment Banking Department of Aerospace Securities Co., Ltd. and successively served as the general manager of the Investment Banking Department and the assistant to president of Hwabao Securities Co. Ltd.. Dr. LIU obtained a doctorate's degree in law from Renmin University of China, and is a post-doctoral fellow in economics and law and a research fellow by professional title.



OTHER INFORMATION

Share Capital Structure

30 June 2020	Number of shares	Approximate percentage of issued share capital
A shares	12,179,559,578	80.38%
H shares	2,972,912,000	19.62%
Total	15,152,471,578	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 2020 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	313,642,000	Long position	10.55	2.07
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	8,662,879,405	Long position	71.13	57.17
	H	Beneficial owner	1	280,708,000	Long position	9.44	1.85
	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 2020 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 2020, the interests and short positions of the directors, supervisors and chief executives of the Company (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 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 Hong Kong 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 Hong Kong 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 2020, 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 or its associated corporations as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong 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 2020 to 30 June 2020. 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 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 consolidated financial information for the period under review.

Purchase, Sale or Redemption of the Company's Securities

During the Reporting Period, the Company proposed to repurchase and cancel a total of 7,416,000 Restricted A Shares which have been granted but not yet unlocked due to changes in the personal circumstances of 95 participants under the Restricted A Share Incentive Scheme in accordance with Chapter 13 of the Restricted A Share Incentive Scheme (Draft), representing approximately 5.55% of the total number of 133,578,000 registered Restricted A Shares of the Company and approximately 0.05% of the total share capital of the Company. The repurchase price of the Restricted Shares is RMB2.96854 per share. The Company is of the view that the shares repurchase and cancellation will not have a significant impact on the financial position and operating results of the Company.

Save as stated above, no purchase, sale or repurchase of the Company's listed securities has been made by the Company or any of its subsidiaries during the Reporting Period.

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 Dr. Chu Junhao, Dr. Xi Juntong and Dr. Xu Jianxin.

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

28 August 2020

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current assets			
Cash at bank and on hand		24,791,323	21,460,942
Clearing settlement funds		18,482	12,853
Placements with banks and other financial institutions		11,598,836	33,339,823
Held-for-trading financial assets		6,869,757	6,964,752
Derivative financial assets		11,257	2,381
Notes receivable		6,078,907	6,221,789
Accounts receivable	8	32,964,999	29,337,049
Receivables financing		7,167,814	5,440,954
Prepayments		22,271,610	18,764,416
Other receivables		7,307,434	4,254,254
Financial assets purchased under resale agreements		3,008,455	30,800
Inventories		31,285,140	27,004,499
Contract assets		28,936,934	24,984,702
Assets held for sale		2,759,743	9,788
Non-current assets due within one year		3,536,706	3,827,810
Other current assets		18,604,561	17,544,133
Total current assets		207,211,958	199,200,945
Non-current assets			
Other debt investments		51,632	61,729
Long-term receivables		6,475,599	7,223,030
Long-term equity investments		12,055,274	15,118,771
Other non-current financial assets		5,596,579	5,432,302
Investment properties		1,262,534	1,134,391
Fixed assets	9	17,438,351	16,715,637
Constructions in progress		8,316,847	7,323,700
Right-of-use assets		963,790	952,099
Intangible assets		8,269,649	7,864,479
Research and development expenditures		183,538	170,388
Goodwill		5,183,829	3,641,102
Long-term deferred expenses		462,477	346,346
Deferred tax assets		6,309,577	5,771,190
Other non-current assets		9,271,071	9,567,480
Total non-current assets		81,840,747	81,322,644
TOTAL ASSETS		289,052,705	280,523,589

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Current liabilities			
Short-term borrowings	10	21,866,957	16,733,944
Held-for-trading financial liabilities		37,773	33,097
Derivative financial liabilities		4,977	6,096
Notes payable		9,121,493	8,506,993
Accounts payable	11	58,524,841	57,922,655
Advances from customers		562,702	535,048
Contract liabilities		44,013,762	38,584,900
Amounts sold under repurchase agreements		-	4,050
Deposits from customers, banks and other financial institutions		3,455,407	7,208,955
Employee benefits payable		2,976,218	3,640,260
Taxes payable		1,727,330	3,272,191
Other payables		8,387,651	8,801,884
Non-current liabilities maturing within one year		10,031,168	10,333,765
Other current liabilities		7,894,341	8,477,304
Total current liabilities		168,604,620	164,061,142
Non-current liabilities			
Long-term borrowings	12	14,584,888	11,268,418
Bonds payable	13	2,482,555	6,917,727
Lease liabilities		756,029	734,513
Long-term payables		1,576,669	1,716,378
Deferred income		1,624,139	1,631,710
Long-term employee benefits payable		250,511	258,445
Provisions		1,693,172	1,436,031
Deferred tax liabilities		976,112	900,890
Other non-current liabilities		25,119	9,163
Total non-current liabilities		23,969,194	24,873,275
Total liabilities		192,573,814	188,934,417
Owners' equity			
Share capital	14	15,152,472	15,152,463
Capital surplus		20,127,243	19,975,915
Less: treasury stocks		(404,741)	(404,741)
Other comprehensive income		(89,379)	(35,587)
Special reserve		142,595	130,235
Surplus reserve		5,720,695	5,720,695
Retained earnings		24,327,568	22,806,876
Total equity attributable to equity owners of the Company		64,976,453	63,345,856
Minority interests		31,502,438	28,243,316
Total owners' equity		96,478,891	91,589,172
Total liabilities and owners' equity		289,052,705	280,523,589

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENTS

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Total revenue		53,236,808	52,956,456
Including: Operating revenue	15	52,818,950	52,459,563
Interest income	15	416,321	494,798
Income from handling charges and commissions	15	1,537	2,095
Total cost of sales		(50,121,796)	(49,888,272)
Including: Operating cost	15	(42,689,517)	(42,449,550)
Interest expenses	15	(41,634)	(47,391)
Handling charges and commissions expenses	15	(4,399)	(495)
Taxes and surcharges	16	(248,198)	(211,510)
Selling and distribution expenses		(1,681,489)	(1,516,996)
General and administrative expenses		(3,052,475)	(3,197,617)
Research and development expenditures		(1,692,844)	(1,590,897)
Financial expenses - net		(711,240)	(873,816)
Including: Interest expenses		(918,766)	(990,683)
Interest income		214,775	191,021
Add: Other income		387,107	373,569
Investment income		636,558	533,617
Including: Share of profit of associates and joint ventures		409,531	392,174
Income arising from derecognition of financial assets measured at amortised cost		(1,027)	(31,809)
Gains/(Losses) on changes in fair value		2,303	(48,719)
Losses from credit impairment		(987,602)	(429,055)
Losses from asset impairment		(137,946)	(401,175)
Gains on disposals of assets		6,744	424,564
Operating profit		3,022,176	3,520,985
Add: Non-operating income		89,977	78,605
Less: Non-operating expenses		(25,418)	(39,046)
Total profit		3,086,735	3,560,544
Less: Income tax expenses	17	(588,342)	(660,636)
Net profit		2,498,393	2,899,908
Including: Net profit of the acquiree in a business combination under common control before the combination date		-	-
Attributable to equity owners of the Company		1,522,052	1,846,457
Minority interests		976,341	1,053,451

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENTS (CONTINUED)

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Other comprehensive income, net of tax		(96,752)	(33,297)
Attributable to shareholders of the parent company		(53,792)	(11,019)
Other comprehensive income that will not be subsequently reclassified to profit or loss		1,218	(5,717)
Changes arising from remeasurement of net liability or net asset of defined benefit plan		1,218	(5,717)
Other comprehensive income that will be subsequently reclassified to profit or loss		(55,010)	(5,302)
Changes in fair value of other debt investments		941	31,951
Changes in fair value of accounts receivable measured at fair value through other comprehensive income		(24,783)	(18,548)
Provision for credit impairment of receivables financing		11,184	-
Cash flow hedges, net of tax		(1,059)	913
Exchange differences on translation of foreign operations		(41,293)	(32,949)
Others		-	13,331
Attributable to minority shareholders		(42,960)	(22,278)
Total comprehensive income		2,401,641	2,866,611
Attributable to equity owners of the parent company		1,468,260	1,835,438
Attributable to minority shareholders		933,381	1,031,173
Earnings per share			
Basic earnings per share (RMB Yuan)	18	0.10	0.12
Diluted earnings per share (RMB Yuan)	18	0.10	0.12

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Item	Note	Attributable to shareholders of the parent company									Total shareholders' equity RMB'000
		Share capital RMB'000	Capital surplus RMB'000	Treasury stocks RMB'000	Other comprehensive income RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Minority interests RMB'000	
Balance at 31 December 2018		14,725,188	16,556,807	-	(132,568)	129,836	5,244,100	20,766,833	57,290,196	16,346,424	73,636,620
Changes in accounting policies		-	-	-	-	-	-	(12,083)	(12,083)	(6,092)	(18,175)
Balance at 1 January 2019		14,725,188	16,556,807	-	(132,568)	129,836	5,244,100	20,754,750	57,278,113	16,340,332	73,618,445
Movements for the six months ended 30 June 2019											
Total comprehensive income											
Net profit		-	-	-	-	-	-	1,846,457	1,846,457	1,053,451	2,899,908
Other comprehensive income		-	-	-	(11,019)	-	-	-	(11,019)	(22,278)	(33,297)
Total comprehensive income for the period		-	-	-	(11,019)	-	-	1,846,457	1,835,438	1,031,173	2,866,611
Capital contribution and withdrawal by shareholders											
Convertible bonds - equity component		293,632	1,008,244	-	-	-	-	-	1,301,876	-	1,301,876
Injection of capital from non-controlling interests		-	1,813,863	-	-	-	-	-	1,813,863	8,186,137	10,000,000
Addition of subsidiaries		-	-	-	-	-	-	-	-	2,630,877	2,630,877
Disposal of subsidiaries		-	-	-	-	-	-	-	-	(12,804)	(12,804)
Capital withdrawal by minority shareholders		-	-	-	-	-	-	-	-	(96,529)	(96,529)
Capital contribution by shareholders for equity incentives		133,578	271,163	(404,741)	-	-	-	-	-	-	-
Share-based payments included in shareholders' equity		-	16,665	-	-	-	-	-	16,665	-	16,665
Others		-	1,713	-	-	-	-	-	1,713	5,594	7,307
Profit distribution											
Distribution to shareholders		-	-	-	-	-	-	(931,270)	(931,270)	-	(931,270)
Distribution to minority shareholders		-	-	-	-	-	-	-	-	(1,290,515)	(1,290,515)
Appropriation to staff and workers' bonus and welfare fund		-	-	-	-	-	-	(9,362)	(9,362)	(7,461)	(16,823)
Special reserve											
Appropriation in the current period		-	-	-	-	9,254	-	-	9,254	10,337	19,591
Use in the current period		-	-	-	-	(2,872)	-	-	(2,872)	(7,326)	(10,198)
Balance at 30 June 2019		15,152,398	19,668,455	(404,741)	(143,587)	136,218	5,244,100	21,660,575	61,313,418	26,789,815	88,103,233

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Unaudited

Item	Note	Attributable to shareholders of the parent company								Minority interests RMB'000	Total shareholders' equity RMB'000
		Share capita RMB'000	Capital surplus RMB'000	Treasury stocks RMB'000	Other comprehensive income RMB'000	Special reserve RMB'000	Surplus reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 1 January 2020		15,152,463	19,975,915	(404,741)	(35,587)	130,235	5,720,695	22,806,876	63,345,856	28,243,316	91,589,172
Movements for the six months ended 30 June 2020											
Total comprehensive income											
Net profit		-	-	-	-	-	-	1,522,052	1,522,052	976,341	2,498,393
Other comprehensive income		-	-	-	(53,792)	-	-	-	(53,792)	(42,960)	(96,752)
Total comprehensive income for the period		-	-	-	(53,792)	-	-	1,522,052	1,468,260	933,381	2,401,641
Capital contribution and withdrawal by shareholders											
Convertible bonds - equity component		9	27	-	-	-	-	-	36	-	36
Addition of subsidiaries		-	-	-	-	-	-	-	-	3,052,527	3,052,527
Capital contribution by minority shareholders		-	-	-	-	-	-	-	-	72,194	72,194
Employee share schemes - value of employee services - Staff service value		-	49,993	-	-	-	-	-	49,993	-	49,993
Compensation for relocation of subsidiaries		-	23,463	-	-	-	-	-	23,463	(2,842)	20,621
Others		-	77,845	-	-	-	-	-	77,845	(69,888)	7,957
Profit distribution											
Distribution to minority shareholders		-	-	-	-	-	-	-	-	(726,741)	(726,741)
Appropriation to staff and workers' bonus and welfare fund		-	-	-	-	-	-	(1,360)	(1,360)	(1,198)	(2,558)
Special reserve											
Appropriation in the current period		-	-	-	-	25,332	-	-	25,332	9,886	35,218
Use in the current period		-	-	-	-	(12,972)	-	-	(12,972)	(8,197)	(21,169)
Balance at 30 June 2020		15,152,472	20,127,243	(404,741)	(89,379)	142,595	5,720,695	24,327,568	64,976,453	31,502,438	96,478,891

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cash flows used in operating activities		
Cash received from sales of goods or rendering of services	52,242,965	48,544,526
Refund of taxes and surcharges	262,121	247,396
Cash received relating to other operating activities	2,945,423	3,706,891
Sub-total of cash inflows	55,450,509	52,498,813
Cash paid for goods and services	(52,905,426)	(48,296,808)
Cash paid to and on behalf of employees	(5,214,680)	(4,957,421)
Payments of taxes and surcharges	(2,761,931)	(2,422,063)
Cash paid relating to other operating activities	(10,596,703)	(7,039,656)
Sub-total of cash outflows	(71,478,740)	(62,715,948)
Net cash flows used in operating activities	(16,028,231)	(10,217,135)
Cash flows from/(used in) investing activities		
Cash received from disposal of investments	6,364,075	2,581,332
Net cash received from acquisition of subsidiaries and other business units	-	1,879,711
Cash received from returns on investments	386,087	437,765
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	191,100	59,467
Net cash received from disposal of subsidiaries and other business units	-	6,156
Cash received relating to other investing activities	4,842,144	2,654,243
Sub-total of cash inflows	11,783,406	7,618,674
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(1,754,257)	(1,606,840)
Cash paid to acquire investments	(8,454,482)	(5,241,956)
Net cash repayments from acquisition of subsidiaries and other business units	(196,741)	-
Net cash repayments from disposal of subsidiaries and other business units	(9,906)	-
Cash paid relating to other investing activities	-	(951,537)
Sub-total of cash outflows	(10,415,386)	(7,800,333)
Net cash flows from/(used in) investing activities	1,368,020	(181,659)
Cash flows from financing activities		
Cash received from capital contributions	72,194	10,404,741
Including: Cash received by subsidiaries from capital contributions by minority shareholders	72,194	10,000,000
Cash received from borrowings	19,096,821	11,037,670
Cash received relating to other financing activities	-	1,932,055
Sub-total of cash inflows	19,169,015	23,374,466
Cash repayments of borrowings	(12,385,033)	(16,637,078)
Cash repayments of debentures	(4,776,600)	-
Cash payments for distribution of dividends, profits or interest expenses	(965,317)	(1,526,857)
Including: Cash payments for dividends or profits to minority shareholders by subsidiaries	(392,302)	(591,670)
Cash paid relating to other financing activities	(145,612)	(98,309)
Sub-total of cash outflows	(18,272,562)	(18,262,244)
Net cash flows from financing activities	896,453	5,112,222
Effect of foreign exchange rate changes on cash and cash equivalents	(25,246)	8,670
Net decrease in cash and cash equivalents	(13,789,004)	(5,277,902)
Add: Cash and cash equivalents at the beginning of the period	42,431,476	31,842,144
Cash and cash equivalents at the end of the period	28,642,472	26,564,242

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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:

(a) the energy equipment segment: design, manufacture and sale of coal-fired power generation and corollary equipment, gas-fired power generation equipment, wind power equipment, nuclear power equipment, energy storage equipment, high-end vessels for chemical industry, and provision of solutions for power grid and industrial intelligent power supply system;

(b) the industrial equipment segment: design, manufacture and sale of elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts, environmental protection equipment and construction industrialization equipment;

(c) the integrated services segment: provision of energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit and etc.; industrial internet services; financial services, covering financing leases and insurance brokerage; international trade services; high-end property services and 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements were prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) issued by the Ministry of Finance on 15 February 2006 and in subsequent periods and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

To enhance efficiency and save compliance costs and audit fees, the Group has prepared only one set of its financial statements in accordance with China Accounting Standards for Business Enterprises since 2020, as approved by 33rd meetings of the 5th Board of Directors held on 15 April 2020 and by the general meeting held on 29 June 2020, respectively.

3. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the six months ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely presented the consolidated financial position of the Company as at 30 June 2020 and their financial performance, cash flows and other information for the six months ended 30 June 2020.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. ESTIMATES

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgments in applying the accounting policies

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

Consolidation scope

Shanghai Mechanical & Electrical Industry Co., Ltd. ("SMEI") is an A-share listed company listing on SSE. The Group is the single largest shareholder of SMEI with 48.81% of shares. The remaining shares in SMEI are widely held by many other shareholders, none of whose shares exceed 5% (since the date when SMEI is consolidated by the Group). Meanwhile, since the date of consolidation, there has been no history of other shareholders exercise their votes collectively or to outvote the Group. Therefore, although the Group holds less than half of the voting rights in SMEI, the Group has substantial control over SMEI and includes it in the consolidation scope.

Besides, the Group holds 50% of the equity of Shanghai Electric Transmission and Distribution Group Co., Ltd. and 1% of its potential share warrant and can dominate the control of its significant financial and operating policy decisions. Therefore, the Group has substantial control over it and includes it in the consolidation scope as a subsidiary.

The Group is the single largest shareholder of Suzhou Thvow Technology Co., Ltd. ("Suzhou Thvow") with a 15% equity interest. Meanwhile, Yuzhong Chen, the second largest shareholder of Suzhou Thvow with a 14.87% equity interest, entrusts his voting rights to the Group and pledges the shareholding to the Group. The Group also has the priority to purchase the equity interest held by Yuzhong Chen. Therefore, the Group holds 29.87% of the voting rights of Suzhou Thvow. The remaining equity shares of Suzhou Thvow are widely held by other shareholders, none of whose equity shares is individually significant. Meanwhile, Suzhou Thvow's advantages in the new energy market and high-quality business qualifications are conducive to improve the business capacity of the integrated services segment of the Group. The management believes that the Group has gained the control over Suzhou Thvow, so it has been included in the consolidation scope of the Group's consolidated financial statements.

The Group holds 17.03% of the shares of Shenzhen Yinghe Technology Co., Ltd. ("Yinghe Technology"), a listed company. The original major shareholders of Yinghe Technology, Wang Weidong and Xu Xiaojun, will give up 21.9% of the voting rights of Yinghe Technology until the proportion of Yinghe Technology's shares held by the Group minus the proportion of Yinghe Technology's shares held by Wang Weidong and Xu Xiaojun together exceeds 10%. In addition to the above shareholders, other shares are widely held by many shareholders. In addition, Yinghe Technology's advantages in the new energy market and high-quality business qualifications help to enhance the business capabilities of the Group's integrated service segment. The management of the Group believes that the Group has obtained control over the operation and management rights of Yinghe Technology, So it is included in the scope of consolidation.

4. ESTIMATES (CONT'D)

(a) Critical judgments in applying the accounting policies (Cont'd)

Measurement of ECL

The Group calculates ECL through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Group include the risk of economic downturn, the expected increase in unemployment rate, the external market environment, the technological environment and changes in customer conditions. The Group regularly monitors and reviews assumptions related to the calculation of ECLs.

Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial asset management on the grouping basis, and factors to be considered include the methods for evaluating financial asset performance and reporting the financial asset performance to key management personnel, the risks affecting financial asset performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the amount of prepayment only reflects the principal outstanding and the interest based on the principal outstanding, as well as the reasonable compensation due to the early termination of the contract.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. ESTIMATES (CONT'D)

(a) Critical judgments in applying the accounting policies (Cont'd)

Determination of significant increase in credit risk

Judgement of the Group for significant increase in credit risk is mainly based on whether the number of overdue days exceeds 30, or whether one or more of the following indicators changed significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement of the Group on the occurred credit impairment is mainly based on whether the number of overdue days exceeds 90 (i.e., a default has occurred), or whether it meets one or more of the following conditions: the debtor is suffering significant financial difficulties, engaged in other debt restructuring, or probably bankrupt, etc.

(b) Critical accounting estimates and key assumptions

The key assumptions concerning the future and key factors of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting periods, are detailed below.

Revenue recognition

The Group recognises the revenue for a contract over a period using the percentage of completion method when the results of engineering and construction service can be estimated reliably.

Significant estimation and judgement is required in determining the percentage of completion, the contract performance costs incurred, the estimated total contract revenue and contract cost and the recoverability of the contract costs. Management mainly makes judgement based on past experience. Changes in the estimations of total contract revenue and costs and the outcome of contract performance may have significant impact on the revenue, cost of sales and the profit or loss for the current or subsequent periods.

4. ESTIMATES (CONT'D)

(b) Critical accounting estimates and key assumptions (Cont'd)

Impairment of inventories to net realisable value

Impairment of inventories to net realisable value is based on the assessment of the possibility to sell in the future and the net realisable value of inventories. Identification of impairment of inventories requires judgements and estimates from management on the basis of obtaining conclusive evidence and considering the purpose for holding inventories and impact of events after the balance sheet date. Difference between the actual results and original estimates will have an impact on the carrying amount of inventories and accrual or reversal of provision for decline in the value of inventories for the period in which the estimates are changed.

Recognition of provisions

The Group estimates and makes provision for product warranties, estimated contract losses, penalty for delayed delivery, litigation compensation, financial guarantee contracts, etc. based on contract terms, available information and past experience. When such contingency forms a present obligation and it is probable that an outflow of economic benefits may incur if the obligation is fulfilled, the obligation is measured at best estimate.

Enterprise income tax

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. ESTIMATES (CONT'D)

(b) Critical accounting estimates and key assumptions (Cont'd)

Deferred tax assets

When it is possible that taxable profit will be available to offset deductible losses, deferred tax assets are recognised with all un-utilised deductible losses. It requires management to exercise significant judgement to estimate the time and amount of future taxable profit, in combination of tax planning strategy, so as to determine the amount of deferred tax assets.

Some subsidiaries of the Group are high-tech enterprises. The “High-Tech Enterprise Certificate” is effective for three years. Upon expiration, application for high-tech enterprise should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, management considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the deferred income tax, which increases the recognised net deferred tax assets and decreases the deferred tax expenses.

Estimated useful lives of fixed assets

Estimated useful lives of fixed assets are reviewed by the Group at least at each year-end. Estimated useful lives of the assets are determined by management based on past experience of similar assets and the expected technical renovation. If significant changes occurred in the previous estimates, adjustment on depreciation expenses is carried out in the future period.

Impairment of non-current assets other than financial assets (except for goodwill)

The Group judges whether there exists impairment of non-current assets other than financial assets as at balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually. Non-current assets other than financial assets are subject to impairment tests when there is indication of impairment. An asset or asset group is impaired if the carrying amount exceeds their recoverable amounts, which is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The fair value less costs to sell could be determined with reference to sales agreement price or observable market price of similar products in arm's length transaction less directly attributable incremental costs in assets disposal. management should estimate the expected future cash flows of an asset or asset group, and determine an appropriate discount rate for the calculation of the present value of future cash flows.

4. ESTIMATES (CONT'D)

(b) Critical accounting estimates and key assumptions (Cont'd)

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groupings of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group.

Evaluation of fair value

The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis, etc. When a valuation technique is used to determine the fair value of a financial instrument, management uses observable market inputs as opposed to entity-specific inputs to the maximum extent possible. The setting of the input involves certain judgements. If there is any discrepancy between the inputs and the actual results, material adjustments will be made to the fair value of the financial instruments.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 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 2019.

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 level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

5.3 FAIR VALUE ESTIMATION (CONT'D)

(1) Assets measured at fair value on a recurring basis

As at 30 June 2020, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	4,655,961	-	-	4,655,961
Investments in equity instrument held for trading	937,948	-	55,142	993,090
Investments in debenture held for trading	605,333	-	-	605,333
Wealth management products	-	267,309	-	267,309
Non-hedging derivative financial assets	-	348,064	-	348,064
Derivative financial assets -				
Forward exchange contracts	-	11,257	-	11,257
Receivables Financing -				
Notes receivable at fair value through other comprehensive income	-	-	577,165	577,165
Accounts receivable at fair value through other comprehensive income	-	-	6,590,649	6,590,649
Interbank deposits	-	10,074,893	-	10,074,893
Other non-current financial assets	450,291	-	5,146,288	5,596,579
Other debt investments	-	51,632	-	51,632
Total assets	6,649,533	10,753,155	12,369,244	29,771,932

As at 30 June 2020, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Derivative financial liabilities	-	4,977	-	4,977
Financial liabilities held for trading	-	37,773	-	37,773
	-	42,750	-	42,750

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

5.3 FAIR VALUE ESTIMATION (CONT'D)

(1) Assets measured at fair value on a recurring basis (Cont'd)

As at 31 December 2019, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	4,620,801	-	-	4,620,801
Investments in equity instrument held for trading	857,967	-	55,142	913,109
Investments in debenture held for trading	429,003	-	-	429,003
Wealth management products	-	660,490	-	660,490
Non-hedging derivative financial assets	-	341,349	-	341,349
Derivative financial assets -				
Forward exchange contracts	-	2,381	-	2,381
Receivables Financing -				
Notes receivable at fair value through other comprehensive income	-	-	719,663	719,663
Accounts receivable at fair value through other comprehensive income	-	-	4,721,291	4,721,291
Other current assets -				
Inter-bank deposits	-	7,972,990	-	7,972,990
Other non-current financial assets	367,440	-	5,064,862	5,432,302
Other debt investments	-	61,729	-	61,729
Total assets	6,275,211	9,038,939	10,560,958	25,875,108

As at 31 December 2019, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities				
Derivative financial liabilities	-	6,096	-	6,096
Financial liabilities held for trading	-	33,097	-	33,097
	-	39,193	-	39,193

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 energy equipment segment: coal-fired power generation and corollary equipment, gas-fired power generation equipment, wind power equipment, nuclear power equipment, energy storage equipment, high-end vessels for chemical industry as well as power grid and industrial intelligent power supply system solutions;

(b) the industrial equipment segment: elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts, environmental protection equipment and construction industrialization equipment;

(c) the integrated services segment: energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit and etc.; industrial internet services; financial services, covering financing leases and insurance brokerage; international trade services; high-end property services and etc.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, earnings from fair value changes in financial instruments and headquarters expenses.

Segment assets do not include trading financial assets, derivatives, dividends receivable, interest receivable, long-term equity investment, debt investment, other debt investment, other equity instrument investment, other non current financial assets, goodwill, deferred income tax assets and other undistributed headquarters assets, which are under the unified management of the Group.

Segment liabilities do not include trading financial liabilities, derivatives, dividends payable, interest payable, borrowings, income tax payable, deferred income tax liabilities and other undistributed headquarters liabilities, which are under the unified management of the Group.

The transfer pricing between segments shall be determined by reference to the price adopted by the exchange to the third party.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the six months ended 30 June 2020 was as follows (Unaudited):

	Energy equipment RMB'000	Industrial equipment RMB'000	Integrated services RMB'000	Others RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	16,430,119	19,780,703	16,920,801	105,180	5	-	53,236,808
Intersegment sales	2,861,625	683,176	936,252	19,643	14,982	(4,515,678)	-
Total revenue	19,291,744	20,463,879	17,857,053	124,823	14,987	(4,515,678)	53,236,808
Cost of sales	15,799,282	17,145,096	14,209,139	94,142	138	(4,512,247)	42,735,550
Losses from credit impairment	402,046	151,792	632,693	(51)	-	(198,878)	987,602
Losses from asset impairment	152,170	(14,874)	650	-	-	-	137,946
Depreciation and amortization	624,855	432,248	235,283	7,864	125,743	-	1,425,993
Finance costs – net	-	-	-	-	711,240	-	711,240
Share of profits and losses of joint ventures and associates					409,531		409,531
Operating profit/(loss)	227,397	1,137,609	2,184,250	(45,757)	(737,579)	256,256	3,022,176
Other gains and losses							64,559
Profit before tax							3,086,735
Assets and liabilities							
Total assets	100,171,283	64,475,509	147,822,948	847,294	53,810,367	(78,074,696)	289,052,705
Total liabilities	67,119,955	34,689,028	98,835,854	437,920	60,660,904	(69,169,847)	192,573,814
Other non-cash expenses	1,368,880	69,228	29,199	3,318	8,579	-	1,479,204
Capital expenditure	825,971	324,719	626,708	4,096	34,664	-	1,816,158

6. SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the six months ended 30 June 2019 was as follows (Unaudited):

	Energy equipment RMB'000	Industrial equipment RMB'000	Integrated services RMB'000	Others RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	17,234,442	20,288,189	15,386,375	46,934	516	-	52,956,456
Intersegment sales	1,615,281	335,349	891,281	75,784	16,138	(2,933,833)	-
Total revenue	18,849,723	20,623,538	16,277,656	122,718	16,654	(2,933,833)	52,956,456
Cost of sales	15,830,427	16,819,027	12,699,687	88,324	160	(2,940,189)	42,497,436
Losses from credit impairment	223,054	137,665	256,184	-	-	(187,848)	429,055
Losses from asset impairment	409,538	(16,951)	8,588	-	-	-	401,175
Depreciation and amortization	467,229	418,263	246,294	10,102	118,877	-	1,260,765
Finance costs – net	-	-	-	-	873,816	-	873,816
Share of profits and losses of joint ventures and associates	-	-	-	-	392,174	-	392,174
Operating profit/(loss)	(259,050)	1,510,813	2,520,616	(88,305)	(397,323)	234,234	3,520,985
Other gains and losses							39,559
Profit before tax							3,560,544
Assets and liabilities							
Total assets	83,675,269	60,668,343	126,617,391	872,132	49,481,048	(66,620,686)	254,693,497
Total liabilities	53,399,969	31,020,548	87,876,568	230,808	45,758,801	(51,696,430)	166,590,264
Other non-cash expenses	506,615	48,261	19,956	-	-	-	574,832
Capital expenditure	450,025	624,801	1,381,701	7,679	10,683	-	2,474,889

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. SEGMENT INFORMATION (CONT'D)

(c) Revenue from external customers

	For the six months ended 30 June 2020 RMB'000 (Unaudited)	For the six months ended 30 June 2019 RMB'000 (Unaudited)
Mainland China	43,940,379	45,053,778
Other countries and geographical areas	9,296,429	7,902,678
	53,236,808	52,956,456

Revenue from external customers is attributed to the region where corresponding customers from.

(d) Total non-current assets

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Mainland China	52,083,924	51,818,826
Other countries and geographical areas	11,323,436	10,996,895
	63,407,360	62,815,721

Non-current assets, excluding financial assets and deferred tax assets, are attributed to the region where the assets are located in.

7. CHANGES OF CONSOLIDATION SCOPE

(1) For the six months ended 30 June 2020, subsidiaries newly incorporated or acquired and thus included in the consolidation scope are as follows:

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (RMB yuan)
				Direct	Indirect	
Shanghai Electric (Anhui) Energy Storage Technology Co., Ltd.	Anhui	Anhui	Manufacturing industry	60.00	-	50,000,000
Shanghai Electric Group (Fengcheng) Environmental Energy Co., Ltd.	Liaoning	Liaoning	Manufacturing industry	70.00	-	89,859,660
Zhangjiagang Twentsche Cable Co., Ltd.	Jiangsu	Jiangsu	Manufacturing industry	95.00	-	48,409,850
QingdaoHuachenWeiye Electric Power Technology Engineering Co., Ltd.	Shandong	Shandong	Technical service industry	46.00	-	20,408,200
Shenzhen Yinghe Technology Co., Ltd. (Note)	Guangdong	Guangdong	Manufacturing industry	17.03	-	376,003,470
Shanghai Electric Guokong Global Engineering Co., Ltd.	Shanxi	Shanxi	Construction industry	-	51.00	20,408,160
Shanghai Electric Wind Power Group (Haiyang) New Energy Co., Ltd.	Shandong	Shandong	Manufacturing industry	-	100.00	624,000,000
Shantou Haojiang Haidian Phase 5 New Energy Development Co., Ltd.	Guangdong	Guangdong	Manufacturing industry	-	100.00	5,000,000
Shantou Haojiang Haidian Phase 8 New Energy Development Co., Ltd.	Guangdong	Guangdong	Manufacturing industry	-	100.00	5,000,000
Shanghai Electric Group (Zhangjiagang) Transformer Co., Ltd.	Jiangsu	Jiangsu	Manufacturing industry	-	50.01	12,000,000
Shanghai Electric Power Transmission & Distribution (Hong Kong) Engineering Co., Ltd.	Hong Kong	Hong Kong	Construction industry	-	100.00	HKD18,300,000

Note: The Group has control over significant financial and operating decisions of Shenzhen Yinghe Technology Co., Ltd. and QingdaoHuachenWeiye Electric Power Technology Engineering Co., Ltd. Therefore, the Group has substantial control over them and includes them in the consolidation scope as subsidiaries.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(2) Business combinations involving enterprises not under common control

(a) Major subsidiaries in business combinations involving enterprises not under common control for the six months ended 30 June 2020

Acquiree	Timing of acquisition	Acquisition cost RMB'000	Interest acquired (%)	Method of acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period RMB'000	Net profit of the acquiree from the acquisition date to the end of the period RMB'000	Net cash flows of the acquiree from the acquisition date to the end of the period RMB'000
Shenzhen Yinghe Technology Co., Ltd.	13 March 2020	2,107,488	17.03%	By purchasing shares, signing the Letter of Commitment on Waiver of All Voting Rights and controlling relevant authorities	13 March 2020	Transfer of control	1,121,172	288,291	112,356
Zhangjiagang Twentsche Cable Co., Ltd.	9 January 2020	234,144	95.00%	By purchasing shares and controlling relevant authorities	9 January 2020	Transfer of control	211,965	16,084	22,721
Qingdao Huachen Weiye Electric Power Technology Engineering Co., Ltd.	14 January 2020	23,000	46%	By purchasing shares, signing a concerted action agreement and controlling relevant authorities	14 January 2020	Transfer of control	16,610	115	11,162
Shanghai Electric Guokong Global Engineering Co., Ltd.	8 January 2020	18,563	51%	By purchasing shares and controlling relevant authorities	8 January 2020	Transfer of control	33,237	222	17,026

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(2) Business combinations involving enterprises not under common control (Cont'd)

(b) Details of the cost of combination and goodwill recognised are as follows:

	Shenzhen Yinghe Technology Co., Ltd. RMB'000	Zhangjiagang Twentsche Cable Co., Ltd. RMB'000	Total RMB'000
Cost of combination -			
Cash	1,148,466	234,144	1,382,610
Long-term equity investments	959,022	-	959,022
Total cost of combination	2,107,488	234,144	2,341,632
Less: Fair value of the identifiable net assets obtained	610,252	217,618	827,870
Goodwill	1,497,236	16,526	1,513,762

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(2) Business combinations involving enterprises not under common control (Cont'd)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows:

(i) Shenzhen Yinghe Technology Co., Ltd.

	Acquisition date Fair value RMB'000	Acquisition date Carrying amount RMB'000	31 December 2019 Carrying amount RMB'000
Cash at bank and on hand	1,228,371	1,228,371	714,518
Advances to suppliers	314,044	314,044	73,364
Receivables	1,812,764	1,812,764	1,837,787
Inventories and contract assets	725,431	694,282	656,977
Other current assets	641,330	641,330	442,517
Goodwill	-	298,480	298,480
Other non-current assets	2,514,857	1,745,180	1,655,050
Less: Borrowings	1,365,773	1,365,773	740,516
Payables	1,444,799	1,444,799	1,420,454
Contract liabilities	655,523	655,523	268,587
Other liabilities	187,307	67,183	68,810
Net assets	3,583,395	3,201,173	3,180,326
Less: Minority interests	2,973,143	2,661,017	
Net assets obtained	610,252	540,156	

7. CHANGES OF CONSOLIDATION SCOPE (CONT'D)

(2) Business combinations involving enterprises not under common control (Cont'd)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows (Cont'd):

(ii) Zhangjiagang Twentsche Cable Co., Ltd.

	Acquisition date Fair value RMB'000	Acquisition date Carrying amount RMB'000	31 December 2019 Carrying amount RMB'000
Cash at bank and on hand	55,903	55,903	55,903
Advances to suppliers	1,928	1,928	1,928
Receivables	114,156	114,156	114,156
Inventories and contract assets	32,635	29,799	29,799
Other current assets	3,112	3,112	3,112
Other non-current assets	118,432	73,078	73,078
Less: Payables	82,291	82,291	82,291
Contract liabilities	802	802	802
Other liabilities	14,002	1,954	1,954
Net assets	229,071	192,929	192,929
Less: Minority interests	11,453	9,647	
Net assets obtained	217,618	183,282	

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

8. ACCOUNTS RECEIVABLE

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Accounts receivable	41,307,073	36,718,075
Less: Provision for bad debts	(8,342,074)	(7,381,026)
	32,964,999	29,337,049

The aging of accounts receivable was analysed as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Undue	13,025,444	12,070,858
Overdue within 1 year	13,364,239	12,597,105
Overdue 1 but within 2 years	5,974,653	4,106,348
Overdue 2 but within 3 years	3,140,665	2,602,716
Overdue 3 but within 4 years	2,330,152	1,875,802
Overdue 4 but within 5 years	1,800,334	1,907,689
Overdue over 5 years	1,671,586	1,557,557
	41,307,073	36,718,075

9. FIXED ASSETS

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and others RMB'000	Total RMB'000
Cost:					
At 31 December 2019	13,146,705	17,561,755	512,228	1,775,637	32,996,325
Additions	4,645	356,213	7,845	43,527	412,230
Transfer from Construction in Progress	187,039	135,217	2,261	30,772	355,289
Additions due to acquisition of subsidiaries	613,243	309,089	41,502	46,074	1,009,908
Disposals	(59,038)	(277,750)	(31,759)	(36,157)	(404,704)
Transfer to assets held for sale	(213,432)	-	-	-	(213,432)
Translation reserve	24,058	29,243	584	6,563	60,448
At 30 June 2020	13,703,220	18,113,767	532,661	1,866,416	34,216,064
Accumulated depreciation and impairment:					
At 31 December 2019	4,090,634	10,365,648	366,480	1,200,651	16,023,413
Depreciation for the period	230,788	517,559	18,255	125,865	892,467
Deduction of depreciation due to the disposals	(52,690)	(202,864)	(23,375)	(33,691)	(312,620)
Transfer to assets held for sale	(100,261)	-	-	-	(100,261)
Translation reserve	7,184	7,025	203	5,935	20,347
At 30 June 2020	4,175,655	10,687,368	361,563	1,298,760	16,523,346
Impairment:					
At 31 December 2019	86,333	170,557	13	372	257,275
Disposals	-	(2,908)	-	-	(2,908)
At 30 June 2020	86,333	167,649	13	372	254,367
Net carrying amount:					
At 30 June 2020	8,969,738	7,025,550	145,735	574,614	16,715,637
At 31 December 2019	9,441,232	7,258,750	171,085	567,284	17,438,351

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

9. FIXED ASSETS (CONT'D)

- (a) As at 30 June 2020, buildings with a carrying amount of RMB 863,918,000 (31 December 2019: carrying amount of RMB 571,758,000) were pledged as collateral for short-term borrowings of RMB 251,000,000 (31 December 2019: RMB 56,000,000) and long-term borrowings of RMB 406,412,000 (31 December 2019: RMB 209,658,000).
- (b) For the six months ended 30 June 2020, depreciation charged to fixed assets amounted to RMB 892,467,000 (for the six months ended 30 June 2019: RMB 856,379,000), including RMB 592,724,000, RMB 8,133,000, RMB 233,543,000 and RMB 58,067,000 (for the six months ended 30 June 2019: RMB 555,436,000, RMB 8,805,000, RMB 245,608,000 and RMB 46,530,000) charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.
- (c) The costs of fixed assets transferred from construction in progress amounted to RMB 355,289,000 (for the six months ended 30 June 2019: RMB 512,402,000).
- (d) As at 30 June 2020, the carrying amounts of fixed assets lent out through operating leases were analysed as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Machinery and equipment	15,952	16,908
Office equipment and others	65	-
	16,017	16,908

- (e) Temporarily idle fixed assets

As at 30 June 2020, buildings, machinery and equipment, and office equipment with a carrying amount of approximately RMB 98,785,000 (a cost of RMB 146,644,000) (31 December 2019: machinery and equipment with a carrying amount of RMB 103,224,000 and a cost of RMB 287,235,000) were temporarily idle.

- (f) As at 30 June 2020, the Group's buildings with a net carrying amount of RMB 98,670,000 were under processing for property certificate due to recent renovation or government planning. Management of SEC believes that there is no substantive legal obstacle for these property certificates, which will not adversely affect the Group's operations.

10. SHORT-TERM BORROWINGS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Mortgage borrowings(a)	281,000	234,000
Credit borrowings	16,926,670	12,444,960
Pledge borrowings(b)	100,820	-
Guaranteed borrowings(c)	4,204,466	3,700,983
Discount borrowings(d)	81,833	81,833
Factoring borrowings(e)	272,168	272,168
	21,866,957	16,733,944

- (a) As at 30 June 2020, fixed assets with a carrying amount of RMB 256,254,000 (31 December 2019: RMB 97,428,000) were pledged as collateral for short-term bank mortgage borrowings amounting to RMB 251,000,000. Intangible assets with a carrying amount of RMB 12,136,000 (31 December 2019: RMB 12,289,000) were pledged as collateral for short-term bank mortgage borrowings amounting to RMB 30,000,000 (31 December 2019: RMB 61,000,000). No inventories were pledged as collateral for short-term bank mortgage borrowings (31 December 2019: RMB 400,000,000).
- (b) As at 30 June 2020, bank's acceptance with a carrying amount of RMB 101,000,000 was pledged as collateral for short-term bank pledge borrowings amounting to RMB 100,820,000 (31 December 2019: Nil).
- (c) As at 30 June 2020, the company and its subsidiaries guaranteed the short-term borrowings amounting to RMB 4,204,466,000 (31 December 2019: RMB 3,700,983,000) of several subsidiaries.
- (d) As at 30 June 2020, the Group discounted commercial acceptance bill to obtain short-term borrowings amounting to RMB 81,833,000 (31 December 2019: RMB 81,833,000), and did not derecognizing the commercial acceptance bill.
- (e) As at 30 June 2020, the Group signed account receivable factoring contracts with recourse with the bank and obtained bank borrowings amounting to RMB 272,168,000 (31 December 2019: RMB 272,168,000).

As at 30 June 2020, the Group had no short-term borrowings that were due but not repaid (31 December 2019: Nil).

As at 30 June 2020, the annual interest rate of short-term borrowings was 0.34% to 5.66% (31 December 2019: 0.8% to 5.64%).

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

11. ACCOUNTS PAYABLE

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Accounts payable	58,524,841	57,922,655

The aging of accounts payable was analysed as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 1 year	46,380,017	46,414,885
Over 1 year	12,144,824	11,507,770
	58,524,841	57,922,655

As at 30 June 2020, accounts payable with aging over one year amounted to RMB 12,144,824,000 (31 December 2019: RMB 11,507,770,000), which mainly comprised payables for construction projects and payables for materials. Such accounts are unsettled as the projects are still under construction.

12. LONG-TERM BORROWINGS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Credit borrowings	6,594,852	4,889,269
Pledge borrowings(a)	501,412	209,658
Mortgage borrowings(b)	2,664,559	2,576,260
Factoring borrowings(c)	153,609	185,789
Guaranteed borrowings(d)	8,123,651	7,126,065
	18,038,083	14,987,041
Less: Current portion of long-term borrowings		
Credit borrowings	(1,191,221)	(1,192,129)
Pledge borrowings	(101,106)	(135,751)
Mortgage borrowings	(1,309,486)	(1,417,171)
Factoring borrowings	(66,448)	(65,050)
Guaranteed borrowings	(784,934)	(908,522)
	14,584,888	11,268,418

(a) As at 30 June 2020, fixed assets and intangible assets with a carrying amount of RMB 607,664,000 (31 December 2019: RMB 474,330,000) were pledged as collateral for long-term bank mortgage borrowings amounting to RMB 406,412,000. Intangible assets with a carrying amount of RMB 36,040,000 (31 December 2019: Nil) were pledged as collateral for long-term bank mortgage borrowings amounting to RMB 95,000,000.

(b) As at 30 June 2020, Long-term accounts receivable with a carrying amount of RMB 1,964,903,000 (31 December 2019: RMB 1,700,135,000) were pledged as collateral for long-term pledge borrowings amounting to RMB 1,452,036,000. The Group pledged intangible assets with a carrying amount of RMB 40,365,000 as collateral for long-term pledge borrowings of RMB 551,500,000.

As at 30 June 2020, the future charge rights of five projects were pledged by the Group as collateral for long-term borrowings of RMB 661,023,000 (31 December 2019: RMB 251,362,000), and no equities held by the Group in its subsidiaries were pledged for long-term bank borrowings (31 December 2019: Nil).

(c) As at 30 June 2020, the Group signed account receivable factoring contracts with recourse with the bank and obtained long-term bank borrowings amounting to RMB 153,609,000 (31 December 2019: RMB 185,789,000).

(d) As at 30 June 2020, the Company and its subsidiaries guaranteed the long-term borrowings amounting to RMB 8,123,651,000 (31 December 2019: RMB 7,126,065,000) of several subsidiaries.

As at 30 June 2020, the Group had no long-term borrowings that were due but not repaid (31 December 2019: Nil).

As at 30 June 2020, the annual interest rate of long-term borrowings was 0.88% to 7.5% (31 December 2019: 0.78% to 5.64%).

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

13. BONDS PAYABLE

	31 December 2019 (Audited) RMB'000	Increase in the current period RMB'000	Exchange differences RMB'000	Interest accrued at par value RMB'000	Amortisation of premium or discount RMB'000	Repayment in the current period RMB'000	Share transfer in the current period RMB'000	Transfer to interests payable RMB'000	30 June 2020 (Unaudited) RMB'000
Electric convertible bond (a)	4,437,675	-	-	33,419	12,594	-	(37)	(33,419)	4,450,232
Electric Eurobond (b)	4,688,134	-	87,278	21,090	1,188	(4,776,600)	-	(21,090)	-
18 Electric MTN001 (c)	2,480,052	-	-	51,733	2,503	-	-	(51,733)	2,482,555
	11,605,861	-	87,278	106,242	16,285	(4,776,600)	(37)	(106,242)	6,932,787
Less: Current portion of bonds payable	(4,688,134)								(4,450,232)
	<u>6,917,727</u>								<u>2,482,555</u>

- (a) On 2 February 2015, the Group issued a convertible bond due in 2021 with the principal amounting to RMB6 billion. 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 will be repaid upon maturity.

Such convertible bond could be converted into SEC's A share at RMB10.72 per share since 3 August 2015, then at RMB10.66 per share due to the distribution of cash dividends (cash dividend of RMB0.05873 per share) for the year ended at 31 December 2014 in July 2015. The convertible share price was further adjusted to RMB10.65 per share since 28 November 2016 due to the new shares issued to acquire assets so as to increase the Group's A shares on 29 August 2016, to RMB10.46 per share since 24 October 2017 due to the new shares issued to acquire assets so as to increase the Group's A shares on 19 October 2017, to RMB10.37 per share since 9 November 2017 due to the non-public issue of new A shares on 6 November 2017, to RMB10.28 per share since 28 August 2018, to RMB5.19 per share since 12 December 2018, and to RMB5.13 per share since 8 August 2019.

Such convertible bonds are subject to resale terms. Since the last two interest bearing years of the convertible bonds, the convertible bond holder is entitled to 103% of the par value of the convertible bonds held by them in whole or in part (including the interest for the very interest bearing year) when the closing price of SEC's stock price is less than 70% of the current conversion price for 30 consecutive trading days.

13. BONDS PAYABLE (CONT'D)

- (a) The principal of the convertible bond of RMB6 billion, deducted by issuance costs, was divided into two parts on the issuance of the bond. Liability of RMB4,745,903,000 was charged into bonds payable and equity of RMB1,214,919,000 was credited into capital surplus.
- (b) On 22 May 2015, the Group's wholly-owned subsidiary, Shanghai Electric Newage Company Limited issued Eurobonds of EUR600 million which was secured by the Group and listed and traded at Ireland Stock Exchange, with a term of 5 years at an interest rate of 1.125%.

The Group repaid the principal and corresponding interests of the Eurobonds of EUR 600 million on 22 May 2020.

- (c) On 13 December 2018, the Group issued a middle-term note of RMB2.5 billion , the amount to be issued of which is 2.5 billion, abbreviated as 18 Electric MTN001, with a term of 5 years at an interest rate of 4.15% (1% increase based on the Shanghai 3-month Inter-Bank Offered Rate on December 14, 2018), the interest bearing period of which was from 17 December 2018 to 17 December 2023, and such notes were issued at par value.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. SHARE CAPITAL

	31 December 2019 (Audited) RMB'000	Movements in the current period				Sub-total RMB'000	30 June 2020 (Unaudited) RMB'000
		Shares newly issued RMB'000	Bonus share RMB'000	Transfer from capital surplus RMB'000	Others (a) RMB'000		
Ordinary shares denominated in RMB	12,179,551	-	-	-	9	9	12,179,560
Foreign shares listed overseas	2,972,912	-	-	-	-	-	2,972,912
	15,152,463	-	-	-	9	9	15,152,472

	31 December 2018 (Audited) RMB'000	Movements in the current period				Sub-total RMB'000	30 June 2019 (Unaudited) RMB'000
		Shares newly issued RMB'000	Bonus share RMB'000	Transfer from capital surplus RMB'000	Others RMB'000		
Ordinary shares denominated in RMB	11,752,276	-	-	-	427,210	427,210	12,179,486
Foreign shares listed overseas	2,972,912	-	-	-	-	-	2,972,912
	14,725,188	-	-	-	427,210	427,210	15,152,398

- (a) Electric convertible bond had been converted at accumulated 9,000 shares for the six months ended 30 June 2020.

15. REVENUE AND COST OF SALES

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Revenue from main operations	51,457,818	51,255,531
Revenue from other operations	1,361,132	1,204,032
Interest income	416,321	494,798
Income from handling charges and commissions	1,537	2,095
	53,236,808	52,956,456

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Cost of sales from main operations	41,872,938	41,838,278
Cost of sales from other operations	816,579	611,272
Interest expenses	41,634	47,391
Handling charges and commissions	4,399	495
	42,735,550	42,497,436

Details of revenue from main operations are as follows:

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Sales of goods	36,901,844	39,077,289
Engineering construction	10,319,375	8,458,497
Rendering of services	4,236,599	3,719,745
	51,457,818	51,255,531

Revenue from main operations includes sales revenue from energy equipment, industrial equipment and integrated services. Cost of sales refers to those of products related to main operations. The Group's segment information has been presented in Note 6.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

15. REVENUE AND COST OF SALES (CONT'D)

Details of revenue from other operations are as follows:

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Sales of raw materials	292,822	331,899
Leasing income	267,946	209,027
Finance lease income	253,818	304,185
Rendering of non-industrial services	70,329	67,257
Sales of energy	2,836	16,537
Others	473,381	275,127
	1,361,132	1,204,032

For the six months ended 30 June 2020

	Sales of Goods			Engineering construction			Rendering of services (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	China (Unaudited) RMB'000	In other Asian countries/ geographical areas (Unaudited) RMB'000	Other regions (Unaudited) RMB'000	China (Unaudited) RMB'000	In other Asian countries/ geographical areas (Unaudited) RMB'000	Other regions (Unaudited) RMB'000			
Revenue from main operations	32,743,836	1,365,893	2,792,115	5,285,986	4,311,538	721,851	4,236,599	-	51,457,818
Including:									
Recognised at a time of point	32,743,836	1,365,893	2,792,115	-	-	-	255,733	-	37,157,577
Recognised overtime	-	-	-	5,285,986	4,311,538	721,851	3,980,867	-	14,300,241
Revenue from other operations	268,236	236	24,350	-	-	-	70,329	997,981	1,361,132
	33,012,072	1,366,129	2,816,465	5,285,986	4,311,538	721,851	4,306,928	997,981	52,818,950

16. TAXES AND SURCHARGES

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
City maintenance and construction tax	61,778	47,446
Real estate tax	50,036	78,279
Educational surcharge	47,889	36,422
Stamp duty	50,983	28,976
Others	37,512	20,387
	248,198	211,510

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

17. TAXATION

The Group's first-tier subsidiaries listed below were awarded the “High-tech Enterprise Certificate” with a valid period of three years by the Science and Technology Commission of Shanghai Municipality, the Shanghai Municipal Finance Bureau, the State Administration of Tax Shanghai Municipal Office and the Shanghai Municipal Bureau of Local Taxation, and are subject to enterprise income tax at the rate of 15% for the current year.

Name of the first-tier subsidiaries	Applicable period for high-tech enterprises preferential tax rate of 15%	
	Starting year	Ending year
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.	2020	2023
Shanghai Boiler Works Ltd.	2020	2023
Shanghai Electric Power Generation Equipment Co., Ltd.	2020	2023
Shanghai Electric Gas Turbine Co., Ltd.	2020	2023
Shanghai No.1 Machine Tool Works Ltd.	2020	2023
Shanghai Electric Wind Power Group Co., Ltd.	2020	2023
Shanghai Machine Tool Works Ltd.	2020	2023
Shanghai Centrifuge Institute Co., Ltd.	2020	2023
Shanghai Institute of Mechanical & Electric Engineering Co., Ltd.	2020	2023
Shanghai Electric Automation D&R Institute Co., Ltd.	2020	2023
Shanghai Capital Numerical Control Co., Ltd.	2020	2023
Shanghai Electric Power Environmental Engineering Co., Ltd.	2019	2022
Thales SEC Transportation System Limited Company	2019	2022
Shanghai Electric Distributed Energy Ltd., Co.	2019	2022
Shanghai Electric Gotion New Energy Technology Co., Ltd.	2019	2022
Shanghai Electric Nuclear Power Equipment Co., Ltd.	2018	2021
Shanghai Electric SHMP Casting & Forging Co., Ltd.	2018	2021
Shanghai Electric - SPX Engineering & Technologies Co., Ltd.	2018	2021
Shanghai Denso Fuel Injection Co., Ltd.	2018	2021
Shanghai Electric Fuji Electric Motor Technology Co., Ltd.	2018	2021
Shanghai Electric Milling Equipment Co., Ltd.	2018	2021
Shanghai Electric KSB Nuclear Power Pump & Valve Co., Ltd.	2018	2021

17. TAXATION(CONT'D)

The Group's first-tier subsidiaries registered overseas are subject to the tax rates prevailing in the countries in which they operate in compliance with the existing laws and regulations, interpretations and practices:

	Income tax rate
Sida Motor Manufacturing Co., Ltd.	32.00%
Shanghai Electric (India) Limited Company	27.55%
Shanghai Electric (Vietnam) Limited Company	20.00%
Shanghai Electric Power Generation (Malaysia) Co., Ltd.	24.00%
Shanghai Electric (Panama) Limited Company	25.00%
Shanghai Electric Group Europa Co., Ltd.	15.00%
Shanghai Electric Hong Kong Co., Ltd.	16.50%
Shanghai Electric Newage Company Limited	16.50%

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Current tax charge for the period	1,016,319	886,433
Annual filing differences for the current period	97,342	54,187
Deferred income tax	(525,319)	(279,984)
	588,342	660,636

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

17. TAXATION(CONT'D)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Total profit	3,086,735	3,560,544
Income tax expenses calculated at applicable tax rates stipulated by law (Note 1)	771,684	890,136
Effect of preferential tax rates of certain subsidiaries	(114,693)	(155,586)
Adjustments for current income tax of prior periods	97,342	54,187
Effect on share of profit of joint ventures and associates	(100,833)	(143,630)
Income not subject to tax	(41,285)	(54,292)
Non-deductible expenses	61,317	54,115
Preferential tax for qualified expenses	(76,655)	(68,508)
Utilisation of temporary difference and deductible losses that are not recognised as deferred tax assets in previous years	(11,873)	(4,149)
Deductible temporary difference and deductible losses that are not recognised as deferred tax assets in the current year	3,338	88,252
Others	-	111
Income tax expenses	588,342	660,636

Note 1: The Group's income tax is provided based on estimated taxable income in China and the applicable tax rates. Taxes on income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

18. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the current period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding. Newly issued ordinary shares are included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue) according to specific terms of the issuance contract.

Basic earnings per share are calculated as follows:

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Consolidated net profit attributable to ordinary shareholders of the parent company	1,522,052	1,846,457
Weighted average number of ordinary shares outstanding (i) (Unit: 1,000 shares)	15,152,468	14,798,773
Basic earnings per share	RMB 0.10 yuan	RMB 0.12 yuan
Including:		
- Basic earnings per share from continuing operations (i):	RMB 0.10 yuan	RMB 0.12 yuan
- Basic earnings per share from discontinued operations:	-	-

(i) The Company implements an equity incentive plan. In the calculation of basic earnings per share, the numerator is the consolidated net profit attributable to shareholders of ordinary shares less the expected unlocking stock's revocable cash dividend distributed in the current period; the denominator does not include the number of restricted shares.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

18. EARNINGS PER SHARE (CONT'D)

Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. For the six months ended 30 June 2020, although share-based payment implemented by the Company and its subsidiary PMC had a potential dilution effect, the dilution effect was extremely small for the Company. The convertible bonds issued by the company had a dilution effect on the Group's earnings per share. The calculation is as follows:

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Consolidated net profit attributable to ordinary shareholders of the parent company	1,522,052	1,846,457
Net interest expenses after tax due to the conversion of convertible bonds to shares (Note)	34,508	103,621
Weighted average number of ordinary shares outstanding (Unit: 1,000 shares)	15,152,468	14,798,773
Weighted average number of ordinary shares increased from convertible bonds to shares (Unit: 1,000 shares) (Note)	870,978	860,982
Weighted average number of ordinary shares outstanding after dilution	16,023,446	15,659,755
Diluted earnings per share	RMB 0.10 yuan	RMB 0.12 yuan
Including:		
- Diluted earnings per share from continuing operations:	RMB 0.10 yuan	RMB 0.12 yuan
- Diluted earnings per share from discontinued operations:	-	-

Note: In the calculation of diluted earnings per share, the Company assumes that the convertible bonds that have not been converted to shares at the balance sheet date have been fully converted to bonds at the beginning of the current period, and the dilution is considered with reference to the relevant regulations. Among them, the numerator is consolidated net profit attributable to ordinary shareholders of the Company plus net interest expenses after tax that have not been paid on the balance sheet date; the denominator includes the number of the convertible bonds on the balance sheet date, but does not include the number of restricted shares.

19. DIVIDENDS

According to the resolution of the board of directors on 15 April 2020 and the resolution of the Annual General Meeting on 29 June 2020, the company decided not to distribute 2019 final cash dividend.

During the six months ended 30 June 2020, the board of directors did not declare an interim dividend.

20. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had RMB 291,936,000 (31 December 2019: RMB 260,440,000) of contingent liabilities arising from pending litigation and arbitration.

As at 30 June 2020, the Group provided borrowing guarantees of RMB 351,150,000 (31 December 2019: RMB 351,150,000) to related parties and provided SEC with counter guarantees of no more than USD 166.8 million (equivalent to RMB 1.195 billion), and Financial Company issued non-financial guarantee letters of RMB 474,000 (31 December 2019: RMB 581,000) to related parties. Provisions relevant to the above matters amounting to RMB 121,474,000 are recognised by the Group.

As at 30 June 2020, non-financial guarantee letters issued by financial institutions for the Group amounted to RMB 30,295,196,000 (31 December 2019: RMB 29,573,434,000).

As at 30 June 2020, there were no significant contingent liabilities related to the equity of joint ventures and associates.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

21. COMMITMENTS

(1) Capital commitments

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted	2,477,369	2,758,069
Authorised but not contracted	-	86,604
	2,477,369	2,844,673

(2) Operating leases - As the lessor

According to the lease contracts signed with the lessee, the minimum leases receipts under irrevocable leases are as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 1 year (inclusive)	117,452	157,957
1 to 2 years (inclusive)	107,251	103,744
2 to 3 years (inclusive)	93,750	84,272
Over 3 years	260,097	369,206
	578,550	715,179

22. RELATED PARTY TRANSACTIONS

The pricing on transactions between the Group and related parties is based on market prices of similar products or businesses.

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

	Note	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Purchase of materials from:	(i)		
SEC group companies		30,399	20,989
Associates		1,553,883	1,434,184
Other related companies		1,176,062	450,759
		2,760,344	1,905,932
Sales of goods to:	(i)		
Ultimate holding company		2,964	2,573
SEC group companies		84,144	96,402
Associates		198,536	89,030
Other related companies		1,247,242	1,795,233
		1,532,886	1,983,238

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. RELATED PARTY TRANSACTIONS (CONT'D)

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

	Note	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
As a lessor:			
Leasee:	(ii)		
Ultimate holding company		2,700	3,687
SEC group companies		12,758	15,614
Associates		3,414	6,184
		18,872	25,485
Right-of-use assets recognized as a leasee:			
Lessor:	(ii)		
SEC group companies		4,573	6,190
Interests of lease liability recognized as a leasee:			
SEC group companies		175	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)

(2) Deposits and loan services provided by related parties

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Ultimate holding company	-	1,578,600

(3) Deposits and loan repaid by related parties

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Ultimate holding company	31,600	-

(4) Deposits and loan services provided to related parties

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Joint ventures	72,073	858,672

(5) Guarantees

	Unaudited 30 June 2020		Audited 31 December 2019	
	Maximum amount RMB'000	Actual guarantee amount RMB'000	Maximum amount RMB'000	Actual guarantee amount RMB'000
Nabtesco (China) Precision Machinery Co., Ltd.	51,150	49,075	51,150	48,223
Chongqing Shenhua Thin Film Solar Technology Co., Ltd.	300,000	268,502	300,000	238,268

A subsidiary of the Group and SEC jointly established Shanghai Electric Investment (Dubai) Co., Ltd. to participate in a power station project. Upon the commencement of the project, SEC will provide guarantees for the financing of the project entity, and the Group will provide SEC with the counter guarantee based on 20% of its indirect shareholding in the project entity, with the amount of counter guarantee expected to be no more than USD 166.8 million (equivalent to RMB 1.195 billion).

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

22. RELATED PARTY TRANSACTIONS (CONT'D)

(6) Compensation of key management personnel of the Group

	For the six months ended 30 June 2020 (Unaudited) RMB'000	For the six months ended 30 June 2019 (Unaudited) RMB'000
Director	1,795	1,737
Supervisor	702	508
Senior management	3,521	3,701
	6,018	5,946

23. Subsequent events

As at 28 August 2020, the Group has no significant subsequent events.

24. Approval of unaudited interim consolidated financial information

The interim consolidated financial information is unaudited but reviewed by the audit committee of the Company.

The unaudited interim consolidated financial information was approved to be issued by the Board of Directors on 28 August 2020.