2013 ANNUAL REPORT

Shanghai Electric Group Company Limited

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

上海电气
SHANGHAI ELECTRIC

Contents

Corporate Profile

Corporate Information

Legal name of the Company (Chinese)	上海電氣集團股份有限公司
Abbreviated legal name of the Company (Chinese)	上海電氣
Legal name of the Company (English)	Shanghai Electric Group Company Limited
Abbreviated legal name of the Company (English)	Shanghai Electric
Company's legal representative	Xu Jianguo
Company's authorized representatives	Xu Jianguo, Huang Dinan
Company's alternative authorized representatives	Cheung Wai Bun
Company Secretary	Leung Ka Lok (FCCA, CPA, MBA) (Resigned on 1 May 2013) Li Chung Kwong Andrew (FCCA, FCPA, ACA, CIA) (Appointed on 1 May 2013)

1 Contact Person and Contact Details

	Secretary to the Board
Name	Fu Rong
Correspondence address	No. 212 Qinjiang Road, Shanghai
Telephone, fax and email	+86(21)33261888 / +86(21)34695780 / ir@shanghai-electric.com

2 Summary of Basic Information

Registered address	30/F, Maxdo Center, No.8 Xingyi Road, Shanghai (zip code 200336)
Business address	No. 212 Qinjiang Road, Shanghai (zip code 200233)
Company website	http://www.shanghai-electric.com
Company email	service@shanghai-electric.com

3 Information Disclosure and Place for inspection of Annual Report of the Company

Company's designated newspapers for information disclosure	*China Securities Daily, Shanghai Securities Daily, Securities Times Daily*
The Company's annual reports available at	Office of the secretary to the Board of the Company
Website designated for publishing annual report required by China Securities Regulatory Commission	http://www.sse.com.cn
Website designated for publishing annual report required by the Stock Exchange of Hong Kong Limited	http://www.hkexnews.hk

4 Summary of the Company's Shares

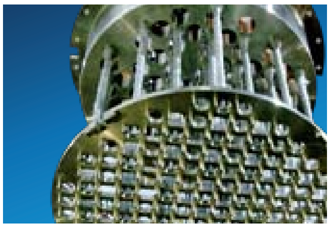
Types of Shares	Place of Listing of Shares	Abbreviation of Shares	Stock Code
A shares	The Shanghai Stock Exchange	上海電氣	601727
H shares	The Stock Exchange of Hong Kong Limited	SH Electric	02727

5 Registrar and Transfer Office

A Shares: Shanghai Branch of China Securities Depository and Clearing Corporation Limited
H Shares: Computershare Hong Kong Investor Services Limited

6 Other Relevant Information

Date of Incorporation of the Company	1 March 2004
Place of Incorporation of the Company	Shanghai, PRC
Name of auditors appointed by the Company in the PRC	Ernst & Young Hua Ming, LLP
Business address of auditors appointed by the Company	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Ave, Dong Cheng District, Beijing
Name of international auditors appointed by the Company	Ernst & Young
Business address of international auditors appointed by the Company	22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal advisers appointed by the Company as to PRC Law	Grandall Law Firm (Shanghai)
Legal advisers appointed by the Company as to Hong Kong Law and U.S. Law	Clifford Chance
Legal advisers appointed by the Company as to Japanese Law	Anderson Mori & Tomotsune



Shanghai Electric , Create Our Future Together

With independent innovation as our corporate spirit, integration innovation as our foundation, offer China and the world with more efficient and more environmental friendly energy equipment and industrial equipment, establish Shanghai Electric to become a modernized and internationalized conglomerate.

Five-Year Financial Summary

(In accordance with the Hong Kong Financial Reporting Standards ("HKFRS"))

	2009	2010	2011	2012	2013
RMB(million)					
Revenue and Profit					
Revenue	58,675	65,912	71,461	76,591	**78,795**
Profit before tax	2,890	3,343	4,917	5,726	**5,283**
Tax	8	(217)	(772)	(1,344)	**(1,073)**
Profit for the year	2,898	3,126	4,145	4,382	**4,210**
Attributable to:					
Equity owners of the parent	2,316	2,491	3,183	2,715	**2,393**
Non-controlling interests	582	635	962	1,667	**1,817**
Dividend	-	1,590	980	817	**957**
Earnings per share attributable to ordinary equity holders of the parent					
Basic					
Profit for the year (cents)	18.51	19.60	24.82	21.17	**18.66**
Assets and Liabilities					
Non-current assets	20,430	22,080	23,387	26,883	**27,822**
Current assets	73,288	80,242	87,413	91,816	**101,471**
Current liabilities	(59,540)	(63,195)	(69,355)	(73,786)	**(82,237)**
Net current assets	13,748	17,047	18,058	18,030	**19,234**
Total assets less current liabilities	34,178	39,127	41,445	44,913	**47,056**
Non-current liabilities	(4,496)	(4,629)	(3,825)	(4,231)	**(4,347)**
Net assets	29,682	34,498	37,620	40,682	**42,709**
Equity attributable to owners of the parent	22,907	27,165	29,529	30,506	**32,206**
Non-controlling interests	6,775	7,333	8,091	10,176	**10,503**

Note 1: The proposed final dividend of approximately RMB 957 million for 2013 is subject to the approval at the forthcoming annual general meeting.

Chairman's Report

During the reporting period, the Company achieved a turnover of RMB78,795 million, representing an increase of 2.9% compared with that of the same period last year. The net profit attributable to the shareholders of the parent company amounted to RMB2,393 million, representing a decrease of 11.9% compared with that of the same period last year.

Reviewing 2013, global industrial production and trade remained weak while the world economy experienced a modest decline in growth. The domestic economy in the PRC was in the process of transformational upgrading and restructuring, and subject to the twin pressure of excess production capacity in machinery and equipment industry and declining selling prices of products. Faced with such a complex external economic environment, Shanghai Electric strictly adhered to the principle of "transform amid difficulties and develop in transformation". During the reporting period, the Company achieved a turnover of RMB78,795 million, representing an increase of 2.9% compared with that of the same period last year. The net profit attributable to the shareholders of the parent company amounted to RMB2,393 million, representing a decrease of 11.9% compared with that of the same period last year.

New Energy Equipment

During the reporting period, Shanghai Electric, in accordance with the strategies for nuclear power development of the Central Government, proactively advanced the research and production and the commercialization of key nuclear power equipment, and steadily developed its nuclear power nuclear island equipment business. We adopted a customer-value-oriented approach and established and improved the market for nuclear power equipment, technologies, production process, quality and related services of our nuclear power equipment business for securing greater market shares. During the reporting period, we received orders for nuclear power nuclear island equipment aggregating in excess of RMB1.6 billion. The year-on-year growth was significant. During the reporting period, there were signs of gradual revival of the domestic wind power market and order prices were on the rise progressively. To improve the Company's profitability in wind power equipment business, we grasped this opportunity and proactively accepted orders at competitive prices. Simultaneously, we continued to strengthen our cooperation with Siemens for further research on and development of offshore wind turbines and a better position in the market in the future.

During the reporting period, the new energy equipment segment achieved a turnover of RMB5,861 million, representing a decrease of 11.0% as compared with that of the same period last year. The calculation of such decrease has taken into account a year-on-year increase of 14.5% in the turnover of wind turbine products and a year-on-year decrease of 27.1% in the turnover of nuclear power nuclear island equipment. Gross profit margin of the segment was 3.6%, representing a year-on-year decrease of 4.1 percentage points. The decrease was mainly due to a significant decrease in the gross profit margin of the forging components within the segment. This segment incurred an operating loss during the reporting period, which was mainly due to a low market demand and the continuous price reduction in forging components, leading to a significant decline in the operation efficiency of that business.

High Efficiency and Clean Energy Equipment

During the reporting period, we maintained our share in the thermal power equipment market at very good levels. Our new orders exceeded RMB25.0 billion, representing a significant year-on-year increase. We continued to dedicate to development of ultra-supercritical, highly efficient and clean thermal power equipment with over 1000MW capacity, an indication of our leadership position among market participants engaging in 1000MW ultra-supercritical thermal power projects, the highest level available in the world. Through continuous innovation in technology, we vigorously attracted customers to work with us on developing design concepts for new coal-fired power plant equipment products, including 1200MW thermal power generation units, second reheat power generation equipment and 620°C power generation equipment, for provision of clean energy equipment with higher efficiency to the society. During the reporting period, we strived to seize a share in the gas turbine market and kept on accelerating the domestication of E-class and F-class gas turbines. With the introduction and mastering of advanced technologies, we are now in possession of the capability required for the production of advanced gas turbines and combined cycle units and our production capacity has reached one gas turbine per month. We have actively introduced the H-class gas turbine technology in order to respond to and satisfy the rapid growth of the domestic gas turbine market. During the reporting period, we solidified our position in the power transmission and distribution equipment market in Shanghai while we proactively extended our presence beyond Shanghai market by capitalizing on the advantageous position of the shareholders of both Shanghai Electric and Shanghai Municipal Electric Power Company, a subsidiary of State Grid. We will steer our development in power transmission and distribution equipment business towards a direction of high voltage technology, smart grid technology and power electronics technology.

During the reporting period, the high efficiency and clean energy equipment segment achieved a turnover of RMB32,702 million, representing a decrease of 8.5% as compared with that of the same period last year. The calculation of such decrease has taken into account a year-on-year increase of 7.6% in the turnover of power transmission and distribution equipment business and a year-on-year decrease of 12.6% in power plant equipment business within this segment. Gross profit margin and operating profit margin of the segment decreased at different rates, which were mainly due to the adjustment in coal-fired power generation equipment market strategies and corresponding increase in risk provisions.

Industrial Equipment

During the reporting period, our elevator business continued to stay ahead of competition in the elevator equipment market of the PRC. Our accumulated production and sale, from a single factory premise, has reached 400,000 sets of elevator equipment, which made us the first market player achieving this record in the PRC. With centralization of our resources on research of the high speed passenger elevators, we enhanced positioning of our products. During the reporting period, Shanghai Mitsubishi Elevator completed the construction of its Electromagnetic Compatibility (the "EMC") laboratory, which preliminarily possessed the complete EMC testing and checking system including EMC immunity testing and EMC emission testing functions, and the construction of heavy-duty high speed passenger elevator for testing and the subsequent trial test. Our management strategy was focused on quality and safety, with an effort to transformation in a production-driven to a service-driven operation model, and from a market-expansion-driven to a quality-and-efficiency driven model, so as to further strengthen our leading position in the industry. During the reporting period, our self-developed 30 megawatt LNG motors, the explosion-proof LNG electric motors with the largest capacity in the PRC, were successfully delivered. In addition, our prototype 50kW super-high speed permanent magnet synchronized power generator passed the new product examination. With our successful production of this device, domestic market participants are offered alternatives in the future and the technology monopoly by overseas companies in the super high speed permanent magnetic sector has been cracked.

During the reporting period, the industrial equipment segment achieved a turnover of RMB25,301 million, representing an increase of 7.3% as compared with that of the same period last year. The calculation of such increase has taken into account a year-on-year increase of 29% in revenue generated from elevator business. The gross profit margin and operating profit margin of this segment both increased by 0.6 percentage points, which was mainly due to a significant increase in revenue and profitability of the elevator products in this segment.

Modern Services

After years of diligent operation, our power plant EPC has tapped into overseas markets in countries and regions such as India, Indonesia, Vietnam, Iraq, Thailand, UAE and Africa, and we will achieve steady development according to our own strengths and the market situation in the future. For our power plant service business, we will capitalize on growing awareness of the need for energy-saving and environmental protection in the society to actively explore technology enhancement and service markets for our clean and high efficiency energy equipment unit. We have successfully developed a new business model that realizes general integration and general contracting of our enhancement services. During the reporting period, Shanghai Electric launched its platform for remote monitoring and remote services provided by the power plant service business. With immediate transmission of data and images of power plant equipment in operation via the network, key components can be monitored and we may then provide service solutions to users in respect of operations consultation, maintenance, and replacement and enhancement. During the reporting period, we successfully established a finance leasing company in the Free Trade Zone ("FTZ"), denoting a new round of development in our leasing business. During the reporting period, we intensified our efforts in provision of services and support to our primary businesses through further strengthening and improvement of our risk control in the financial service business. At the same time, we progressively transformed from "intragroup banking business" to "business of value-added financial service".

During the reporting period, the modern services segment achieved a turnover of RMB20,297 million, representing an increase of 3.8% as compared to that of the same period last year. The increase was mainly due to the incresse in sales of power plant service business and power transmission and distribution engineering business within the segment. The gross profit margin was 10.5%, representing an increase of 0.7 percentage points as compared with that of the same period last year. Operating profit margin of the segment was 7.3%, representing an increase of 2.5 percentage points as compared with that of the same period last year. The increase was mainly due to our firmer implementation on our power plant engineering projects.

Looking forward, the Company will enhance the Group's core competitiveness through technological advancement, improve economic effectiveness through reform and management, and achieve sustainable development through innovative business model. We will tightly grasp new opportunities emerging from the second round reform of state-owned assets and establishment of the FTZ in Shanghai. We will strive to pursue the goal of "Facilitate transformation and establishment through re-venturing".

Lastly, let me take this opportunity to express my thankfulness to all the shareholders for their continuous support to the Group, and also to the directors, supervisors, the management team as well as the entire staff for their dedication and efforts in the past year.

Let us join hands and march forward, work closely together and achieve a new record of brilliant results.

Xu Jianguo
Chairman
Shanghai, the PRC, 28 March 2014

Key Accounting Data and Financial Indicators

Key accounting data and financial indicators of the Company at the end of the reporting period for the past two years

(in accordance with the PRC GAAP)

Unit:'000 Currency: RMB

Key accounting data	2013	2012	Change for the period over the corresponding period of the last year (%)
Operating revenue	79,214,931	77,076,743	2.77
Total profit	5,497,353	5,803,558	-5.28
Net profit attributable to shareholders of the listed company	2,462,792	2,720,707	-9.48
Net cash flows generated from operating activities	7,178,088	6,672,128	7.58

	At the end of 2013	At the end of 2012	Change as at the end of the period over the end of the period of the last year (%)
Total assets	129,292,714	118,699,537	8.92
Equity attributable to shareholers of the listed company	32,205,954	30,506,562	5.57

Key financial indicators	2013	2012	Change for the period over the corresponding period of the last year (%)
Basic earnings per share (RMB/share)	0.19	0.21	-9.52
Diluted earnings per share (RMB/share)	0.19	0.21	-9.52
Weighted average net assets return rate (%)	7.86	8.98	Decreased by 1.12 percentage points
Net cash flows per share generated from operating activities (RMB/share)	0.56	0.52	7.69

	At the end of 2013	At the end of 2012	Change for the end of the period over the end of the period of the last year (%)
Net assets per share attributable to shareholders of the listed company (RMB/ share)	2.51	2.38	5.46

Note: Detailed information relating to the published annual report in accordance with the PRC GAAP is available at http://www.sse.com.cn, the website designated by China Securities Regulatory Commission.

Differences between the PRC GAAP and HKFRSs

Differences in net profit and net assets in the financial statements prepared in accordance with the PRC GAAP and HKFRSs

Unit:'000 Currency: RMB

	Net profit		Net assets	
	Current period	Previous period	At the end of the period	At the beginning of the period
In accordance with the PRC GAAP	2,462,792	2,720,707	32,205,954	30,506,562
Items and amounts adjusted in accordance with HKFRSs:				
Staff bonus and welfare funds	(96,385)	(31,756)	-	-
Safe production expenditures	26,835	25,925	-	-
In accordance with HKFRSs	2,393,242	2,714,876	32,205,954	30,506,562

Share Capital Structure and Disclosure of Interests

Shareholding Structure »

	Number of shares	Approximate percentage of issued share capital
A shares	9,850,714,660	76.82%
H shares	2,972,912,000	23.18%
Total	**12,823,626,660**	**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 31 December 2013 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	Notes	No. of shares	Nature of Interest	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporation	1	7,899,489,924*	Long position	80.19	61.60
	H	Interest of controlled corporation	1	31,184,000*	Long position	1.05	0.24
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	7,409,597,802*	Long position	75.22	57.78
	H	Beneficial owner	1	31,184,000*	Long position	1.05	0.24
Fengchi Investment Co., Ltd.	A	Beneficial owner	2	907,778,942	Long position	9.22	7.08
Shenergy Group Company Limited	A	Beneficial owner	1	489,892,122	Long position	4.97	3.82
Templeton Investment Counsel, LLC	H	Investment manager		295,807,547	Long position	9.95	2.31
GIC Private Limited (Formerly known as Government of Singapore Investment Corporation Pte Ltd)	H	Investment manager		180,105,699	Long position	6.06	1.40
Siemens International Holding B.V.	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16
Siemens Beteiligungsverwaltung GmbH & Co. OHG	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16
Siemens Beteiligungen Management GmbH	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16

Name of Substantial Shareholder	Class of shares	Capacity	Notes	No. of shares	Nature of Interest	Percentage of the relevant shares in issue (%)	Percentage of all the issued shares (%)
Siemens Aktiengesellschaft	H	Beneficial owner	3	148,646,000	Long position	5.00	1.16
JPMorgan Chase & Co.	H	Beneficial owner	4	18,847,907	Long position		
	H	Investment manager	4	7,250,000	Long position		
	H	Custodian corporation	4	364,866,496	Long position		
		Total long position	4	390,964,403		13.15	3.05
	H	Beneficial owner	4	1,014,000	Short position	0.03	0.01
BlackRock, Inc.	H	Interest of controlled corporation	5	149,450,769	Long position	5.03	1.17
	H	Interest of controlled corporation	5	10,844,000	Short position	0.36	0.08

* As referred to the announcement on increase in shareholding of the Company by our controlling shareholder dated 26 June 2013 and the announcement on completion of the share acquisition plan by the controlling shareholder dated 26 December 2013, the above numbers of shares reflected the interests and short positions of the relevant substantial shareholders as at 31 December 2013.

Notes

(1) 上海電氣（集團）總公司 (Shanghai Electric (Group) Corporation) and 申能(集團)有限公司(Shenergy Group Company Limited) were wholly owned by 上海市國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government) 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) 豐馳投資有限公司 (Fengchi Investment Co., Ltd.) holding 907,778,942 A shares of the Company, was owned as to 90% by 上海德鵬投資有限公司 (Shanghai Depeng Investment Co., Ltd) which in turn was wholly owned by 廣東珠江投資控股集團有限公司 (Guangdong Zhujiang Investment Holding Group Co., Ltd) ("Guangdong Zhujiang"). Guangdong Zhujiang was owned as to 95% by 深圳偉杰投資有限公司 (Shenzhen Weijie Investment Company Limited) which was owned as to 100% by Zhu Weihang.

(3) Siemens International Holding B.V., holding 148,646,000 H shares of the Company, was wholly owned by Siemens Beteiligungsverwaltung GmbH & Co. OHG, which in turn was owned as to 99.99% and 0.01% by Siemens Aktiengesellschaft and Siemens Beteiligungen Management GmbH.

(4) JPMorgan Chase & Co. had a long position in 390,964,403 H shares and a short position in 1,014,000 H shares of the Company by virtue of its control over the following corporations:-

(4.1) J.P. Morgan Clearing Corp, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 2,719,327 H shares and a short position in 1,014,000 H shares of the Company.

(4.2) JF Asset Management Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 6,760,000 H shares of the Company.

(4.3) JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 488,000 H shares of the Company.

(4.4) J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 2,000 H shares of the Company.

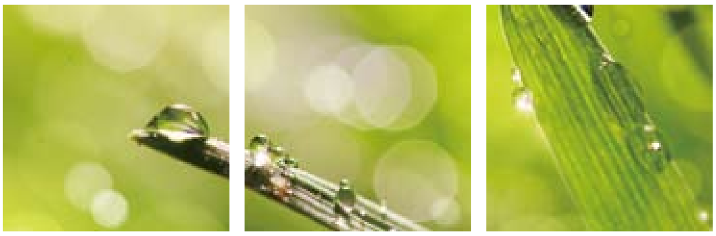
(4.5) J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 16,115,196 H shares of the Company.

(4.6) J.P. Morgan Securities plc, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 13,384 H shares of the Company.

(4.7) JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 364,866,496 H shares of the Company.

(4.8) The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 364,866,496 H shares (long position).

(5) BlackRock, Inc. had a long position in 149,450,769 H shares and a short position in 10,844,000 H shares (in which 90,000 H shares were held through cash settled derivatives (on exchange)) of the Company through a number of its indirect wholly-owned subsidiaries.



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 31 December 2013 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 31 December 2013, none of the directors, supervisors or chief executives (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified by the directors, supervisors or chief executives to the Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules. Also, no right to acquire the aforementioned interests had been granted to the directors, supervisors or chief executives of the Company.

Directors, Supervisors, Senior Management and Staff

Interests in shares and remuneration of the Directors, Supervisors and Senior Management

Unit: Share

Name	Position	Gender	Age	Term of office commencing on	Term of office ending on	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Movement in the number of shares for the year	Reason for the movement	Total payable remuneration received from the Company during the reporting period (RMB in ten thousand) (before tax)
Xu Jianguo	Chairman of the Board and Chief Executive Officer	Male	62	15 December 2010	25 February 2017					
Huang Dinan	Vice Chairman of the Board	Male	47	15 December 2010	25 February 2017					95.6
Zhu Kelin	Vice Chairman of the Board	Male	51	15 December 2010	25 February 2017					
Zheng Jianhua	Executive Director and President	Male	53	30 September 2013	25 February 2017					107.61
Xu Ziying	Executive Director	Female	44	25 May 2011	31 July 2013					
Yu Yingui	Executive Director	Male	63	15 December 2010	25 February 2017					76.2
Yao Minfang	Non-executive Director	Female	46	15 December 2010	25 February 2017					
Zhu Sendi	Independent Non-Executive Director	Male	73	15 December 2010	25 February 2017					25
Cheung Wai Bun	Independent Non-Executive Director	Male	77	15 December 2010	26 February 2014					25
Lui Sun Wing	Independent Non-Executive Director	Male	63	15 December 2010	25 February 2017					25
Kan Shun Ming	Independent Non-Executive Director	Male	56	26 February 2014	25 February 2017					
Dong Jianhua	Chairman of the Supervisory Committee	Male	48	15 December 2010	25 February 2017					
Xie Tonglun	Supervisor	Male	57	15 December 2010	25 February 2017					34.08
Li Bin	Supervisor	Male	53	15 December 2010	25 February 2017					
Zhou Changsheng	Supervisor	Male	48	15 December 2010	25 February 2017					
Zheng Weijian	Supervisor	Male	52	15 December 2010	25 February 2017					
Chen Ganjin	Vice President	Male	45	28 September 2011	17 December 2013					63.24
Huang Ou	Vice President and Chief Technology Officer	Male	42	17 June 2011	25 February 2017					85.65
Hu Kang	Chief Financial Officer	Male	50	13 February 2014	25 February 2017					55.6
Cao Jun	Chief Operating Officer	Male	46	17 December 2013	25 February 2017					
Chen Hong	Chief Investment Officer	Male	59	17 December 2013	25 February 2017					72
Li Jing	Chief Information Officer	Female	46	17 June 2011	25 February 2017	2,996	2,996			67.56
Tong Liping	Chief Legal Officer	Female	42	17 June 2011	25 February 2017					61.08
Zhang Jianming	Chief Risk Management Officer	Male	58	17 December 2013	25 February 2017					
Fu Rong	Secretary to the Board	Female	43	15 December 2010	25 February 2017					60.6
Li Chung Kwong Andrew	Company Secretary	Male	54	1 May 2013	25 February 2017					100.8
Leung Ka Lok	Company Secretary	Male	43	16 February 2011	1 May 2013					55
Total	/	/	/	/	/	**2,996**	**2,996**		/	**1010.02**

Note 1: During the reporting period, Mr. Zheng Jianhua received remuneration as the President of the Company's Power Station Group;

Note 2: During the reporting period, Mr. Chen Hong received remuneration as the General Manager of Shanghai Mechanical and Electrical Industry Co.,Ltd, a subsidiary of the Company.

Directors

Mr. Xu Jianguo, aged 62, joined the Company in September 2006 and is the chairman, an executive director and chief executive officer of the Company. He is also the chairman of Shanghai Electric (Group) Corporation and the chairman of Shanghai Mechanical and Electrical Industry Co., Ltd.. Mr. Xu has over 30 years of experience in industrial business management. Prior to joining the Company, Mr. Xu had been the deputy manager of Shanghai Daily Chemical Industrial Company, assistant to the director of Shanghai Light Industry Bureau, deputy director of Shanghai Light Industry Bureau, secretary of the communist party of Shanghai Light Industry Bureau, deputy director of the Economic Committee of Shanghai, regional supervisor of Baoshan, Shanghai, regional supervisor of Huangpu, Shanghai, deputy secretary of the People's Government of Shanghai, and director of the Economic Committee of Shanghai. Mr. Xu graduated from Shanghai University of Finance and Economics with a master's degree in economics and is a senior economist.

Mr. Huang Dinan, aged 47, joined the Company in March 2004 and is the Vice Chairman and an executive director of the Company. He is also the vice chairman and the president of Shanghai Electric (Group) Corporation. Mr. Huang has extensive experience in the power generation equipment industry. Since joining the parent group in 1989, Mr. Huang has held the positions of vice president of Shanghai Turbine Co., Ltd. from 1997 to 1999, president of Shanghai Turbine Co., Ltd. from 1999 to 2002, vice president of Shanghai Electric (Group) Corporation from 2002 to 2004, president of Shanghai Electric (Group) Corporation from 2004 to 2009, and president of the Company from 2004 to 2013. Mr. Huang graduated from Tsinghua University with a master's degree in engineering. He is a senior engineer of professor level.

Mr. Zheng Jianhua, aged 53, joined the Company in March 2004 and is currently an executive director and the president of the Company. He is also the chairman of Shanghai Electric Power Generation Equipment Co., Ltd. Mr. Zheng Jianhua has over 30 years of experience in equipment manufacturing business. Mr. Zheng was previously the president of Shanghai Turbine Co., Ltd., the factory director of Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., the president of Shanghai Electric Power Generation Group and the vice president of Shanghai Electric (Group) Corporation. Mr. Zheng Jianhua has obtained a master degree of business administration from China Europe International Business School. He is a senior economist.

Mr. Yu Yingui, aged 63, joined the Company in March 2004 and is an executive director of the Company, and also the president of Shanghai Electric Heavy Industry Group. Mr. Yu has over 30 years of extensive experience in the diesel engine manufacturing industry and extensive experience in financial management. Mr. Yu has been a member of the senior management of Shanghai Diesel Engine Co., Ltd., formerly one of the Company's listed subsidiaries, since joining the parent group in 1991. Mr. Yu was the vice president of Shanghai Diesel Engine Co., Ltd. from 1991 to 2000 and the president of Shanghai Diesel Engine Co., Ltd. from 2000 to 2004, and was the chief financial officer of the Company from 2004 to 2013. Mr. Yu holds a master degree of business administration from the Shanghai University of Finance and Economics, and is a senior economist.

Mr. Zhu Kelin, aged 51, joined the Company in March 2004 and is a vice chairman and a non-executive director of the Company. Mr. Zhu has extensive experience in business administration. Mr. Zhu has been the chairman of Shenzhen Fengchi Investment Co., Ltd. from May 2007 to July 2012, the director of Shenzhen Fengchi Investment Co., Ltd. from May 2007 to present; and the vice chairman of Guangdong Zhujiang Investment Holding Group Co., Ltd. from February 2008 to July 2011 and has been the chairman of Guangdong Zhujiang Investment Joint Stock Co., Ltd from December 2007 to the present. Mr. Zhu graduated from the University of Western Sydney with a master's degree in business administration.

Ms. Yao Minfang, aged 46, joined the Company in November 2007 and is a non-executive director of the Company. She was the head and deputy manager of the investment department of Shenergy Company Limited from 2000 to 2006. Ms. Yao has been the deputy manager and then the manager of the investment management department of Shenergy Group Co., Ltd. since September 2006. Ms. Yao graduated from the dynamics department of the University of Shanghai for Science and Technology with a master's degree and is a senior engineer of professor level.

Mr. Zhu Sendi, aged 73, joined the Company in November 2008 and is an independent nonexecutive director of the Company. He is a special advisor and an honorable director of the experts committee of China Machinery Industry Federation, a member of Advisory Committee for State Informatization, a supervisor of Chinese Mechanical Engineering Society, a consultant of Advisory Committee of China International Engineering Consulting Corporation. Mr. Zhu also serves as an independent director of Hangzhou Advance Gearbox Group Co., Ltd.. Prior to these positions, Mr. Zhu successively worked as the deputy director and the director of office of China Academy of Machinery Science and Technology, as well as the deputy director and the director of science and technology department, the director of comprehensive planning department, the director of industry development department, a member of the party committee and the chief engineer of the Ministry of Machinery Industry of the PRC. Mr. Zhu also worked as the chairman of the board of directors and president of China National Machinery & Equipment (Group) Corporation, the general manager of China National Machinery & Equipment Import & Export Corporation, the administrative deputy director of the Machinery Industry Planning & Review Committee, and the executive vice president of China Machinery Industry Federation. Mr. Zhu graduated from the physics department of Anhui University and is a senior engineer of professor level.

Dr. Cheung Wai Bun, Charles, J.P., aged 77, joined the Company in November 2004 and became an independent non-executive director of the Company since then until 26 February 2014. Dr. Cheung possesses the relevant financial management expertise as required by the Listing Rules, including the experience in internal controls and reviewing or analyzing audited financial statements. Dr. Cheung is presently the chairman of Joy Harvest International Limited in Hong Kong, director and vice chairman of Executive Committee of the Metropolitan Bank (China) Ltd, a senior advisor of Metropolitan Bank & Trust Co. Philippines, an independent director and a director general of Audit Committee of China Resources Bank of Zhuhai Co., Ltd. and an independent non-executive director and chairman of the respective audit committees of Pioneer Global Group Limited and

China Financial International Investments Limited (formerly Sunshine Capital Investments Group Limited), the latter two are companies listed on the main Board in Hong Kong, independent director of Universal Technologies Holdings Limited (listed on the main Board in Hong Kong), independent director and chairman of Remuneration Committee of Grand T.G Gold Holding Limited (listed on the GEM Board in Hong Kong), Executive Chairman of Lightscape Technologies Inc. and advisor of Twin Wealth Group, Hong Kong. He is visiting professor, School of Business, Nanjing University and a member of Governing Committee of Kowloon Hospital and Hong Kong Eye Hospital. Dr. Cheung is also a Council Member of the Hong Kong Institute of Directors. Dr. Cheung was formerly group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong, and a director and advisor of the Tung Wah Group. He has held senior management positions in various companies of different industries and possessed extensive experience. Dr. Cheung holds an honorary doctor's degree in business administration from John Dewey University of USA and a master degree in business administration and a bachelor degree of science in accounting and finance from New York University. He was awarded Listed Company Non-Executive Director Award at the Hong Kong Directors of the Year Awards 2002. On 30 August 2010, Dr. Cheung received (1) Outstanding Management Award for the Year 2010 of The Chartered Management Association, (2) Outstanding Director Award for the Year 2010 of The Chartered Association of Directors and (3) Outstanding CEO Award for the Year 2010 of The Asia Pacific CEO Association in Hong Kong.

Dr. Lui Sun Wing, aged 63, joined the Company in December 2010 and is an independent non-executive director of the Company. Dr. Lui joined the Hong Kong Productivity Council from October 1981, and served in various positions. In December 1992, he was promoted to the vice-president, primarily providing the R&D, consultancy and training services for industrial and commercial sector as well as enhancing corporate management and productivity. He then joined Hong Kong Polytechnic University as the vice-president from July 2000 to June 2010 till retirement responsible for partnership development, applied R&D and transformation of research results. Dr. Lui is also an international director of SAE International, the founding director of the Society of Automotive Engineers-HK, former president to the Hong Kong Association for the Advancement of Science and Technology as well as Honorary President and Honorary Advisors of various commercial, industrial and professional associations. Dr. Lui is currently a non-executive director of Leeport (Holdings) Limited, independent non-executive director of Leo Paper Group (Hong Kong) Limited (unlisted) and the non-executive director of Eco-Tek Holdings Limited. Dr. Lui obtained his PhD degree in mechanical engineering from the University of Birmingham in UK.

Mr. Kan Shun Ming, aged 56, joined the Company in February 2014. He is an independent non-executive director of the Company and currently serves as a partner of Wong Brothers & Co Certified Public Accountants and also as a director of Authosis Inc., the honorary auditor of Hong Kong Public Doctors' Association, the honorary auditor of German Chamber of Commerce Hong Kong and the financial adviser of Asia Women's League Limited. Mr. Kan previously served as an independent non-executive director of Lenovo Group and chairman of Taiwan Fuxun Technology Company Limited. Mr. Kan graduated from the University of Manchester and obtained honorary bachelor degree in computer science and accounting. He is a fellow member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Supervisors »

Mr. Dong Jianhua, aged 48, joined the Company in December 2010 and is the chief supervisor of the Company. He joined the Shanghai Electric (Group) Corporation, which is the parent group of the Company, as chief financial officer in April 2008. Mr. Dong has extensive experience in internal audit and supervision. Prior to joining the parent group of the Company, Mr. Dong was the assistant to the head and deputy head of Infrastructure Office of Shanghai Municipal Audit Bureau, deputy head and head of Fixed Assets Investment and Audit Office, as well as head of Audit Office between 1987 and 2008. Mr. Dong has been involved in professional auditing for more than 25 years. Mr. Dong graduated from Shanghai Tongji University with a bachelor's degree in engineering. He also obtained a master's degree in business administration from Shanghai Jiao Tong University. Mr. Dong is a senior economist.

Xie Tonglun, aged 57, joined the Company in March 2004 and is an employee representative of the supervisory committee of the Company. He is also the director of the office of the communist party office of Shanghai Electric Group Company Limited and vice chairman of labour union of Shanghai Electric Group Company Limited. Mr. Xie was the deputy manager of the administration office of Shanghai Electric (Group) Corporation from 1996 to 2001 and the deputy secretary of the Commission for Discipline Inspection of Shanghai Electric (Group) Corporation from 2001 to 2004. Mr. Xie graduated with a bachelor's degree in business administration from Shanghai Administration Institute. Mr. Xie is a senior policy advisor.

Li Bin, aged 53, joined the Company in November 2007 and is an employee representative of supervisory committee of the Company, the vice chairman of Shanghai Mechanical and Electrical Union（上海市機電工會）, the chief technologist of Shanghai Electric Hydraulic & Pneumatics Co., Ltd. and head of the production line of the computer numerically controlled plant of Shanghai Hydraulic Pump Factory. Since 1980, Mr. Li has been a worker of plant 2 of Shanghai Hydraulic Pump Factory, product test engineer and head of the product test team of computer numerically controlled plant of Shanghai Hydraulic Pump Factory. Mr. Li is also a member of the experts committee of China Hydraulics Pneumatic & Seals Association, the chairman of Shanghai Technicians Association and the vice-chairman of research Institute of Optomechatronics Technology of Shanghai Second Polytechnic University. Mr. Li graduated from Shanghai Second Polytechnic University, majoring in electromechanical engineering. Mr. Li is an engineer and a Senior Technician.

Mr. Zhou Changsheng, aged 48, joined the Company in November 2007 and is a supervisor of the Company, deputy head of the audit office of Shenergy Group Co. Ltd., the chief auditor of Anhui Wuhu Nuclear Power Co., Ltd., and an independent director of Shanghai CP Guojian Pharmaceutical Co., Ltd. Mr. Zhou has 25 years' working experience in corporate financial management, internal audit as well as supervision and internal control. Mr. Zhou was the deputy head of the treasury division of the finance department of Meishan subsidiary of Baosteel Group, the manager of the accounting department of Shanghai Bailian (Group) Co. Ltd., head of the finance department and the assistant director of the audit office of Shenergy Group Co. Ltd., a director of Shanghai Metro Construction Corporation Ltd. and an independent director of Shanghai Zhongxi Pharmaceutical Co., Ltd. Mr. Zhou holds a master degree. He is also a senior accountant and a Certified Public Accountant in PRC.

Mr. Zheng Weijian, aged 52, is a supervisor of the Company, the chairman of supervisory committee of Guangdong Zhujiang Investment Co., Ltd. Since 2005, Mr. Zheng has been the director of operational control center of Guangdong Zhujiang Construction Limited. Since January 2008 until now, he has been the chairman of supervisory committee of Guangdong Zhujiang Investment Co., Ltd, a director of Shenzhen Yunfeng Guaranty & Investment Co., Ltd.. Since 2013, Mr. Zheng has been the chairman of Guangdong Zhujiang Investment Managment Group Co., Ltd. He was a supervisor of the Company from 2004 to 2007. Mr. Zheng holds a master's degree of business administration of Macau University of Science and Technology. He is also a senior certified international accountant and senior International Finance Manager.

Senior Management »

Huang Ou, aged 42, joined the Company in March 2004. He is currently the vice president, the chief technology officer and head of the Science and Technology Management Department of the Company, the head of the Central Research Institute of Shanghai Electric Group Company Ltd., vice chairman of Shanghai Electric Power Generation Equipment Co., Ltd., vice chairman of Shanghai Rail Traffic Equipment Development Co., Ltd., chairman of Shanghai Electric Architecture Saving Co. Ltd., vice chairman of Shanghai Electric Power T&D Group Co. Ltd. and chairman of Shanghai Thales Saic Transport Co. Ltd.. Mr. Huang has extensive experience in the power generation equipment manufacturing industry. He previously served as president of Shanghai Turbine Co., Ltd., executive vice president of Shanghai Electric Power Generation Group, vice president of Shanghai Electric Power Generation Equipment Co., Ltd. and chairman of SEC - IHI Power Generation Environment Protection Engineering Co., Ltd. Mr. Huang graduated from the Shanghai Jiao Tong University with a master's degree in engineering and is a senior engineer of professor level.

Hu Kang, aged 50, joined the Company in April 2013 and is currently the chief financial officer and the head of the assets finance department of the Company and the chairman of the Supervisory Committee of Shanghai Mechanical & Electrical Industry Co., Ltd.. He previously served as deputy general manager of Shanghai Bearing (Group) Co., Ltd., the factory director of Shanghai Zhenhua Bearing Factory Company Limited, the assistant to the chief financial officer of Shanghai Electric (Group) Corporation, director and general manager of Shanghai Shangling Electric Company Ltd., general manager of the second management department of Shanghai Electric Assets Management Company Limited and director and general manager of Shanghai Prime Machinery Company Limited, and the assistant to the president and head of the audit department of the Company. He obtained an MBA degree from the Macau University of Science and Technology and he is a senior economist.

Mr. Cao Jun, aged 46, joined the Company in January 2013 and is the chief operating officer of the Company and chairman of Shanghai Automation Instrumentation Company Limited. He previously served as the vice general manager of Shanghai Electric Development Co., Ltd, general manager of Shanghai Electric Human Resources Co., Ltd, general manager of Shanghai Mechanical & Electrical Trading Buliding, the assistant to president of Shanghai Electric Assets Management Company Limited. the assistant to President of the Company, head of safe production supervising center of Shanghai Electric. Mr. Cao Jun graduated from the Shanghai University majored in electric automation with a bachelor's degree in engineering and holds a master's degree in management from the Macau University of Science and Technology. He is a senior economist.

Mr. Chen Hong, aged 59, joined the Company in August 2005 and is the chief investment officer of the Company, vice chairman of Shanghai Mechanical and Electrical Industry Company Limited, director of Goss International Corporation. He previously served as general manager of Shanghai Mechanical and Electrical Industry Company Limited and Shanghai Instrument and Electronics Import and Export Company, vice general manager of SVA Technologies, Co., Ltd, vice president of SVA (Group) Co., Ltd., director and general manager of Shanghai Electric International Economic & Trading Co., Ltd. Mr. Chen Hong holds a master's degree of business administration at China Europe International Business School. He is a senior economist.

Ms. Li Jing, aged 46, joined the Company in March 2004 and is the chief information officer and director of the information management department of the Company. Ms. Li has long been engaged in informatization work for the Group as well as entities under the Group and has over 23 years of extensive experience in IT and information management. She has served as chief information officer and department head of the IT Department of Shanghai Electric Power Generation Group since 2004. Ms. Li is an expert in informatization for manufacturing industry in China. Ms. Li obtained a bachelor's degree in computer engineering and a master's degree in accounting and is a senior engineer of professorial level.

Ms. Tong Liping, aged 42, joined the Company in March 2004 and currently serves as the chief legal officer, director of legal department and the solicitor of the Company. Ms. Tong has long been engaged in in-house legal works and is experienced in managing corporate legal affairs with rich knowledge in relevant laws. She served as the director of the legal and audit office and department head of legal department of Shanghai Electric Power Generation Group from 2004 to 2010, director of the legal affairs centre of the Company from 2006 to 2008, and taking up the responsibility of the deputy director, director of the legal department and then the chief legal counsel of the Company since 2008. Ms. Tong graduated from Fudan University with a master's degree in law.

Mr. Zhang Jianming, aged 58, joined the Company in March 2004 and is the chief risk officer of the Company and the secretary of the Commission for Discipline Inspection, vice chairman of supervisory committee and head of the Discipline Office of Shanghai Electric (Group) Corporation. He previously served as the deputy factory manager of Shanghai Turbine Works Co., Ltd., president of Shanghai Turbine Works Co., Ltd., and general manager of Lin Gang Factory of Shanghai Electric Power Generation. Mr. Zhang Jianming holds an MBA degree and is a senior economist.

Ms. Fu Rong, aged 43, joined the Company in June 2005, and is the secretary to the board of directors, the director of secretariat office of the board of directors and the head of the office of the Company. She has been the Representative of Security Affairs of Shanghai Power Transmission and Distribution Co., Ltd., head of marketing department of low voltage product division of ABB (China) Investment Ltd., board secretary and head of department of securities of Shanghai Electric Devices Company Limited, and the secretary of the board of directors and head of department of securities of Shanghai Power Transmission and Distribution Co., Ltd., and head of Human Resources Department and Investor Relations Department of the Company. Ms. Fu holds a bachelor's degree in management and is an economist.

Mr. Li Chung Kwong Andrew, aged 54, joined the Company in April 2005 and is the Company Secretary and head of the Investor Relations Department of the Company. Mr. Li served as the Company Secretary and qualified accountant of the Company from 2005 to 2010; he was the financial senior vice president and treasurer of Goss International Corporation from 2011 to 2012, and in between served as director of Goss International Corporation and Goss Graphic Systems Ltd as well. Before joining the Company, he served as chief financial officer of Oriental Juice Investment Company Limited from 2002 to 2004; during 1996 to 2002, he was a practicing accountant in Hong Kong by being a partner of Chu and Chu Certified Public Accountants. Mr. Li graduated from the Hong Kong Polytechnic University and is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, as well as a member of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Internal Auditors.

Employment status of the incumbent and resigned directors, supervisors and senior management during the reporting period

Employment status with shareholder entities »

Name	Name of shareholder entities	Position in shareholder entities	Term of office commencing on	Term of office ending on
Xu Jianguo	Shanghai Electric (Group) Corporation	Chairman of the Board	August 2006	to present
Huang Dinan	Shanghai Electric (Group) Corporation	Vice Chairman of the Board	January 2004	to present
Huang Dinan	Shanghai Electric (Group) Corporation	President	June 2013	to present
Zheng Jianhua	Shanghai Electric (Group) Corporation	Vice President	April 2008	July 2013
Xu Ziying	Shanghai Electric (Group) Corporation	Vice President	April 2008	November 2013
Zhu Kelin	Fengchi Investment Co., Ltd.	Director	July 2012	to present
Dong Jianhua	Shanghai Electric (Group) Corporation	Chief Financial Officer	April 2008	to present
Yao Minfang	Shenergy Group Company Limited	Manager of the investment management department	March 2009	to present
Zhou Changsheng	Shenergy Group Company Limited	Deputy head of the audit office	February 2009	to present
Zhang Jianming	Shanghai Electric (Group) Corporation	Secretary of the Commission for Discipline Inspection	January 2009	to present

Employment status with other entities »

Name	Name of other entities	Position in other entities	Term of office commencing on	Term of office ending on
Xu Jianguo	Shanghai Mechanical and Electrical Industry Co.,Ltd	Chairman of the Board	24 May 2012	23 May 2015
Zhu Kelin	Guangdong Zhujiang Investment Joint Stock Co., Ltd.	Chairman of the Board	December 2007	to present
Yu Yingui	Shanghai Mechanical and Electrical Industry Co.,Ltd	Chairman of the Supervisory Committee	24 May 2012	17 January 2014
	Shanghai 3F New Material Co., Ltd	Independent Director	20 April 2011	19 April 2014
Zhu Sendi	China Machinery Industry Federation	Special advisor	May 2009	May 2014
	Experts committee of China Machinery Industry Federation	Honorable director	February 2010	May 2014
	Advisory Committee for State Informatization	Member	April 2004	April 2012
	Chinese Mechanical Engineering Society	Supervisor	2011	2015
	China International Engineering Consulting Corporation	Advisor of expert's academic committee	January 2011	January 2014
	Hangzhou Advance Gearbox Group Co., Ltd	Independent Director	29 September 2011	28 September 2014
Cheung Wai Bun	Hong Kong Yee Hong Int'l Group Development Limited	Chairman	March 2004	to present
	Metropolitan Bank (China) Ltd	Director and vice chairman of Executive Committee	2 February 2010	20 February 2014
	Metropolitan Bank & Trust Co. Philippines	Senior Advisor	April 2009	April 2013
	Pioneer Global Group Limited	Independent non-executive director and chairman of the Audit Committee	June 1999	September 2013
	China Financial International Investments Limited	Independent non-executive director and chairman of the Audit Committee	March 2001	December 2014
	Grand T G Gold Holdings Limited	Chairman of the Board	November 2012	to present
	Grand T G Gold Holdings Limited	Independent director and chairman of Remuneration Committee	July 2009	to present
	China Resources Bank of Zhuhai Co.,Ltd.	Independent director and chairman of Audit Committee	December 2009	December 2015
	Twin Wealth Group Limited	Advisor	October 2011	October 2013
	Global Technology Holdings Co, Limited	Independent director	September 2011	September 2013
	Lightscape Technologies Inc.	Executive Chairman	November 2010	November 2013
Lui Sun Wing	Leeport (Holdings) Limited	Non-executive director	May 2003	to present
	Eco-Tek Holdings Limited	Non-executive director	January 2001	to present
	Leo Paper Group (Hong Kong) Limited	Independent non-executive director	April 2010	to present
Kan Shun Ming	Wong Brothers & Co Certified Public Accountants	Partner	1990	to present
	Authosis Inc.	Director	2001	to present
	Hong Kong Public Doctors' Association,	Honorary auditor	1991	to present
	German Chamber of Commerce Hong Kong	Honorary auditor	1990	to present
Li Bin	Shanghai Electric Hydraulic & Pneumatics Co., Ltd.	Chief technician	October 2004	to present
Zhou Changsheng	Anhui Wuhu Nuclear Power Co., Ltd.	Chief auditor	March 2009	to present
	Shanghai CP Guojian Pharmaceutical Co., Ltd.	Independent director	October 2010	to present
Zheng Weijian	Guangdong Zhujiang Investment Joint Stock Co., Ltd.	Chairman of supervisory committee	January 2008	to present
	Shenzhen Yunfeng Guaranty&Investment Co.,Ltd.	Director	January 2006	to present
	Guangdong Zhujiang Investment Managerment Group Co.,Ltd.	Chairman	2013	to present
Hu Kang	Shanghai Prime Machinery Company Limited	Director and general manager	September 2005	April 2013
Cao Jun	Shanghai Automation Instrumentation Co., Ltd.	Chairman of the Board	18 December 2013	to present
Tong Liping	Shanghai Highly (Group) Co., Ltd.	Supervisor	17 June 2011	16 June 2014

Remunerations of Directors, Supervisors and Senior Management

Procedures to determine the remunerations of Directors, Supervisors and Senior Management	The remunerations of our Directors and Supervisors (non-employee representatives) are determined in the general meeting, while the remunerations of our Senior Management are determined by the board of directors of the Company
Basis for determining the remunerations of Directors, Supervisors and Senior Management	The remunerations of our Directors and Supervisors (non-employee representatives) are determined based on a number of factors, such as the operating results of the Company, their responsibilities, performance and market conditions. The remunerations of our Supervisors (employee representatives) and Senior Management are determined based on their responsibilities and degree of completion of annual operation plan.
The remunerations payable to Directors, Supervisors and Senior Management	The Company has paid the remunerations to its Directors, Supervisors and Senior Management based on their respective entitlement
Total actual remunerations received by all Directors, Supervisors and Senior Management at the end of Reporting Period	approximately RMB 10.1002 million

Changes of Directors, Supervisors and Senior Management of the Company

Name	Position	Change	Reason for the change
Huang Dinan	Vice Chairman of the Board	Appointed	work requirements
Huang Dinan	President	Resigned	work requirements
Zheng Jianhua	Executive Director and President	Appointed	work requirements
Xu Ziying	Executive Director	Resigned	job transfer
Cheung Wai Bun	Independent non-executive director	Resigned	expiration of the term of office
Kan Shun Ming	Independent non-executive director	Appointed	elected
Yu Yingui	Chief Financial Officer	Resigned	work requirements
Chen Ganjing	Vice president	Resigned	job transfer
Hu Kang	Chief Financial Officer	Appointed	work requirements
Cao Jun	Chief Operating Officer	Appointed	work requirements
Chen Hong	Chief Investment Officer	Appointed	work requirements
Zhang Jianming	Chief Risk Officer	Appointed	work requirements
Li Chung Kwong Andrew	Company Secretary	Appointed	work requirements
Leung Ka Lok	Company Secretary	Resigned	work requirements

Core Technology Team and Key Technology Staff of the Company

There has been no changes of core technology team and key technology staff of the Company during the Reporting Period.

Employees of the Company and Principal Subsidiaries

Staff

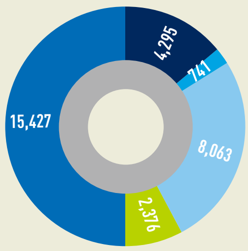
Number of current staff in the parent company	80
Number of current staff in the principal subsidiaries	30,822
Total number of current staff	30,902
Number of retired staff for whom the Company and the principal subsidiaries are responsible for the retirement benefits	290

Personnel classification	
Personnel categories	Number of employees
Production personnel	15,427
Sales personnel	2,376
Technical personnel	8,063
Financial personnel	741
Administration personnel	4,295
Total	**30,902**

Education Level	
Categories by education level	Number of employees
Postgraduate and above	1,924
Undergraduate	10,128
Tertiary education	6,745
Secondary education and below	12,105
Total	**30,902**

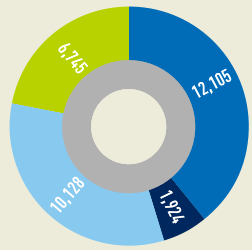
Statistical chart of professional composition

- Production personnel
- Sales personnel
- Technical personnel
- Finacial personnel
- Administrative personnel



Statistical chart of education level

- Postgraduate and above
- Undergraduate
- Tertiary education
- Secondary education and below



Contracted Labour

Total remuneration paid to contracted labour	RMB272million

Remuneration Policy

During the reporting period, the Company complied strictly with the relevant laws and regulations and paid the employees as well as various social insurance contributions regularly and fully. There was no wages or remuneration in arrears to employees or labour service workers. The Company set up a comprehensive system which synchronized the increase of employees' salary with the improvement in labour productivity; thus, the level of wage increase of the Company and the wages adjustment of employees of various work position can be determined reasonably. The Company insisted on the policy of "Dual Inclination, Dual care" and implemented policies that tilted towards scientific technological staffs and the front line technical workers while paying special care towards temporarily unemployed staff and workers who are in economic difficulties.

Training Program

During the reporting period, the company planned and implemented its training program by focusing on the Group's strategy and "re-ventaring" requirement, as well as by making reference to the ideas "high-end, open end and demand driven". The Company enhanced and improved the training system, implemented the actual operation of the education center and the construction of the education base; paid special attention to the training of key personnal and personnel that were in shortage and continued to make the training work more systematic and scientific so as to provide support to provide personnel for the development of the Group.

Services contracts of Directors and Supervisors

None of the Directors and Supervisors of the Company has any service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' Interest in Contracts

During the year, none of the Directors and Supervisors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party.

Incentive Share Option Scheme

Currently, neither the Company nor any of its subsidiaries has any incentive Share Option Scheme.

Corporate Governance

The Board firmly believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure a high level of transparency in corporate governance and an excellent performance in operation.

During the reporting period, the Board of Directors is of the view that the Company has complied with ensure its strict compliance with relevant regulatory requirements, including but not limited to the code provisions set out in the Code on Corporate Governance Practices and Corporate Governance Report (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and to except for code provision A.2.1 concerning the requirements to separate the roles of the chairman and chief executive officer. The Company is of the opinion that segregation of duties and responsibilities between the Board of Directors and the senior management has been well maintained and there exists no problem of over-centralization of management power on one particular individual.

The Company will periodically review and update the existing practices, in order to follow the latest developments in corporate governance.

Securities Transactions by Directors »

The Company has adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All Directors and Supervisors confirmed that they had complied with the requirements contained in the Model Code throughout the year 2013. The Company was not aware of any non-compliance of the Model Code by any staff.

Board of Directors »

The Board of Directors comprises nine directors, including four executive directors, namely Xu Jianguo, Huang Dinan, Zheng Jianhua (appointed on 30 September 2013), Xu Ziying (resigned on 31 July 2013) and Yu Yingui, two non-executive directors, namely Zhu Kelin and Yao Minfang, and three independent non-executive directors, namely Zhu Sendi, Cheung Wai Bun and Lui Sun Wing. The number of independent non-executive directors represents one-third of the total number of directors. The term of office of Cheung Wai Bun ended on 26 February 2014. On the same day, Kan Shun Ming was appointed as an independent non-executive director, whose term of office will expire on 25 February 2017.

The Board members have different professional backgrounds with expertise in various aspects such as corporate management, technology development, financial management, strategic investment and human resources management. Their biographical particulars are set out in the "Directors, Supervisors, Senior Management and Staff" section of this annual report.

All independent non-executive directors of the Company are aware of the rights and obligations of directors and independent non-executive directors of listed companies. During the reporting period, independent non-executive directors attended Board meetings in prudent, responsible, proactive and earnest manner. Applying their experiences and specialization, they contributed tremendous efforts in improving corporate management and making major decisions and producing relevant and objective opinions on major events and connected transactions of the Company, enhancing the scientific development and standardisation of the Board's decision making process and safeguarding interests of the Company and shareholders as a whole effectively.

All independent non-executive directors have confirmed their independence with the Company as required under Rule 3.13 of the Listing Rules on The Stock Exchange of Hong Kong Limited annually. The Company has received the annual confirmations from such Directors and considered them to be independent in 2013.

Powers and duties of the Board and the management have been specified in the Articles of Association to ensure adequate check and balance for sound corporate governance and internal control.

The Board formulates overall development strategies of the Group, monitors its financial performance and maintains effective supervision over the management. Members of the Board act in an effort to maximize the long-term interests of shareholders and match the business goals and development direction of the Group to the current economic and market conditions. The management team of the Company is responsible for daily operation and management of the Company.

The management of the Company, under the leadership of the President (also an Executive Director), is responsible for implementing various resolutions made by the Board and organizing daily operation and management of the Company.

Every Board member has the right to inspect various documents and relevant materials of the Board of Directors, to consult the Company Secretary and the Secretary to the Board of Directors on regulatory and compliance matters and to seek external professional advice when necessary. The Company Secretary and the Secretary to the Board of Directors continuously advise all directors on continuing obligations under the Listing Rules and other applicable laws and regulations to ensure the Company's compliance with such requirements and to ensure an excellent corporate governance of the Company.

Apart from the working relationship in the Company, there were no financial, operational, familial or other material relationships among the Directors, Supervisors and Senior Management.

The Company attaches great importance to the continuous training on various areas of the directors. During the reporting period, the Company arranged certain courses and provided materials on areas including business, law and finance, for the directors to advance their professional knowledge on a continuous basis.

The attendance of directors of the Board's meeting

		Attendance at the Board meetings						Attendance at the general meetings
Name of directors	Independent Non-executive Director	Required attendance in Board meetings during the year	Attendance in person	Attendance via other communication means	Attendance by proxy	Absence	Personal absence for two or more consecutive meetings	Attendance No. of general meetings
Xu Jianguo	No	10	10	7	0	0	No	0
Huang Dinan	No	10	10	7	0	0	No	1
Zhu Kelin	No	10	10	7	0	0	No	0
Zheng Jianhua	No	4	4	4	0	0	No	0
Xu Ziying	No	5	5	2	0	0	No	1
Yu Yingui	No	10	10	7	0	0	No	2
Yao Minfang	No	10	10	7	0	0	No	1
Zhu Sendi	Yes	10	10	7	0	0	No	1
Cheung Wai Bun	Yes	10	10	7	0	0	No	1
Lui Sun Wing	Yes	10	10	7	0	0	No	2

Number of Board meetings held during the year	10
Of which: Number of meetings by physical attendance	3
Number of meetings held via other communication means	7
Number of meetings by physical attendance as well as via other communication means	0

Chairman and Chief Executive Officer »

Pursuant to code provision A.2.1 of the Code, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the reporting period, Mr. Xu Jianguo is the Chairman of the Board and the Chief Executive Officer of the Company. However, an executive director and the President of the Company Mr. Huang Dinan (resigned from the office of President on 31 July 2013) and Mr Zheng Jianhua (appointed as President of the Company on 31July 2013), one after the other, has been fully responsible for the day-to-day operations of the Company and execution of instructions from the Board of Directors. The Company is of the opinion that segregation of duties and responsibilities between the Board of Directors and the management has been well maintained and there exists no problem of over centralization of management power on one particular individual.

Audit Committee »

The audit committee of the Company (the "Audit Committee") is mainly responsible for reviewing and overseeing the financial reporting procedures and internal controls of the Group, reporting the results of such review and making recommendations for improvement to the Board of Directors. The Audit Committee is also responsible for reviewing the quarterly, interim and annual financial statements, connected transactions, the appointment of and remuneration for auditors.

The Audit Committee, currently comprising independent non-executive directors Mr. Kan Shun Ming (appointed on 26 February 2014), Mr. Zhu Sendi, Dr. Lui Sun Wing and Ms. Yao Minfang, is chaired by Mr. Kan Shun Ming, an independent non-executive director. During the reporting period, Dr Cheung Wai Bun was the Chairman of the Audit Committee. Dr Cheung resigned from the Audit Committee on 26 February 2014.

Six meetings of the Audit Committee were convened during the reporting period. During the meetings, the Audit Committee has reviewed and overseen the financial reporting procedures and internal controls of the Group, reported the results of such review and made recommendations for improvement to the Board of Directors. Our Audit Committee has also reviewed the quarterly, interim and annual financial reports, profit distribution plan of the Company, and the appointment of and remuneration for auditors.

During the reporting period, the attendance at the meetings of the Audit Committee was as follows (Actual attendance/attendance required):

Name of Audit Committee Member	Actual attendance/ attendance required
Kan Shun Ming (Chairman of the Committee)	0/0
Cheung Wai Bun	6/6
Zhu Sendi	6/6
Lui Sun Wing	6/6
Yao Minfang	6/6

Remuneration Committee »

The Remuneration Committee of the Company (the "Remuneration Committee") is mainly responsible for making recommendations to the Board of Directors regarding the formulation of a proper and transparent compensation policy and structure for directors and senior management of the Company.

The Remuneration Committee comprises Dr. Lui Sun Wing, Mr. Huang Dinan and Mr. Zhu Sendi. Dr. Lui Sun Wing is the chairman of the Remuneration Committee.

One meeting of the Remuneration Committee was held during the reporting period, at which the Remuneration Committee considered the remunerations for the directors, supervisors and the senior management of the Company, and formulated the remuneration procedures.

During the reporting period, the attendance at the meetings of the Remuneration Committee was as follows (Actual attendance/attendance required):

Name of Remuneration Committee Member	Actual attendance/ attendance required
Lui Sun Wing (Chairman of the Committee)	1/1
Huang Dinan	1/1
Zhu Sendi	1/1

Strategic Committee »

The Strategic Committee is currently composed of Mr. Xu Jianguo, Mr. Huang Dinan, Mr. Zheng Jianhua (Mr. Zheng Jianhua has been appointed on 30 September 2013, Ms. Xu Ziying resigned on 31 July 2013), Mr. Zhu Sendi and Dr. Lui Sun Wing, and chaired by Mr. Xu Jianguo.

Nomination Committee »

The primary functions of our Nomination Committee include reviewing and making recommendations to the Board and the general meeting on the selection of candidates of the Company's directors, the selection criteria and the procedures of selection.

The Nomination Committee currently comprises Mr. Zhu Sendi, Mr. Huang Dinan and Mr. Kan Shun Ming (appointed on 26 February 2014), Mr. Zhu Sendi being the chairman. During the reporting period, Dr. Cheung Wai Bun was also a member of the Nomination Committee (resigned on 26 February 2014).

Main duties of our Nomination Committee include:

1. making recommendations to the Board regarding the size and composition of the Board based on the operations, scale of assets and shareholding structure of the Company;
2. studying the criteria, procedures and methods for selecting directors and making recommendations to the Board;
3. identifying qualified candidates to become directors;
4. screening and making recommendations on the candidates for directors to the Board;
5. reviewing the independence of independent directors;
6. making recommendations on the revision and improvement of terms of reference of the Nomination Committee, etc.

During the reporting period, the attendance at the meetings of the Nomination Committee was as follows (Actual attendance/attendance required):

Name of Nomination Committee Member	Actual attendance/ attendance required
Zhu Sendi (Chairman of the Committee)	2/2
Huang Dinan	2/2
Cheung Wai Bun	2/2
Kan Shun Ming	0/0

During the reporting period the directors of the Board were re-elected and the Nomination Committee had considered the Board's composition of the Company from the aspects of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Committee believes that our Directors have complied with the regulatory requirements of listed companies and the requirements of the Articles of Association, and the Board had satisfied the requirements of the Hong Kong Stock Exchange on the diversification of the Board's composition. The Nomination Committee will also continue to perform their duties in accordance with those requirements.

Directors' and Auditors' Responsibilities for Accounts »

The directors of the Company acknowledge their responsibilities for the preparation of financial reports for each financial year which give a true and fair view of the financial position, the results and cash flows of the Group for that financial year. In preparing the financial report for the year ended 31 December 2013, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and have prepared the financial reports on the going concern basis. The directors are ultimately responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Supervisory Committee

The Supervisory Committee is a standing monitoring agency of the Company responsible for monitoring the Board of Directors and its members and senior management to avoid abuse of power that may harm the legitimate interests of shareholders, the Company and staff of the Company. The number of members and formation of the Supervisory Committee of the Company comply with the requirements of the relevant laws and regulations in the PRC.

During the reporting period, the attendance at the meetings of the Supervisory Committee was as follows (Actual attendance/attendance required):

Name of Supervisors	Actual attendance/ attendance required
Dong Jianhua	4/4
Xie Tonglun	4/4
Li Bin	4/4
Zhou Changsheng	4/4
Zheng Weijian	4/4

Senior Management

As at the date of this report, the Company has 10 members of senior management in total, namely Zheng Jianhua, Huang Ou, Hu Kang, Cao Jun, Chen Hong, Li Jing, Tong Liping, Zhang Jianming, Fu Rong and Li Chung Kwong Andrew. The details of their duties, particulars and compensation are set out in the section headed "Directors, Supervisors, Senior Management and Staff".

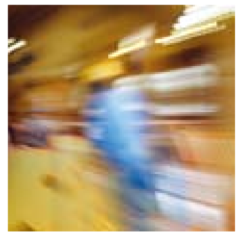
Internal Controls

Pursuant to relevant legal and regulatory requirements of the Ministry of Finance, CSRC, National Audit Office, CBRC, the "Basic Standards of Internal Controls for Enterprises" and the supplementary guidelines of CIRC, as well as the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, the Company has compiled the "Internal Control Handbook" based on the actual situation to establish a comprehensive and effective internal control system in five aspects, namely internal environment, risk assessment, control activities,information and communication, and internal supervision.

The Board of the Company is responsible for the establishment and implementation of internal controls. The Audit Committee is responsible for monitoring the establishment and implementation of internal controls. Any defects in internal controls are identified in a timely manner through annual internal control reviews in which accounting firms are engaged to conduct the audit on financial reporting internal controls. The Company would urge relevant business segments and units to implement rectification measures in a timely manner, so as to ensure effective operation of internal controls of the Company.

The Company has developed "Assessment and Management Methods of Internal Controls". The Company's Audit and Review Office is responsible for the daily inspection and monitoring work of the Company's internal controls and draws up working plans for internal control reviews annually and set up an assessment team consisting of competent members transferred from various segments of businesses. The team conducts internal control assessment on units and businesses in a specified scope, identifies any defects of internal controls, makes proposals on rectification and ensuring corrective measures proposed from previous audit having been adopted and implemented. Reports on the assessment of internal controls are compiled and presented to the audit committee, supervisory





committee and the Board, so as to persistently enhance the level of the Company's internal controls. In 2013, the Company has complied with the requirements of C.2.1 of Appendix 14 of the Listing Rules.

According to the requirements, the Company engaged Ernst & Young Hua Ming, LLP in 2013 to carry out an audit on the effectiveness of the internal controls related to the financial reporting of the Company. Ernst & Young Hua Ming, LLP, has issued an audit report with standard views with respect to the internal controls.

General Meetings »

The General Meeting is the highest authority of the Company which performs its duties according to laws and makes decisions on major issues of the Company. Annual general meetings or extraordinary general meetings of the Company are direct communication channels between the Board and the shareholders of the Company. Therefore, the Company attaches great importance to general meetings and encourages all shareholders to attend and express their opinions at the meetings.

Shareholders may convene an extraordinary general meeting and make proposals on the meeting in accordance with Articles 87 and 64 of the Articles of Association, whose latest version was published on the websites of the Company and the Hong Kong Stock Exchange.

Communications with shareholders »

The Company releases its announcements, financial data and other relevant data on its website, which serves as a channel facilitating effective communication with investors. The shareholders may send any enquiry in writing to the Company's principal place of business in Hong Kong.The Company will properly handle all enquiries in time.

Company Secretary »

As at the date of this report, Mr. Li Chung Kwong Andrew is the company secretary of the Company. According to the relevant requirements of the Listing Rules, Mr. Li Chung Kwong Andrew participated in the relevant compliance training organised by Clifford Chance and Tricor Services Limited during the reporting period and the time for training was no less than 15 hours in total.

Disclosure of Information and Investor Relations »

The Company persistently discloses its significant corporate information to public in a timely, accurate and complete manner since our public listing. The Company recognizes the importance of good communications with its investors. Our investor relations department has arranged interviews and site visits for investors and organized reverse roadshows from time to time. The team has also actively attended investors forum and conducted domestic and overseas roadshows at regular intervals to introduce to investors our strategies and plans for future development. The Company will continue to make great efforts in its investor relations work to further enhance its transparency.

Other Matters of Report »

During the reporting period, a special resolution has been passed at the first extraordinary general meeting for 2013 ("2013 EGM") of the Company to amend the relevant provisions of the Articles of Association. Please refer to the circular of 2013 EGM dated 14 August, 2013 published at the websites of both the Stock Exchange of Hong Kong Limited and the Company for the details of amendments.

Summary of General Meetings

Session of the meeting	Date of meeting	Information disclosure newspapers for publishing the resolutions	Date of information disclosure for publishing the resolutions
Annual General Meeting of the Company for 2012	25 June 2013	China Securities Daily,Shanghai Securities Daily,Securities Times Daily	26 June 2013
The first extraordinary general meeting for 2013	30 September 2013	China Securities Daily,Shanghai Securities Daily,Securities Times Daily	8 October 2013

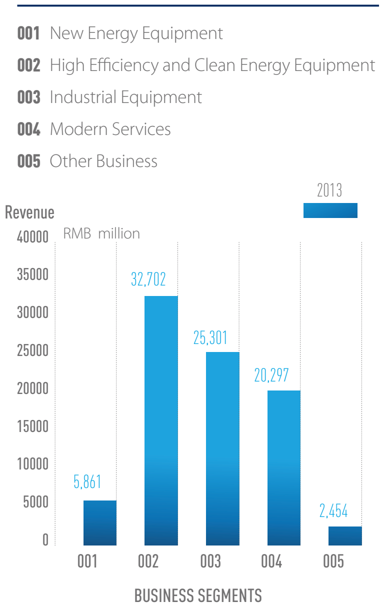
Report of the Directors

Business Review

Business Review of Major Business Segments »

(in RMB million)

2013	Revenue	Cost of Sales	Gross Profit Margin	Year-on-year Change in Revenue	Year-on-year Change in Cost of Sales	Year-on-year Change in Gross Profit Margin
New Energy Equipment	5,861	5,650	3.6%	-11.0%	-7.1%	Decreased by 4.1 percentage points
High Efficiency and Clean Energy Equipment	32,702	26,959	17.6%	-8.5%	-6.8%	Decreased by 1.5 percentage points
Industrial Equipment	25,301	20,095	20.6%	7.3%	6.5%	Increased by 0.6 percentage points
Modern Services	20,297	18,158	10.5%	3.8%	3.0%	Increased by 0.7 percentage points
Other Business	2,454	2,072	15.6%	54.4%	63.3%	Decreased by 4.5 percentage points
Elimination	(7,820)	(7,849)	-0.4%	-25.0%	-22.7%	Decreased by 3.1 percentage points
Total	**78,795**	**65,085**	**17.4%**	**2.9%**	**4.0%**	**Decreased by 0.9 percentage points**



Major Customers

The Company's total sales revenue during the reporting period from five largest customers was RMB14,035,907,000, representing 17.81% of the total sales revenue of the Company.

Major Suppliers

The Company's total purchases amount during the reporting period from five largest suppliers was RMB5,873,647,000, representing 11.51% of the total purchases amount of the Company.

R&D expenditure

Unit:'000 Currency: RMB

Total R&D expenditure	1,961,734
Percentage of total R&D expenditure to sales revenue	2.49%

Elaboration of R&D Expenditure

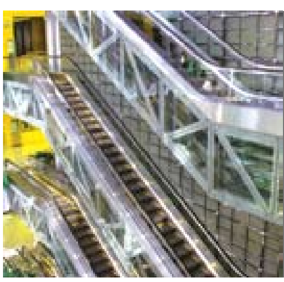
During the reporting period, our efforts in scientific research have been expended mainly on three major business segments: new energy equipment, high efficiency and clean energy equipment, and industrial equipment. Shanghai Electric, focusing on projects for industrialization of high and new technology, has made great achievement in science and technology in 2013.

New Energy Equipment

For the research and development of major nuclear power nuclear island equipment project, we have basically mastered the technology for the manufacturing of AP1000 pressure vessels and steam generators. As for the RUV wet winding primary pump of the CAP1400 nuclear power demonstration engineering project, design review and detailed design review have been completed. The product was then in a stage of processing and testing. We have made significant progress in the development of smart micro-grid demonstration engineering project. Phase 1 of the project has been in operation smoothly.

High Efficiency and Clean Energy Equipment

There has been breakthrough in the research and development of our 1000MW ultra super-critical second reheat equipment and the design solution of the 1000MW second reheat equipment has been finished. We have made significant progress in the development of 1905 mm long turbine blades for nuclear power conventional island equipment products as we have finished a detailed design in this respect.



Industrial Equipment

In respect of passenger elevators, the development of LEHY-H (8m/s) elevators has been completed and the prototype of which has been put into trial operation in a test elevator tower. For machine tools, Shanghai Machine Tool Works Ltd. (上海機床廠有限公司) has completed its research on, and development and production of, large CNC grinding machine tools with cut point tracking for crankshafts production, its science and technology major project. The product has entered into trial testing.

Review of the principal activities by geographical areas »

(in RMB million)

Geographical Areas	2013		2012	
	Sales Revenue	Proportion	Sales Revenue	Proportion
Mainland China	65,590	83.2%	58,687	76.6%
Elsewhere	13,205	16.8%	17,904	23.4%
Total	78,795	100%	76,591	100%

Major financial reporting items and Analysis of Changes »

Highlights on items in the balance sheet

(in RMB million)

	End of the year	Proportion in Total Assets	Beginning of the Year	Proportion in Total Assets
Assets				
Cash and cash equivalents	21,409	16.6%	22,142	18.7%
Trade receivables	25,268	19.5%	20,606	17.4%
Prepayments, deposits and other receivables	10,807	8.4%	10,666	9.0%
Inventories and construction contracts	22,151	17.1%	23,410	19.7%
Liabilities				
Short-term interest-bearing bank borrowings and other borrowings	3,765	2.9%	3,419	2.9%
Trade payables	25,099	19.4%	24,031	20.2%
Other payables and accruals	43,213	33.4%	38,626	32.5%
Bonds	1,991	1.5%	-	0.0%
Long-term interest-bearing bank borrowings and other borrowings	218	0.2%	2,029	1.7%
Total liabilities	86,584	67.0%	78,018	65.7%
Total equity	42,709	33.0%	40,682	34.3%
Total assets	129,293	100.0%	118,700	100.0%

The proportion of cash and cash equivalents to total assets at the end of the year decreased by 2.1 percentage points as compared with that of the beginning of the year, which was mainly due to a decrease in balance of cash and cash equivalents as a result of an increase in reserve deposits of the Company's finance company at the Central Bank. The Company recorded a year-on-year increase in its cash and cash equivalents.

The proportion of trade receivables to total assets at the end of the year increased by 2.1 percentage points as compared with that of the beginning of the year, which was mainly due to an increase in retention monies not yet due for payment following the on-going delivery of Company's products such as wind power equipment and nuclear equipment.

The proportion of inventories and construction contracts in total assets at the end of the year decreased by 2.6 percentage points as compared with that of the beginning of the year, which was mainly due to the Company's continuous optimization of its operation and management, as well as a continuous improvement on inventories turnover.

The proportion of trade payables to total assets decreased by 0.8 percentage points as compared with that of the beginning of the year, which was mainly due to the Company's optimization of its settlement means amid its continuous expansion in operation and purchase; the Company maintained a reasonable amount in trade payables by improving its capital efficiency.

The proportion of other payables and accruals to total assets at the end of the year increased by 0.9 percentage points as compared with that of the beginning of the year, which was mainly due to a relatively significant year-on-year increase in pre-sale deposits received as a result of an increase in new orders.

The proportion of bonds to total assets increased as compared with that of the beginning of the year, which was mainly due to an issuance of corporate bonds by the Company during the reporting period for reduction of cost of capital.

The proportion of long term interest bearing bank borrowings and other borrowings to total assets decreased by 1.5 percentage points as compared with that of the beginning of the year, which was mainly due to a reduction in long term borrowings as a result of a transfer of the Company's long term borrowings to short term borrowings upon its maturity in the following year.

Highlights on items in the statement of profit or loss

(in RMB million)

Items	2013	2012	Change	Rate (%)
Revenue	78,795	76,591	2,204	2.9%
Other income and gains	1,741	1,269	472	37.2%
Administrative expenses	5,127	4,517	610	13.5%
Finance expenses	254	196	58	29.6%
Share of profits and losses of joint ventures and associates	812	611	201	32.9%
Income tax	1,073	1,344	(271)	(20.2%)
Net profit attributable to owners of the parent	2,393	2,715	(322)	(11.9%)

Other income and gains increased by 37.2% as compared with that of 2012, which was mainly due to an increase in government grants during the reporting period as compared with that of the same period last year.

Administrative expenses increased by 13.5% as compared with that of 2012, which was mainly due to an increase in labour cost during the reporting period.

Finance expenses increased by 29.6% as compared with that of 2012, which was mainly due to the increase in interest expenses resulting from an issuance of corporate bonds during the reporting period.

Share of profits and losses of joint venture entities and associates increased by 32.9% as compared with that of 2012, which was mainly due to an increase in return from investment as a result of an improvement in operating efficiency of jointly-controlled entities and associates during the reporting period.

Income tax decreased by 20.2% as compared with that of 2012, which was attributable to a year-on-year decrease in taxable profits as a result of operating losses incurred by certain businesses, including heavy machinery, during the reporting period.

Highlights on items in the statement of cash flows

(in RMB million)

Items	2013	2012	Year-on-year change
Cash and cash equivalents at beginning of year	15,910	15,847	63
Net cash flows from operating activities	7,178	6,723	455
Net cash flows from investing activities	(5,311)	(2,841)	(2,470)
Net cash flows from financing activities	(1,439)	(3,781)	2,342
Net increase in cash and cash equivalents	428	101	327
Effect of foreign exchange rate changes	(162)	(38)	(124)
Cash and cash equivalents at the end of the year	16,176	15,910	266

Net cash outflows from investing activities increased by RMB2,470 million as compared with that of 2012, which was mainly due to the fact that the loans granted by the Company's finance company to associates and other external investments have increased as compared with the same period last year.

Net cash outflows from financing activities decreased by RMB2,342 million as compared with that of 2012, which was mainly due to an increase in cash inflow resulting from an issuance of corporate bonds during the reporting period.



Source of Funding and Indebtedness »

As at 31 December 2013, the Group had an aggregate amount of bank and other borrowings and bonds of RMB5,973 million (2012: RMB5,448 million), representing an increase of RMB 525 million as compared with that of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB3,765 million, representing an increase of RMB346 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB 2,209 million, representing an increase of RMB 180 million as compared with that of the beginning of the year.

As at 31 December 2013, all unsecured bank borrowings in the bank and other borrowings of the Group, with the exception of unsecured bank borrowings of USD232,725,000 (equivalent to RMB1,418,901,000) (2012: USD456,963,000, equivalent to RMB2,872,239,000) and JPY0 (equivalent to RMB0) (2012: JPY80,000,000, equivalent to RMB5,844,000), are denominated in Renminbi.

As at 31 December 2013, gearing ratio of the Group, which represents the ratio of the sum of interest-bearing bank borrowings and other borrowings and bonds to the sum of total equity of the shareholders plus interest-bearing bank borrowings and other borrowings and bonds, was 12.3%, representing an increase as compared with 11.8% at the beginning of the year.

Pledge of Assets »

As at 31 December 2013, the bank deposits of the Group of RMB615 million (2012: RMB624 million) were pledged to banks for bank borrowings or facilities. In addition, certain land use rights, buildings and machineries of the Group, with the net carrying value amounting to RMB427 million as at 31 December 2013 (2012: RMB234 million), were pledged for certain bank loans of the Group.

The Group also has certain bills receivables, trade receivables and lease receivables, with an aggregate net carrying amount of RMB840 million (2012: RMB624 million), discounted or factored with banks to secure bank loans.

Contingent Liabilities »

Please refer to note 46 to the consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standards for details.

Capital Commitments »

Please refer to note 48 of the consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standards for details.

The Board's discussion and analysis on the future prospect of the Company

Industry competition landscape and the development trend »

The global economy has undergone intricate changes in 2013. On one hand, the USA was on its way to on-going economic recovery, while Japan, as stimulated by its monetary and fiscal policies, was heading in the same direction but at a faster pace; on the other hand, some developing countries, as represented by India and Indonesia, were affected by economic policies of the developed countries, such as the USA, and were subject to internal and external economic imbalances. Under these unfavourable conditions and capital outflow, it was rather difficult for these countries to achieve economic growth. Changes in the international economic environment will bring about new opportunities and challenges to the Company in the process of expanding its overseas businesses.

On the domestic side, equipment manufacturing industries in the PRC will maintain their growth momentum during the 12th Five-Year Plan period. The Central Government will further expedite the reform of power production and utilization so as to establish a safe, stable, economical, clean and modern energy industrial system; it will accelerate new energy development, promote traditional energy usage in a clean and efficient way and ensure efficient nuclear power development under a safe framework. The Central Government will also enhance the construction of power grid and develop smart grids. Energy equipment made in PRC, in particular thermal power equipment, has stronger overall competitive advantages in terms of price, quality, technologies and project execution in the international arena. We can actively participate in development of international markets.

It is expected that the demand for energy equipment in the domestic market in the coming years will be as follows: the newly installed thermal power capacity will remain around 30,000MW to 45,000MW per year on average; the size of the gas turbine industry will be around 5,000MW to 6,000MW a year on average; wind power grid integration installed capacity will reach 100,000MW by 2015; the nuclear power installed capacity will exceed 40,000MW. As a large scale energy equipment manufacturing group, the Company will strive to continue to enhance our product competitiveness and grow our market shares.

Development strategies of the Company »

As the largest integrated equipment manufacturing group in the PRC, we are subject to both internal and external pressure in the new round of economic restructuring and transformation. The external pressure comes from rapid changes in the domestic and overseas markets while internal pressure is a result of our own transformation. Facing a difficult and challenging environment, we will stay on track for "driving transformation and development by innovation" and rely on innovations in technology, management and business model to realize our strategic goal of "development by transformation and establishment through re-venturing".

Leveraging technological advancements for strengthening the core competence and competitiveness of the Group

We will expedite establishment of a technology innovation system, develop a technology strategy and grasp the direction of development. Moreover, the technology strengths will be collated for the establishment of a R&D team. The Central Research Institute will remain as the core of the Group, which will improve and reconstruct an innovative R&D-oriented system for the Group, and apply the R&D-oriented system in full in the Group's R&D innovation activities. All these can underpin further development of the whole industry. Incubation and exploration of strategic emerging industries will be accelerated and industrial operation of high-end technology will be actively promoted to ensure sustainable and healthy development of Shanghai Electric. The Group will change its approaches – from acquiring external technologies to paralleled development of add-on innovations and self-developed innovations; and from project-based development to team-based development. The Group will persist in its efforts on technologies and attach emphasis on output effectiveness generated from technology inputs so as to boost efficiency on technology investments. The Group will shift its emphasis towards a batch of forward looking projects undertaken for strategic development purposes of the Group.

Leveraging innovations on the business model for realizing sustainable development

The Group will develop overseas engineering and tap the new markets by developing maintenance, technology and financial service industries to extend its industry chain. Further strengthening strategic alliances and cooperation can enable us to share more of both the domestic and international markets. It will also foster more joint venture cooperation in the areas of large-scale wind turbines, power plant services and energy-saving services, establishing new technological competitive advantages to grow market share. The Group will as well pursue acquisitions and mergers to get hold of technologies and market shares. The Group will explore new models of cooperation with small and medium size enterprises to nurture development of new businesses.

Leveraging reform and management for enhancing economic efficiency

The Group will implement lean management, adopt a customer-centric focus by meeting their product quality and service quality requirements. We seek to lower costs to create better values for our customers, further enhance the on-location management standards and upgrade the supply chain and customer management standards. The Group will enhance its operation efficiency and lower the related risk by strengthening accounts receivable credit management, process management and aging profile management, and speed up the accounts receivable and inventory turnover cycles. In addition, we will improve the profitability and budget management. The Group will improve its gross profit margin through cost reduction by management efficiency improvement and technological advancement to absorb the impact from escalating costs and declines in selling prices of certain products. We will also enhance our financial management capability, strengthen top-level institutional arrangements and modular management of budgets as well as our risk prevention capability. The Group will leverage its financial platform functions to strengthen its financial services and expedite the development of its financial business.

Leveraging human resource strategy to realize "establishment through re-venturing"

Human resources constitute a resource of the foremost priority of the Group. In the future, the Company will speed up the implementation of its human resources strategy and seek innovations in the carrier of nurturing talents. The Group will also coordinate assemblies of various teams and nurture manager teams. For our human resources, the Group will explore new work mechanisms and incentive mechanisms, improve management mechanism on human resources related works and enhance budget management for human resources.

Operational plan »

2014 will be a year of breakthroughs for the Group, which seeks transformational development. The Group will pursue its strategic development approach, adhere to scientific development perspectives and pursue an innovation-driven transformation and development to enhance the core competitiveness. The Group will also maintain its sustainable and healthy development momentum. The Group's targets for 2014 will be to maintain steady development of core business and to achieve net profit increase compared to that of the same period in 2013.

Focusing on core businesses that support the Group's transformation

We will continue to focus on our core businesses and enhance our industry positioning, market share, gross profit margin and return on net assets as well as continuously strengthen and enhance our competitiveness and profitability. We will continue to pursue technology innovations and develop high-efficiency, energy-saving and environmental friendly clean energy and new energy equipment products. We will place a focus on nuclear power and establish an integrated management system for its development. In addition, we will proactively expand our power transmission and distribution equipment manufacturing business to markets outside of Shanghai and speed up development of core products based on secondary equipment. We seek to maintain the growth momentum of our elevator business and explore implementation of our internationalization strategy. We shall continue innovations on our business model, satisfy market demand and strengthen our landscapes of overseas markets.

Implementing mergers and acquisitions to seek new growth drivers

Focusing on areas of energy conservation, environmental protection, new energy and smart power grids, the Company will intensify efforts on mergers and acquisitions. Through mergers and acquisitions, the Group seeks to enter into new areas, tap new markets and acquire new technologies. The Group retains two guiding principles for mergers and acquisitions: to be in agreement with the Group's development strategy; and to have synergies with its strategy for the domestic market in the PRC.

Cultivating new industries and optimizing industry structure

We are accelerating cultivation and development of various emerging industries, including air-cool systems for power plants, seawater desalination, industrial robots and electrified transmission. Meanwhile, we are proactively exploring and endeavor attention to the latest development in various aspects, including energy conservation and environment protection, distributed energy system and industrial automation, in order to cultivate and develop new industries with new ideas and new mechanisms, grooming them into the Group's profit drivers to further optimize our industrial structure.

Accelerating in technology innovations and improvement in core competences and competitiveness

We will enhance our technological capabilities as the Group's core competences. In addition, we will concentrate our efforts on high-end research and development to enhance our technology standards. Taken our industrialized operations as the target direction of our R&D, we seek to enhance our product competitiveness. For example, we concentrated our efforts on technologies in relation to 700˚C ultra-supercritical thermal power, gas turbine and the fourth generation nuclear power. Further, we will optimize the Group's R&D system to support the Group's future development through technological advancements and innovations.

Leveraging in full the Group's market function and establishing a customer service system

We will adopt a business philosophy that seeks to create better value for our customers and establish a customer-centric service system and broaden our customer management. In the process of providing services to our customers, the Group may strengthen its market function, build up its brand and improve its market capabilities.

Establishment within the China (Shanghai) Pilot Free Trade Zone

Capitalizing on trade liberalization, enhanced convenience for investments and deregulation and innovations in financial services within the China (Shanghai) Pilot Free Trade Zone (the "FTZ"), we set up an import-export trading platform in the FTZ for the purpose of enhancing our business capability in our bonded warehouses, import-export business, exports of complete equipment sets and overseas engineering. On the other hand, we plan to set up some subsidiaries and establish for the Group a global treasury management platform in the FTZ. These will help us to integrate our resources, facilitate our access to domestic and overseas financing and develop a new model of new business development.



Possible Risks »

Market risk

Equipment manufacturing industry can be, to a greater extent, affected by the public investment in fixed assets and, to a greater extent, correlated to national economic growth. Changes in the macro economy and cyclical fluctuations in industry development may bring about challenges to the sustainable development of the Company.

The Company will continue to pay attention and regularly analyze the possible influence from the global and domestic macroeconomic trends on the Company so as to develop responsive measures in a timely manner. Meanwhile, the Company will enhance its management to raise the corporate management efficiency, and actively adjust its business model. We will seek the most effective solutions to address all challenges from changes in the domestic and overseas markets.

Overseas business risks

At present, overseas businesses have become one of the major sources of revenue streams. With the continuous expansion of its overseas presences, the Company's exposure to possible risk resulting from changes in political or economic landscapes in certain overseas countries, in which the Company is operating, are increasing. There is also escalating risks of commercial disputes between the Company and its foreign customers and business partners.

For this, the Company will consider in depth the policy and the business environment of the overseas markets and will establish overseas subsidiaries or branches to minimize the operational risk in the overseas markets. The Company will engage in relevant insurance policies to cover related risks of its businesses and employees to maximize the protection over the interests of the Company. Meanwhile, the Company will implement its "localization strategy" in the overseas market, seeking to establish long term cooperative relationships with the local customers so as to build up a good market reputation in the overseas markets.

Exchange risk

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 and the related contracts are denominated in major foreign currencies, such as US dollars. If fluctuation of exchange rate between RMB and major foreign currencies, such as the US dollars, tend to expand, the Company may be exposed to an increasing exchange risk.

For this, 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.

Capital utilization plan »

In view of an intricate change in macroeconomic situation, we will persistently apply scientific and prudent investment philosophy to maintain an appropriate scale of investment. In December 2012, China Securities Regulatory Commission approved in writing the Company's public offer of corporate bonds not exceeding RMB4 billion. In March 2013, the Company completed the public offer of the first tranche of corporate bonds amounting to RMB 2 billion and the net proceeds were utilized as working capital of the Company, satisfying the Company's funding requirements for daily operations.

Use of Proceeds »

Issuance of A shares under private offering

In May 2010, as approved by ZHENG JIAN XUKE (2010) No. 497 issued by the China Securities Regulatory Commission, the Company successfully issued 315,940,255 A shares of the Company to 5 investors at a price of RMB7.03 per share under private placing (the"Placement") in A Share market. The aggregate proceeds raised from the Placement amounted to approximately RMB2,221 million, and the net proceeds after deducting sponsor underwriting fees and remaining offering expenses amounted to approximately RMB2,177 million. During the year, those proceeds were used in accordance with the committed amounts for respective projects set out in the Prospectus of the Placement as follows:

Unit: 100 million Currency: RMB

Name of committed projects	Proposed investment amount from proceeds raised	Actual proceeds used
Production capacity expansion and technology enhancement project of nuclear power plant reactor vessel internals and control rods drive mechanisms of 1,000MW units (Phase II)	3.70	2.97
Technology enhancement project of 450 tonnes electroslag furnace	1.10	0.89
Production capacity expansion and enhancement project of nuclear power nuclear island major equipment integrated production (with the approved name of "Phase II of capacity expansion and technology enhancement project of nuclear power nuclear island major equipment")	3.02	2.99
Technology enhancement project of heavy nuclear power condenser assembly plant	0.60	0.50
Phase I of development project of new wind power equipment plant at Lingang base (with the approved name of "Development project of wind power equipment production plant at Lingang base")	3.14	2.21
Introduction and training project for the use of design and analysis software of wind power equipment	1.10	1.10
Research and production project of wind power equipment of 2MW and 3.6MW	2.79	2.28
Development project of research centre for wind power engineering technology	0.50	0.27
Enhancement project of machine tool products and production capability (with the approved name of "Technology enhancement project of large CNC precision grinding machine tool products")	1.50	1.50
Supplement to working capital	4.32	5.99
Total	21.77	20.70

On 8 December 2011, the twelfth meeting of the third session Board meeting of the Company was convened. The resolution of "Proposal of transferring certain investment projects funded by the proceeds from the Private Offering of the Company" was reviewed and passed at the meeting. As of 30 November 2011, the investment projects in the wind power business funded by the proceeds from the private offering have all been completed. According to the latest development of the wind power equipment business of the Company, the Company proposed to establish joint venture companies with the Siemens Group and transfer all the wind power equipment businesses to the wind power joint venture companies. Accordingly, it was agreed that the investment projects funded by the proceeds from the private offering in 2010 be transferred to the new wind power joint venture companies. The above resolution was passed in the general meeting of the Company on 29 May 2012.

On 8 December 2011, the twelfth meeting of the third session Board meeting of the Company was convened. The resolution of"Proposal of Permanent Allocation of the Surplus of the Proceeds to the Working Capital of the Company"was reviewed and passed in the meeting. As of 30 November 2011, the wind power investment projects funded by the proceeds from the private offering have all been completed. Those projects have used approximately RMB563 million from the proceeds, payable but not yet paid proceeds amounted to approximately RMB23 million, and surplus proceeds amounted to approximately RMB167 million. In order to reduce the financial costs and make efficient use of the proceeds, it was resolved that the approximately RMB167 million surplus of the proceeds for the wind power investment projects be permanently allocated to the working capital of the Company. The above resolution was considered and passed at the general meeting of the Company on 29 May 2012. As of 31 December 2012, the balance of the above items has been used to supplement working capital.

Issuance of corporate bonds

Pursuant to Zheng Jian Xu Ke No. [2012] 1703 from China Securities Regulatory Commission, the Company was approved to issue corporate bonds with an aggregate nominal amount of up to RMB4 billion by public offer. For this, the corporate bonds were issued in tranches, where the nominal value of the first tranche was no less than 50% of the total nominal value, and the remaining tranches have to be completed within 24 months from the date of issue as approved by the China Securities Regulatory Commission. On 27 February 2013, the first tranche of the corporate bonds (the"Corporate Bonds") with an aggregate amount of RMB2 billion was issued. Nominal value and issue price of each of the Corporate Bonds was RMB100 and RMB100, respectively. The total number of Corporate Bonds was 20 million. The issuance of the Corporate Bonds has been completed on 1 March 2013. The first tranche has two series, including bonds with a three-year duration and a coupon rate of 4.5% at an offering size of RMB0.4 billion; and bonds with a five-year duration and a coupon rate of 4.9% at an offering size of RMB1.6 billion. The net proceeds raised from the issuance of corporate bonds amounted to RMB1.989 billion. The amount has been used to supplement working capital.

Reasons for and impact resulted from changes in accounting policies and accounting estimates or correction of material accounting errors of the Company »

Please refer to the notes to the audited financial statements "2.2 Changes in Accounting Policies and Disclosures".

Proposals for profit distribution or appropriation from capital reserves to share capital »

As audited by Ernst & Young Hua Ming, LLP, the net profit of the Company set out in the financial statements prepared in accordance with the PRC GAAP amounted to RMB3,306,591,000 in 2013, and the opening unappropriated profit in 2013 amounted to RMB5,323,804,000. After a profit appropriation for 2012 of RMB816,865,000 and a transfer to statutory surplus reserve of RMB330,659,000, profit available for distribution amounted to RMB7,482,871,000. As audited by Ernst & Young Hua Ming, LLP, for financial year 2013, the Company's net profit attributable to owners of the parent based on audited financial statements prepared in accordance with the PRC GAAP amounted to RMB2,462,792,000, and the Company's net profit attributable to owners of the parent based on audited financial statements prepared in accordance with Hong Kong Financial Reporting Standards amounted to RMB2,393,242,000.

Proposed profit appropriation for 2013: Cash dividend of RMB0.7465 (tax inclusive) per 10 shares. Based on the total 12,823,626,660 shares of the Company, a total of RMB957,284,000 will be paid out as dividends, accounting for approximately 39% of the net profit of RMB2,462,792,000 attributable to owners of the parent based on audited financial statements prepared in accordance with PRC GAAP, and approximately 40% of the net profit of RMB2,393,242,000 attributable to owners of the parent based on audited financial statements prepared in accordance with Hong Kong Financial Reporting Standards.



According to the Corporate Income Tax Law of the People's Republic of China which came into effect on 1 January 2008 as well as its implementation rules and relevant regulations, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend for the year 2013 to non-resident enterprise shareholders as appeared on the H Share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders including HKSCC (Nominees) Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

Closure of Register of Members »

In order to determine the list of shareholders who have the right to attend and vote at the forthcoming Annual General Meeting and are entitled to the proposed final dividend, the register of members will be closed. The Company will announce the closure time in a timely manner.

Post balance sheet events

Please refer to note 12 to the financial statements for details of the proposed final dividend for the year 2013.

Purchase, redemption or sale of the Company's listed securities

No purchase, redemption or sale of the Company's listed securities has been made by the Company or any of its subsidiaries during the year.

Reserves

Details of the movements in the reserves of the Company and the Group during the year were set out in note 43 to the financial statements prepared under the Hong Kong Financial Reporting Standards and the consolidated statement of changes in equity.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Company and the Group during the year were set out in note 14 to the financial statements prepared under the Hong Kong Financial Reporting Standards.

Right of Directors to acquire shares and debentures

At no time during the year were rights to acquire benefits by means of an acquisition of shares or debentures of the Company granted to any directors or their respective spouse or minor children; or was the Company, its holding company, or its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Sufficiency of Public float

Based on publicly available information and to the best knowledge of the Directors, the Board of the Directors confirms that the Company has maintained sufficient public float as at the date of this report.

Pre-emptive Rights Arrangement

Under the requirements of PRC laws and the Articles of Association, the Company's shareholders have no pre-emptive rights.

Significant Events

Equity interests in other listed companies held by the Company

Unit: RMB

No.	Class of shares	Stock code	Stock abbreviation	Initial Investment amount (RMB)	Number of shares held	Carrying amount as at the end of the period (RMB)	Percentage of the total investment in securities by the end of the period (%)	Gain or loss during the reporting period (RMB)
1	A	600642	Shenergy	2,800,000	2,700,000	12,285,000	2.2	0
2	A	601328	BOCOM	9,122,809	6,051,443	23,237,541	4.2	0
3	A	600000	SPDB	767,760	3,225,000	30,411,750	5.5	0
4	A	600610	SST China Textile Machinery Co., Ltd.	760,000	343,200	8,501,064	1.5	0
5	A	600643	AJC	70,000	37,102	421,108	0.1	0
6	A	600082	HiTech Develop	270,000	351,000	1,709,370	0.3	0
7	A	600618	SCAC	1,240,008	338,800	2,266,572	0.4	0
8	A	600633	Zhejiang Daily Media	7,471,992	2,191,200	66,546,744	12.0	0
9	A	000501	Wu Han Department Store Group Co., Ltd.	353,609	149,202	1,903,818	0.3	0
10	A	600665	Tande Co., Ltd.	1,399,200	792,000	2,566,080	0.5	0
11	A	600845	Baosight	4,912,000	1,755,000	43,875,000	7.9	0
12	A	600027	HDPI	374,400,000	120,000,000	362,400,000	65.1	0
			Total	**403,567,378**		**556,124,047**	**100**	**0**

Continuing Connected Transactions »

Pursuant to the Listing Rules, the details of the continuing connected transactions between the Company and its subsidiaries (the "Group") and the connected persons during the year ended 31 December 2013 are set out as follows:

Framework sales agreement

The Company entered into a framework sales agreement with Shanghai Electric (Group) Corporation ("SE Corporation") on 27 October 2010, pursuant to which the Group agrees to provide electrical engineering products and services, electrical equipment and component parts, and other related services to SE Corporation and its subsidiaries and associates (the "Parent Group"). Pursuant to the agreement, the annual cap of the relevant sales for the year ended 31 December 2013 was estimated to be RMB1,300 million.

The directors of the Company believe that the above framework sales agreement is entered into in the ordinary course of business of the Group and is on normal commercial terms. The pricing basis shall be:

- prices as may be stipulated by the PRC Government (if any); and if there are no such stipulated prices;
- prices no less than any pricing guidelines or pricing recommendations set by the PRC Government (if any); and if there are no such pricing guidelines or recommendations;
- with reference to the market price; and if there is no market price for a particular product; and
- an agreed price consisting of the actual or reasonable cost incurred thereof plus a reasonable profit margin.

The term of the framework sales agreement is three years, renewable at the option of the Company for another term of three years by giving three months' notice in writing prior to the expiry of the term and may be terminated by either party to the agreement by giving three months' notice.

The actual sales to the Parent Group for the year ended 31 December 2013 was RMB285 million.

Framework purchase agreement

The Company entered into a framework purchase agreement with SE Corporation on 27 October 2010, pursuant to which the Group agrees to purchase, on a non-exclusive basis, certain component parts, such as turbine blades, coupling, AC motor and emergency trip control cabinet, equipment and raw materials (including copper wires and insulation materials) from the Parent Group. Pursuant to the agreement, the annual cap of the relevant purchases for the year ended 31 December 2013 was estimated to be RMB1,600 million.

Due to the acquisition of 100% equity interest in Shanghai Electric Leasing Co., Ltd. ("SEL") from SE Corporation in the year ended 31 December 2012, SEL continued to purchase equipment from the Parent Group for the purpose of financial leasing, the Company proposed to revise the above annual cap from RMB1,600 million to RMB2,300 million for the year ended 31 December 2013. On 27 July 2012, the board of directors approved the evised annual cap.

The directors of the Company believe that the above framework purchase agreement is entered into in the ordinary course of business of the Group and is on normal commercial terms. The pricing basis shall be:

- prices as may be stipulated by the PRC Government (if any); and if there are no such stipulated prices;
- prices not exceeding any pricing guidelines or pricing recommendations set by the PRC Government (if any); and if there are no such pricing guidelines or recommendations;
- with reference to the market price; and if there is no market price for a particular product; and
- an agreed price consisting of the actual or reasonable cost incurred thereof plus a reasonable profit margin.

The term of the framework purchase agreement is three years, renewable at the option of the Company for another term of three years by giving three months' notice in writing prior to the expiry of the term and may be terminated by either party to the agreement by giving three months' notice.

The actual purchases from the Parent Group for the year ended 31 December 2013 was RMB990 million.

Framework financial services agreement

On 27 October 2010, the Company entered into various financial services agreements with SE Corporation, pursuant to which Shanghai Electric Group Finance Co., Ltd. ("Finance Company"), a subsidiary of the Company, provides deposit and loan services to the Parent Group.

The directors of the Company believe that these framework financial service agreements are entered into in the ordinary course of business of the Group and are on normal commercial terms. The term of the framework financial services agreements is three years, renewable at the option of the Company for another term of three years by giving three months' notice in writing prior to the expiry of the term and may be terminated by either party to the agreement by giving three months' notice.

The details of individual framework financial service agreement are as follows:

(i) Framework deposit agreement
On 27 October 2010, the Company entered into a framework deposit agreement with SE Corporation in relation to the deposit services provided by Finance Company, pursuant to which, the approved annual cap, representing the maximum daily balance of funds (including interests) that may be deposited, for the year ended 31 December 2013 was estimated to be RMB5,000 million. The interest rates offered by Finance Company for the deposits placed by the Parent Group shall be:

- subject to the relevant guidelines and regulations of the People's Bank of China ("PBOC"); and
- with reference to the relevant savings rates set by PBOC from time to time and are in line with the market rates.

The actual daily balance of funds from the Parent Group for the year ended 31 December 2013 did not exceed the approved annual cap of RMB5,000 million. Besides, the Parent Group received interest income of RMB16 million for the deposits from Finance Company for the year ended 31 December 2013.

(ii) Framework loan agreement
On 27 October 2010, the Company entered into a framework loan agreement with SE Corporation in relation to the loan services and purchases of discounted bills provided by Finance Company and the payment shall be in accordance with the face amount of the instrument. The interest rates offered by Finance Company for all loan services and purchases of discounted bills provided to the Parent Group shall be:

- subject to the relevant guidelines and regulations of the PBOC; and
- with reference to the relevant rates set by PBOC from time to time and are in line with the market rates.

On 28 April 2011, the Company entered into a supplemental framework loan and bills agreement with SE Corporation, pursuant to which the approved annual cap, representing the maximum daily balance of outstanding loans (including interests) and purchases of discounted bills, for the year ended 31 December 2013 was revised to be RMB5,300 million.

The actual daily balance of outstanding loans and purchased discounted bills from the Parent Group in the year ended 31 December 2013 did not exceed the approved annual cap of RMB5,300 million. Besides, the Parent Group paid interest of RMB126 million, which was derived from loans and discounted bills, to Finance Company for the year ended 31 December 2013.

Framework integrated services agreement

Pursuant to an agreement dated 27 October 2010 between the Company and SE Corporation, the Company agreed to procure various kinds of services including labour secondment, property management, management of research centres and projects, water and electricity supply, auxiliary support, training and education, welfare facility, security and maintenance, on a non-exclusive basis, from the Parent Group. Pursuant to the agreement, the annual cap of the relevant integrated services for the year ended 31 December 2013 was estimated to be RMB70 million. The pricing basis shall be:

- prices as may be stipulated by the PRC Government (if any); and if there are no such stipulated prices;
- prices not exceeding any pricing guidelines or pricing recommendations set by the PRC Government (if any); and if there are no such pricing guidelines or recommendations;
- with reference to the market price; and if there is no market price for a particular product; and
- an agreed price consisting of the actual or reasonable cost incurred thereof plus a reasonable profit margin.

The term of the framework integrated services agreement is three years, renewable at the option of the Company for another term of three years by giving three months' notice in writing prior to the expiry of the term and may be terminated by either party to the agreement by giving three months' notice.

The actual various integrated services provided by the Parent Group in the year ended 31 December 2013 was RMB37 million.

Framework Guarantee Agreement

On 23 March 2012, the Company entered into a framework guarantee agreement with SE Corporation in relation to the guarantee services provided by Finance Company, pursuant to which the approved annual cap, representing issuing letter of guarantee and electronic banker's acceptance, for the year ended 16 February 2013 was estimated to be RMB325 million.

The directors of the Company are of the opinion that the above framework guarantee agreement is entered into arm's length negotiations, on normal commercial terms and conducted in the ordinary and usual course of business. The pricing basis shall be:

- the provisions set out under the Company's administrative measures governing fees for intermediary businesses;
- not be less than the market rate while the rate is on par with the commercial banks' rates.

The term of the framework guarantee agreement is one year, renewable at the option of the Company by giving three months' written notice prior to the expiry of the agreement and may be terminated by either party to the agreement by giving three months' written notice.

The actual guarantee services to the Parent Group for the year ended 31 December 2013 was nil.

Continuing connected transactions with Siemens

On 23 January 2009, the Company entered into a framework purchase and sales agreement with Siemens Aktiengesellschaft ("Siemens", who indirectly owns more than 10% of the registered capital in certain subsidiaries of the Company), pursuant to which the Group has agreed to purchase certain power generation, distribution and transmission related electrical and mechanical components from Siemens and its subsidiaries and associates ("Siemens Group") to be used in various projects and products of the Group, and the Group will sell certain power generation equipment and related components to Siemens Group.

In view of the expiry of the above framework purchase and sales agreement on 23 January 2012, the Company intended to maintain the purchase and sales transactions under the existing framework purchase and sales agreement with Siemens going forward and renew the annual caps for the three years ending 31 December 2014. The renewed annual caps of relevant purchase for the two years ending 31 December 2014 are estimated to be RMB3,200 million and RMB4,500 million, respectively; the annual caps of relevant sales for the two years ending 31 December 2014 are estimated to be RMB2,000 million and RMB2,000 million, respectively.

In October 2011, the Company applied to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the waiver from strict compliance with Rule 14A.35(1) of the Listing Rules, in accordance with which, the Company would be required to enter into a written agreement with Siemens in respect of the renewal continuing connected transactions (the "Renewal CCT"). The waiver has been conditionally granted by the Stock Exchange on 4 November 2011, subject to and on the waiver conditions. On 8 December 2011, the board of directors approved the waiver of written agreement and the Renewal CCT. On 29 May 2012, the Independent Shareholders approved the waiver of written agreement and the Renewal CCT.

A written agreement is, and will continue to be entered into for each Renewal CCT, and the consideration of each Renewal CCT is and will continue to be determined, successively with the following pricing policy:

- prices for the relevant products and/or technologies prescribed by the PRC Government; or
- where there are no government-prescribed prices, guidance prices for similar products and/or technologies set by the PRC Government; or
- market price, which is determined by reference to the prevailing market rates for similar or the same products and/or technologies available on an arm's length basis from independent third parties; or
- a price to be agreed between the Group and Siemens which will be calculated based on the reasonable costs of the relevant products and/or technologies plus profit reasonably earned. In setting the price, the Group and Siemens may refer to prices for previous related transactions if available.

The actual purchases from Siemens Group for the year ended 31 December 2013 were RMB2,182 million and the sales to Siemens Group for the year ended 31 December 2013 were RMB245 million.

Framework purchase agreement with Mitsubishi Electric

Mitsubishi Electric Corporation ("Mitsubishi Electric") holds more than 10% of the equity interest in Shanghai Mitsubishi Elevator Co., Ltd. ("SMEC"), being a subsidiary of the Company. Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co., Ltd. ("MESMEE") is held as to 40% held by Shanghai Mechanical & Electrical Industry Co., Ltd., a 47.35% owned subsidiary of the Company, 40% held by Mitsubishi Electric and 20% held by Mitsubishi Electric Building Techno-service Co., Ltd., a wholly-owned subsidiary of Mitsubishi Electric.

SMEC entered into a framework purchase agreement with MESMEE on 28 March 2013, in relation to the purchase of certain elevators, related components and services from MESMEE by SMEC.

Pursuant to the agreement, the annual caps of the relevant purchases for the year ended 31 December 2013 and the year ending 31 December 2014 are estimated to be RMB2,400 million and RMB2,600 million, respectively. The price of products to be purchased from MESMEE is determined principally at arm's length by commercial negotiations in accordance with general principles of fairness and reasonableness with reference to the market price.

Due to the continuing business development and market expansion of SMEC, the aggregate purchases from MESMEE by SMEC for the year ended 31 December 2013 and the year ending 31 December 2014 are estimated to be higher than those envisaged at the time of entering into the above agreement. The Company proposed to revise the annual caps on the aggregate purchases from MESMEE by SMEC for the year ended 31 December 2013 and the year ending 31 December 2014 from RMB2,400 million and RMB2,600 million, respectively, to RMB3,400 million and RMB 4,200 million, respectively. On 17 December 2013, the board of directors approved the revised annual caps. The proposed ratification of the 2013 annual cap revision and the proposed revision of the 2014 annual cap have been approved in the extraordinary general meeting held on 26 February 2014.

The directors of the Company believe that the revisions of the annual caps are based on normal commercial terms, and are fair and to be reasonable and in the interests of the shareholders of the Company as a whole.

The term of the framework purchase agreement is two years commencing on 28 March 2013, renewable at the option of SMEC by giving three months' notice prior to the expiry of the agreement.

The actual purchases from MESMEE by the Group for the year ended 31 December 2013 were RMB2,608 million.

The independent non-executive directors of the Company have reviewed the continuing connected transactions of the Company within the reporting period and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. In addition to the disclosed Mitsubishi framework purchase agreement aforesaid, the Company has been, for such relevant transactions, in strict compliance with the approval and shareholders' approval requirements under Rule 14A of the Listing Rules. The transactions amounts did not exceed the caps for the relevant transactions of the Group for the year set out in the above waiver letter and those approved by shareholders.

The auditor of the Company has issued a letter to the Board stating the following:

- nothing has come to the auditor's attention that causes the auditor's to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

- for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor's to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

- nothing has come to the auditor's attention that causes the auditor's to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

- with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to the auditor's attention that causes the auditor's to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 27 October 2010, 28 April 2011, 8 December 2011, 23 March 2012, 27 July 2012, 28 March 2013 and 17 December 2013, made by the Company in respect of each of the disclosed continuing connected transactions.

Appointment, removal and remuneration of auditors

Unit: RMB '000

Removal of accounting firm:	No
Name of the PRC auditor	Ernst & Young Hua Ming, LLP
Name of the international auditor	Ernst & Young

Services provided by auditors	Remuneration
Annual audit for the Company	10,280
Statutory audit for subsidiaries	11,136
Special audit and non-audit services	360
Total	21,776

	Firm Name	Remuneration
Auditors for Internal controls review	Ernst & Young Hua Ming, LLP	2,480

Independent Auditors' Report

To the shareholders of Shanghai Electric Group Company Limited

(Established in the People's Republic of China as a joint stock company with limited liability)

We have audited the consolidated financial statements of Shanghai Electric Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 201, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	78,794,522	76,590,989
Cost of sales		(65,084,541)	(62,602,034)
Gross profit		13,709,981	13,988,955
Other income and gains	5	1,740,623	1,268,671
Selling and distribution expenses		(2,551,386)	(2,439,701)
Administrative expenses		(5,126,850)	(4,517,143)
Other expenses		(3,047,049)	(2,990,520)
Finance costs	7	(254,151)	(195,527)
Share of profits and losses of:			
Joint ventures		4,088	3,876
Associates		807,463	607,312
PROFIT BEFORE TAX	6	5,282,719	5,725,923
Income tax expense	10	(1,072,604)	(1,344,017)
PROFIT FOR THE YEAR		4,210,115	4,381,906
Attributable to:			
Owners of the parent	11	2,393,242	2,714,876
Non-controlling interests		1,816,873	1,667,030
		4,210,115	4,381,906
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
- For profit for the year (RMB)		18.66 cents	21.17 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR		4,210,115	4,381,906
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale assets:			
Changes in fair value		194,394	269,001
Reclassification adjustments for gains included in the consolidated statement of profit or loss - gains on disposal	5	(151,337)	(61,754)
Income tax effect		9,936	(46,708)
		52,993	160,539
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	32	256,506	18,267
Reclassification adjustments for gains included in the consolidated statement of profit or loss	32	(96,506)	(115,382)
Income tax effect		(40,000)	24,279
		120,000	(72,836)
Share of other comprehensive income of:			
Associates		-	(31,275)
Exchange differences on translation of foreign operations		(33,277)	(52,307)

Consolidated Statement of Comprehensive Income (continued)

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Others	(43)	(1,492)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	139,673	2,629
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurements losses of defined benefit obligations	(52,968)	(22,537)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(52,968)	(22,537)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	86,705	(19,908)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,296,820	4,361,998
Attributable to:		
Owners of the parent	2,481,153	2,702,245
Non-controlling interests	1,815,667	1,659,753
	4,296,820	4,361,998

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	15,126,716	15,226,213
Investment properties	15	140,201	145,036
Prepaid land lease payments	16	1,581,477	1,641,656
Goodwill	17	148,073	167,519
Other intangible assets	18	990,499	995,556
Investments in joint ventures	20	6,270	92,537
Investments in associates	21	3,881,944	3,603,746
Loans and lease receivables	22	2,410,803	1,318,545
Other investments	23	969,356	1,417,835
Derivative financial instruments	32	20,625	4,460
Other non-current assets		429,180	395,297
Deferred tax assets	24	2,116,923	1,874,894
Total non-current assets		27,822,067	26,883,294
CURRENT ASSETS			
Inventories	25	20,644,804	21,933,836
Construction contracts	26	1,505,713	1,476,431
Trade receivables	27	25,268,380	20,605,697
Loans and lease receivables	22	5,441,146	2,621,208
Discounted bills receivable	28	548,702	881,170
Bills receivable	29	4,868,920	5,090,174
Prepayments, deposits and other receivables	30	10,807,108	10,665,546
Investments	31	6,224,328	3,105,546
Derivative financial instruments	32	50,584	90,105
Due from the Central Bank	33	4,087,577	2,580,698
Restricted deposits	33	614,629	624,122
Cash and cash equivalents	33	21,408,756	22,141,703
Total current assets		101,470,647	91,816,236
CURRENT LIABILITIES			
Trade payables	34	25,098,974	24,031,249
Bills payable	35	4,144,473	2,456,807
Other payables and accruals	36	43,212,906	38,625,985
Derivative financial instruments	32	8,376	76,155
Customer deposits	37	1,762,404	1,294,409
Interest-bearing bank and other borrowings	38	3,764,512	3,419,300
Tax payable		995,932	1,278,581
Provisions	39	3,248,962	2,604,205
Total current liabilities		82,236,539	73,786,691

Consolidated Statement of Financial Position (continued)

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NET CURRENT ASSETS		19,234,108	18,029,545
TOTAL ASSETS LESS CURRENT LIABILITIES		47,056,175	44,912,839
NON-CURRENT LIABILITIES			
Bonds	40	1,990,910	-
Interest-bearing bank and other borrowings	38	217,661	2,028,585
Provisions	39	23,246	48,095
Government grants		511,194	387,942
Derivative financial instruments	32	-	117,878
Other non-current liabilities	41	992,926	1,109,884
Deferred tax liabilities	24	611,670	538,197
Total non-current liabilities		4,347,607	4,230,581
Net assets		42,708,568	40,682,258
EQUITY			
Equity attributable to owners of the parent			
Issued capital	42	12,823,627	12,823,627
Reserves	43(a)	18,425,043	16,866,070
Proposed final dividend	12	957,284	816,865
		32,205,954	30,506,562
Non-controlling interests		10,502,614	10,175,696
Total equity		42,708,568	40,682,258

Chairman and CEO **Mr. Xu Jianguo**

CFO **Mr. Hu Kang**

Consolidated Statement of Changes In Equity

Year ended 31 December 2013

	Note	Issued capital RMB'000	Capital reserve RMB'000 (note 43(a))	Contributed surplus RMB'000 (note 43(a))	Surplus reserves RMB'000 (note 43(a))	Hedging revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent												
At 1 January 2012														
As previously reported		12,823,627	5,090,027	(2,352,526)	3,130,749	(1,614)	(14,235)	-	6,805	9,594,634	979,725	29,257,192	8,398,586	37,655,778
Business combinations under common control		-	843,598	-	16,380	-	-	-	31,340	(620,043)	-	271,275	(307,346)	(36,071)
As restated		12,823,627	5,933,625	(2,352,526)	3,147,129	(1,614)	(14,235)	-	38,145	8,974,591	979,725	29,528,467	8,091,240	37,619,707
Profit for the year		-	-	-	-	-	-	-	-	2,714,876	-	2,714,876	1,667,030	4,381,906
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments, net of tax		-	-	-	-	-	141,312	-	-	-	-	141,312	19,227	160,539
Cash flow hedges, net of tax		-	-	-	-	(72,836)	-	-	-	-	-	(72,836)	-	(72,836)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(37,684)	-	-	(37,684)	(14,623)	(52,307)
Others		-	(43,423)	-	-	-	-	-	-	-	-	(43,423)	(11,881)	(55,304)
Total comprehensive income for the year		-	(43,423)	-	-	(72,836)	141,312	-	(37,684)	2,714,876	-	2,702,245	1,659,753	4,361,998
Capital injection by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	852,440	852,440
Addition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	671,827	671,827
Business combinations under common control		-	(865,391)	-	-	-	-	-	-	-	-	(865,391)	(301,063)	(1,166,454)
Deemed disposal of subsidiaries		-	(1,391)	-	(7,081)	-	-	-	-	7,081	-	(1,391)	(1,550)	(2,941)
Disposal of a subsidiary		-	(715)	-	-	-	-	-	-	-	-	(715)	(798)	(1,513)
Dividend paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(661,480)	(661,480)
Final 2011 dividend declared		-	-	-	-	-	-	-	-	-	(979,725)	(979,725)	-	(979,725)
Proposed final 2012 dividend	12	-	-	-	-	-	-	-	-	(816,865)	816,865	-	-	-
Dividend paid to SEC before business combinations		-	-	-	-	-	-	-	-	(9,000)	-	(9,000)	-	(9,000)
Transfer from retained profits		-	-	-	575,898	-	-	25,925	-	(601,823)	-	-	-	-
Others		-	134,336	-	40	-	-	-	-	(2,304)	-	132,072	(134,673)	(2,601)
At 31 December 2012		12,823,627	5,157,041*	(2,352,526)*	3,715,986*	(74,450)*	127,077*	25,925*	461*	10,266,556*	816,865	30,506,562	10,175,696	40,682,258

Consolidated Statement of Changes In Equity (continued)

Year ended 31 December 2013

		Attributable to owners of the parent												
	Notes	Issued capital RMB'000	Capital reserve RMB'000 (note 43(a))	Contributed surplus RMB'000 (note 43(a))	Surplus reserves RMB'000 (note 43(a))	Hedging revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013		12,823,627	5,157,041*	(2,352,526)*	3,715,986*	(74,450)*	127,077*	25,925*	461*	10,266,556*	816,865	30,506,562	10,175,696	40,682,258
Profit for the year		-	-	-	-	-	-	-	-	2,393,242	-	2,393,242	1,816,873	4,210,115
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments, net of tax		-	-	-	-	-	18,632	-	-	-	-	18,632	34,361	52,993
Cash flow hedges, net of tax		-	-	-	-	120,000	-	-	-	-	-	120,000	-	120,000
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(25,597)	-	-	(25,597)	(7,680)	(33,277)
Others		-	(25,124)	-	-	-	-	-	-	-	-	(25,124)	(27,887)	(53,011)
Total comprehensive income for the year		-	(25,124)	-	-	120,000	18,632	-	(25,597)	2,393,242	-	2,481,153	1,815,667	4,296,820
Capital reduction of subsidiaries		-	(1,311)	-	55	-	-	-	-	-	-	(1,256)	(11,750)	(13,006)
Addition of subsidiaries	44	-	-	-	-	-	-	-	-	-	-	-	20,655	20,655
Disposal of subsidiaries	45	-	-	-	-	-	-	-	(29,157)	-	-	(29,157)	(132,123)	(161,280)
Acquisition of non-controlling interests		-	(25,359)	-	928	-	-	-	38	-	-	(24,393)	19,797	(4,596)
Dividend paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(1,399,392)	(1,399,392)
Final 2012 dividend declared	12	-	-	-	-	-	-	-	-	-	(816,865)	(816,865)	-	(816,865)
Proposed final 2013 dividend	12	-	-	-	-	-	-	-	-	(957,284)	957,284	-	-	-
Transfer from retained profits		-	-	-	553,991	-	-	26,835	-	(580,826)	-	-	-	-
Others		-	109,200	-	359	-	-	-	-	(19,649)	-	89,910	14,064	103,974
At 31 December 2013		12,823,627	5,214,447*	(2,352,526) *	4,271,319*	45,550*	145,709*	52,760*	(54,255) *	11,102,039*	957,284	32,205,954	10,502,614	42,708,568

* These reserve accounts constitute the consolidated reserves of RMB18,425,043,000 (2012: RMB16,866,070,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,282,719	5,725,923
Adjustments for:			
Finance Company*:			
Interest income from banks and other financial institutions	5	(317,066)	(240,164)
Interest income on loans receivable and discounted bills receivable	5	(250,098)	(191,709)
Finance lease income	5	(276,939)	(256,316)
Interest income on non-restricted time deposits with original maturity of over three months when acquired		(114,581)	(161,005)
Interest income on debt investments	5	(19,929)	(8,500)
Dividend income from equity investments and investment funds	5	(77,135)	(4,085)
Gain on disposal of items of property, plant and equipment, net	5, 6	(12,806)	(25,841)
Losses/(gains) on disposal of other intangible assets, net	5, 6	141	(3,267)
Gain on disposal of land use rights	5	(124,823)	(15,231)
Losses/(gains) on disposal of subsidiaries	5	227,797	(159,498)
Gain on disposal of joint venture	5	(15,502)	-
Losses/(gains) on disposal of associates	5	9	(44,752)
Investments at fair value through profit or loss:			
Unrealised fair value (gains)/losses, net	5	(7,243)	231
Realised fair value gains, net	5	(597)	(5,797)
Derivative financial instruments - transactions not qualifying as hedges:			
Unrealised fair value gains, net	5	(2,301)	(1,569)
Realised gains on available-for-sale investments (transferred from equity)	5	(151,337)	(61,754)
Other gains	5	(194,404)	(5,992)
Finance Company*:			
Interest expense due to banks and other financial institutions	6	8,543	19,590
Interest expense on customer deposits	6	39,361	26,121
Interest expense on bonds	6	-	44,500
Depreciation of property, plant and equipment	6	1,398,586	1,337,719
Depreciation of investment properties	6	5,681	5,613
Recognition of prepaid land lease payments	6	45,249	45,003
Amortisation of intangible assets	6	114,617	119,038
Early retirement benefits and staff severance costs	6	113,310	4,198
Write-down of inventories to net realisable value	6	829,247	441,452

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

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Share of profits and losses of joint ventures		(4,088)	(3,876)
Share of profits and losses of associates		(807,463)	(607,312)
Impairment of trade receivables and other receivables	6	325,429	410,000
Impairment of loans receivable	6	27,894	2,261
Impairment of lease receivables	6	40,078	66,428
Reversal of impairment of discounted bills receivable	6	(3,305)	(69)
Impairment of items of property, plant and equipment	6	6,069	46,530
Impairment of goodwill	6	19,446	-
Impairment of investment in associates	6	3,443	-
Impairment of other intangible assets	6	8,914	1,659
Provision for product warranty	6	551,180	378,188
Provision for onerous contracts	6	686,451	1,097,734
(Reversal)/addition of provision for late delivery	6	(23,000)	2,000
Other provisions	6	288,930	9,037
Finance costs	7	254,151	195,527
Gain on bargain purchases	5	(52,161)	(3,196)
Exchange losses, net		162,113	37,780
		7,984,580	8,216,599
Decrease in inventories		271,591	1,530,243
Increase in construction contracts		(29,282)	(1,186,297)
Increase in trade receivables and other receivables		(4,930,310)	(1,730,579)
(Increase)/decrease in other non-current assets		(998,100)	10,393
Increase in trade payables, bills payable, other payables and accruals		7,394,355	2,557,645
Utilisation of product warranty provision and other provisions		(969,639)	(1,152,866)
Cash generated from operations		8,723,195	8,245,138
Taxes paid		(1,545,107)	(1,522,475)
Net cash flows from operating activities		7,178,088	6,722,663

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		680,702	591,745
Finance lease income	5	276,939	256,316
Dividends received from joint ventures		350	2,144
Dividends received from associates		491,952	774,146
Dividends received from investments		77,135	4,085
Purchases of items of property, plant and equipment		(1,770,966)	(2,074,729)
Purchases of investment properties	15	(846)	-
Realised fair value gains on investments at fair value through profit or loss	5	597	5,797
Prepaid land lease payments	16	(41,223)	(3,907)
Proceeds from disposal of items of property, plant and equipment		325,762	166,193
Business combination	44	(47,373)	(365,449)
Disposal of subsidiaries	45	(197,525)	(11,351)
Capital injection in associates		(6,061)	(250,496)
Proceeds from disposal of associates		2,042	121,545
Proceeds from disposal of joint ventures		4,128	-
Purchases of non-current other investments		(228,976)	(704,800)
Proceeds from disposal of non-current other investments		712,572	852,680
Purchases of other intangible assets		(78,756)	(229,414)
Proceeds from disposal of other intangible assets		35,974	17,005
Proceeds from disposal of prepaid land lease payments		176,249	16,290
Acquisition of non-controlling interests		(4,596)	(25,652)
Acquisition of other non-current assets		(96,752)	(51,890)
Decrease in restricted deposits		9,493	45,378
Decrease/(increase) in non-restricted time deposits with original maturity of over three months when acquired		999,015	(2,441,655)
Increase in loans and lease receivables		(2,915,035)	(1,025,293)
Decrease in discounted bills receivable		335,773	21,043
(Increase)/decrease in an amount due from the Central Bank		(1,506,879)	370,087
Increase in repurchased assets		(2,589,780)	-
(Increase)/decrease in current investments		(262,068)	1,099,239
Others		306,845	-
Net cash flows used in investing activities		(5,311,308)	(2,840,943)

II

Audited Financial Statements

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection by non-controlling shareholders		-	773,342
Business combinations under common control		(31,239)	(1,135,215)
Value added tax refunded		69,421	-
Capital reduction of subsidiaries		(13,006)	-
New bank and other loans		2,374,710	2,362,360
Repayments of bank and other loans		(3,850,312)	(894,363)
Issue/(repayment) of bonds		1,989,000	(1,000,000)
Dividends paid to non-controlling shareholders		(1,378,674)	(661,173)
Dividends paid by the Company		(816,865)	(979,725)
Dividend paid to former shareholders before combinations/acquisitions		-	(506,529)
Increase/(decrease) in customer deposits		467,995	(1,451,121)
Interest paid		(200,572)	(288,782)
Others		(49,057)	-
Net cash flows used in financing activities		(1,438,599)	(3,781,206)
NET INCREASE IN CASH AND CASH EQUIVALENTS		428,181	100,514
Cash and cash equivalents at beginning of year		15,909,804	15,847,070
Effect of foreign exchange rate changes, net		(162,113)	(37,780)
CASH AND CASH EQUIVALENTS AT END OF YEAR		16,175,872	15,909,804
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	33	21,408,756	22,141,703
Less: non-restricted time deposits with original maturity of over three months when acquired		(5,232,884)	(6,231,899)
Cash and cash equivalents as stated in the statement of cash flows		16,175,872	15,909,804

Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	886,588	889,124
Investment properties	15	47,066	49,388
Prepaid land lease payments	16	217,033	222,436
Other intangible assets	18	93,741	78,969
Investments in subsidiaries	19	16,101,209	16,054,161
Investments in associates	21	1,797,094	1,836,371
Other investments	23	385,956	868,595
Derivative financial instruments	32	20,625	4,460
Loans receivable	22	700,000	-
Other non-current assets		-	1,468
Deferred tax assets	24	491,557	512,921
Total non-current assets		20,740,869	20,517,893
CURRENT ASSETS			
Inventories	25	78,528	484,544
Construction contracts	26	178,975	553,902
Trade receivables	27	16,112,369	11,402,232
Loans receivable	22	1,545,000	1,095,000
Bills receivable	29	434,063	961,049
Prepayments, deposits and other receivables	30	14,361,341	15,448,662
Investments	31	90,059	-
Derivative financial instruments	32	48,483	90,105
Cash and cash equivalents	33	14,952,198	10,008,385
Total current assets		47,801,016	40,043,879
CURRENT LIABILITIES			
Trade payables	34	22,374,355	19,821,499
Bills payable	35	949,240	1,028,868
Other payables and accruals	36	16,814,542	14,342,022
Derivative financial instruments	32	8,376	75,955
Interest-bearing bank and other borrowings	38	455	1,390,455
Tax payable		257,895	348,706
Provisions	39	346,425	183,109
Total current liabilities		40,751,288	37,190,614
NET CURRENT ASSETS		7,049,728	2,853,265
TOTAL ASSETS LESS CURRENT LIABILITIES		27,790,597	23,371,158

II

Audited Financial Statements

Statement of Financial Position (continued)

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Bonds	40	1,990,910	-
Interest-bearing bank and other borrowings	38	455	909
Government grants		22,919	8,444
Derivative financial instruments	32	-	117,878
Other non-current liabilities	41	14,710	17,355
Total non-current liabilities		2,028,994	144,586
Net assets		25,761,603	23,226,572
EQUITY			
Issued capital	42	12,823,627	12,823,627
Reserves	43(b)	11,980,692	9,586,080
Proposed final dividend	12	957,284	816,865
Total equity		25,761,603	23,226,572

Chairman and CEO **Mr. Xu Jianguo** **CFO** **Mr. Hu Kang**

Notes to Financial Statements

31 December 2013

1. CORPORATE INFORMATION

Shanghai Electric Group Company Limited (the "Company") is a joint stock limited liability company established in the People's Republic of China (the "PRC") on 1 March 2004. The registered office of the Company is located on 30th floor, No. 8 Xing Yi Road, Shanghai, the PRC.

During the year, the Group was engaged in the following principal activities:

- design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components;
- design, manufacture and sale of thermal power equipment products and corollary equipment, nuclear power conventional island equipment products and power transmission and distribution equipment products;
- design, manufacture and sale of elevators, electrical motors, machine tools, printing and packaging equipment, marine crankshafts, and other electromechanical equipment products; and
- provision of integrated engineering services for power station projects and other industries, financial services and functional services including international trading services.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Shanghai Electric (Group) Corporation ("SE Corporation"), a state-owned enterprise established in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investments and derivative financial instruments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, or, for business combination under common control, the beginning of the earliest financial period presented and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full onconsolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to Financial Statements (continued)

31 December 2013

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS1Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards--Government Loans*
HKFRS7 Amendments	Amendments to HKFRS7 *Financial Instruments: Disclosures--Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *--Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements--Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets --Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in Annual Improvements 2009-2011 Cycle (Include other standards as appropriate), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that no reclassification should be made.

(c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements,* HKAS 31 *Interests in Joint Ventures and HKAS 28 Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 19, 20 and 21 to the financial statements.

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK (SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 51 to the financial statements.

Notes to Financial Statements (continued)

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the remeasurement gains and losses of defined benefit obligations). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The directors of the Company reviewed and assessed the revised standard and concluded that the adoption of the revised standard has had no material effect on the financial position or performance of the Group.

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(i) Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- *HKAS 32 Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27(2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011) --*Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits --Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation-- Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement --Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK (IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

Notes to Financial Statements (continued)

31 December 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any significant impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structural entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations (continued)

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combination under common control

The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA to account for the purchase of the equity interests in the acquired subsidiary under common control (the "Acquired Subsidiary"), as if the acquisition had occurred and the Acquired Subsidiary had been combined from the beginning of the earliest financial period presented.

The net assets of the Group and the Acquired Subsidiary are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the Acquired Subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of the business combinations under common control. The consolidated statement of comprehensive income includes the results of the Group and the Acquired Subsidiary from the earliest date presented, regardless of the date of the business combinations under common control.

The comparative amounts in the consolidated financial statements are restated and presented as if the Acquired Subsidiary had been combined at the beginning of the previous reporting period or when it first came under common control, whichever is shorter.

Transaction costs incurred in relation to business combinations under common control that are accounted for by using merger accounting are recognised as an expense in the year in which they are incurred.

Business combination not under common control

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combination not under common control (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and other entity is an associate of the third party;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a); and
(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives for this purpose are as follows:

Freehold land	Not depreciated
Buildings	10 to 50 years
Plant and machinery	5 to 20 years
Motor vehicles	5 to 12 years
Equipment, tools and moulds	3 to 10 years

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing property, plant and equipment under construction and installation is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life. The principle useful lives used for this purpose are 20 to 40 years.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 40 years.

Technology know-how

Purchased technology know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 15 years.

Concession intangible assets

Concession intangible assets represent the rights to charge users of the public service that the Group obtains under the service concession arrangements. Concession intangible assets are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures such as repairs and maintenance are charged to the statement of profit or loss in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the item, and where the cost of the item can be measured reliably, the expenditures are capitalised as an additional cost of concession intangible assets.

Amortisation of service concession arrangements is calculated to write off their costs on astraight-line basis throughout the periods for which the Group is granted to operate those concession intangible assets.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 10 years, commencing from the date when the products are put into commercial production.

Notes to Financial Statements (continued)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as lease receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned financial income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Notes to Financial Statements (continued)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gains or losses is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

Notes to Financial Statements (continued)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and financial guarantee contracts, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, customer deposits, bonds, derivative financial instruments and interest-bearing loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to Financial Statements (continued)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reverse repurchase transactions

Assets purchased under agreements to resell at a specified future date are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of hedging derivative is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges (continued)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other expenses.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis or individual basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Notes to Financial Statements (continued)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranty granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" stated below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" stated below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Notes to Financial Statements (continued)

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

According to the lease contracts of the Group's investment property portfolio, the Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Shanghai Mechanical& Electrical IndustryCo., Ltd.("SMEI") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of SMEI with a 47.35% equity interest. The remaining 52.65% equity shares in SMEI are widely held by many other shareholders, none of whose equity shares is significant individually (since the date of the acquisition of the equity interest in SMEI by the Group). Since the date of acquisition, there has been no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Revenue recognition

The Group uses the percentage of completion method to account for its contract revenue from construction contracts when the outcome of the construction contracts could be estimated reliably. The stage of completion is measured in accordance with the accounting policy for construction contracts stated in note 2.4. Significant estimation is required in determining the stage of completion, the extent of the contract costs incurred the estimated total contract revenue and contract cost and the recoverability of the contract costs. In making the estimation, the Group evaluates by relying on past experience and the work of the project management team. Revenue from construction contracts is disclosed in note 5 to the financial statements.

The stage of completion of each construction contract is assessed on a cumulative basis in each accounting period. Changes in estimates of contract revenue or contract costs, or changes in the estimated outcome of a contract could impact the amounts of revenue and expenses recognised in the statement of profit or loss in the period in which the change is made and in subsequent periods. Such an impact could potentially be significant.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was RMB148,073,000(2012: RMB167,519,000). More details are given in note17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to Financial Statements (continued)

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2013 was RMB2,116,923,000(2012: RMB1,874,894,000). The amount of unrecognised tax losses and deductible temporary differences at 31 December 2013 was RMB6,943,458,000 (2012: RMB7,314,963,000). Further details are contained in note 24 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on assessment of the sale ability and net realisable value of inventories. The identification of write-down of inventories requires management's judgement and estimates. Where the actual outcome of expectation in future is different from the original estimate, the differences will impact the carrying value of the inventories and write-down loss/reversal of write-down in the period in which the estimate has been changed.

Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of trade receivables. The identification of impairment of trade receivables requires management's judgement and estimates. Where the actual outcome of expectation in future is different from the original estimate, the differences will impact the carrying value of the receivables and impairment loss/reversal of impairment in the period in which the estimate has been changed.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. More details are given in note 23 and 31 to the financial statements.

Provisions

The Group makes provisions for product warranty, onerous contracts, staff early retirement and late delivery. Management estimates the related provisions based on contract terms, available knowledge and past experience. The Group recognises provisions to the extent that it has a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and that the amount can be reliably estimated.

The carrying amount of the provisions at 31 December 2013 was RMB3,272,208,000 (2012: RMB2,652,300,000). More details are given in note 39 to the financial statements.

Useful lives of property, plant and equipment

The property, plant and equipment are depreciated on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related depreciation charges for its items of property, plant and equipment. The estimation is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions with consideration of expected technology renovation. Depreciation charges may be adjusted if there are significant changes in prior assumptions and estimation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Defined benefit plan

At the end of the reporting period, the Group recognises the defined benefit liability as the present value of the defined benefit obligation calculated by independent actuary less the fair value of plan assets out of which the obligations are to be settled. The calculation on the present value of defined benefit obligation includes assumptions on beneficial period and discount rate. Material adjustments will be made to the defined benefit obligation, if the future event is not in line with the assumptions.

4. OPERATING SEGMENT INFORMATION

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

The details of operating segments are as follows:

(a) the new energy segment is engaged in the design, manufacture and sale of nuclear power, nuclear island equipment products, wind power equipment products and heavy machinery including large forging components;

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

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

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

(e) the "others" segment includes components such as the central research institute.

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax (i.e., operating profit/(loss) stated below) is measured consistently with the Group's profit before tax except that finance costs, share of profits and losses of joint ventures or associates.

Segment assets exclude deferred tax assets, other investments, investments in joint ventures and associates, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities, derivative financial instruments and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to non-related parties at the then prevailing market prices.

Notes to Financial Statements (continued)

31 December 2013

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Corporate and other unallocated amounts RMB'000	Inter segmented eliminations RMB'000	Total RMB'000
Segment revenue:								
Sales to external customers	5,450,461	26,782,966	24,008,892	18,960,860	1,677,789	9,534	-	76,890,502
Other revenue	53,059	380,223	521,875	884,042	194	64,627	-	1,904,020
Intersegment sales	357,770	5,538,635	769,863	451,861	702,160	-	(7,820,289)	-
Total revenue	5,861,290	32,701,824	25,300,630	20,296,763	2,380,143	74,161	(7,820,289)	78,794,522
Operating profit/ (loss)	(490,989)	1,939,906	1,677,274	1,473,958	113,037	248,251	(236,118)	4,725,319
Finance costs								(254,151)
Share of profits and losses of:								
Joint ventures	-	-	-	4,088	-	-	-	4,088
Associates	(29,272)	302,213	534,522	-	-	-	-	807,463
Profit before tax								5,282,719
Income tax expense								(1,072,604)
Profit for the year								4,210,115
Assets and liabilities								
Segment assets	15,142,708	53,636,141	32,289,618	51,192,076	2,722,258	10,186,313	(39,764,614)	125,404,500
Investments in joint ventures	-	-	-	6,270	-	-	-	6,270
Investments in associates	175,153	987,870	2,718,921	-	-	-	-	3,881,944
Total assets								129,292,714
Segment liabilities	8,362,259	36,877,560	21,075,328	43,832,089	1,685,979	7,956,074	(33,205,143)	86,584,146
Total liabilities								86,584,146
Other segment information:								
Capital expenditure*	478,461	580,149	779,342	22,257	39,659	98,852	(15,036)	1,983,684
Depreciation and amortisation	266,265	786,479	394,380	10,192	40,093	67,976	(1,252)	1,564,133
Impairment losses recognised in the statement of profit or loss	-	28,360	6,069	-	-	-	-	34,429
Other non-cash expenses	171,194	957,317	155,415	(130,964)	32,122	-	37,702	1,222,786
Product warranty provision	324,189	84,010	128,837	14,125	19	-	-	551,180
Provision for onerous contracts	308,781	166,155	21,505	170,375	19,635	-	-	686,451
Late delivery provision	-	(23,000)	-	-	-	-	-	(23,000)
Other provisions	-	-	269,185	1,866	16,502	1,377	-	288,930

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments, investment properties.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Corporate and other unallocated amounts RMB'000	Inter segmented eliminations RMB'000	Total RMB'000
Segment revenue:								
Sales to external customers	5,981,503	26,990,865	22,434,952	18,250,193	1,142,248	-	-	74,799,761
Other revenue	104,129	434,309	466,285	718,755	2,262	65,488	-	1,791,228
Intersegment sales	499,008	8,302,135	670,531	580,214	378,404	379	(10,430,671)	-
Total revenue	6,584,640	35,727,309	23,571,768	19,549,162	1,522,914	65,867	(10,430,671)	76,590,989
Operating profit/ (loss)	(375,115)	3,208,551	1,407,150	929,241	(14,573)	407,255	(252,247)	5,310,262
Finance costs								(195,527)
Share of profits and losses of:								
Joint ventures	-	-	55	3,821	-	-	-	3,876
Associates	4,934	289,729	312,649	-	-	-	-	607,312
Profit before tax								5,725,923
Income tax expense								(1,344,017)
Profit for the year								4,381,906
Assets and liabilities								
Segment assets	16,162,600	52,828,801	30,766,311	40,255,899	2,770,450	9,142,476	(36,923,290)	115,003,247
Investments in joint ventures	-	-	13,334	79,203	-	-	-	92,537
Investments in associates	205,750	979,292	2,418,704	-	-	-	-	3,603,746
Total assets								118,699,530
Segment liabilities	8,731,491	35,924,694	17,531,172	35,523,871	1,477,654	9,333,948	(30,505,558)	78,017,272
Total liabilities								78,017,272
Other segment information:								
Capital expenditure*	598,677	998,082	739,016	12,165	30,255	82,947	(3,075)	2,458,067
Depreciation and amortisation	223,242	706,988	467,638	7,189	41,185	61,131	-	1,507,373
Impairment losses recognised in the statement of profit or loss	-	40,563	7,626	-	-	-	-	48,189
Other non-cash expenses	145,606	439,003	96,707	352,618	4,959	24,143	(142,964)	920,072
Product warranty provision	174,306	102,346	86,484	15,457	(405)	-	-	378,188
Provision for onerous contracts	19,715	940,802	77,844	36,471	22,902	-	-	1,097,734
Late delivery provision	-	-	-	2,000	-	-	-	2,000
Other provisions	9,037	-	-	-	-	-	-	9,037

* Capital expenditure consists of additions to property, plant and equipment, intangible assets, prepaid land lease payments, investment properties.

Notes to Financial Statements (continued)

31 December 2013

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2013 RMB'000	2012 RMB'000
Mainland China	65,589,683	58,687,001
Other countries/jurisdictions	13,204,839	17,903,988
	78,794,522	76,590,989

The above revenue information is based on the locations of the customers.

(b) Non-current assets

	2013 RMB'000	2012 RMB'000
Mainland China	22,009,105	21,809,496
Other countries/jurisdictions	289,561	453,064
	22,298,666	22,262,560

The above non-current asset information is based on the locations of the assets and excludes financial instruments and deferred tax assets.

5. REVENUE, OTHER INCOME AND GAINS

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

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

	2013 RMB'000	2012 RMB'000
Revenue		
Turnover		
Sale of goods	58,332,162	57,403,577
Construction contracts	14,997,826	14,415,556
Rendering of services	3,560,514	2,980,628
	76,890,502	74,799,761
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	617,356	570,507
Finance lease income	276,939	256,316
Rental income under operating leases	126,874	123,281
Finance Company:		
Interest income from banks and other financial institutions	317,066	240,164
Interest income on loans receivable and discounted bills receivable	250,098	191,709
Others	315,687	409,251
	1,904,020	1,791,228
	78,794,522	76,590,989
Other income		
Interest income on bank balances and time deposits	306,268	247,871
Interest income on debt investments	19,929	8,500
	326,197	256,371
Dividend income from equity investments and investment funds	77,135	4,085
Subsidy income	760,423	460,114
Others	257,260	238,011
	1,094,818	702,210

Notes to Financial Statements (continued)

31 December 2013

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows (continued):

	Notes	2013 RMB'000	2012 RMB'000
Gains			
Gain on disposal of items of property, plant and equipment		27,429	42,376
Gain on disposal of other intangible assets		-	7,936
Gain on disposal of land use rights		124,823	15,231
(Losses)/gains on disposal of subsidiaries	45	(227,797)	159,498
(Losses)/gains on disposal of associates		(9)	44,752
Gain on disposal of joint venture		15,502	-
Gain on bargain purchases	44	52,161	3,196
Investments at fair value through profit or loss:			
Unrealised fair value gains/(losses), net		7,243	(231)
Realised fair value gains, net		597	5,797
Derivative financial instruments - transactions not qualifying as hedges:			
Unrealised fair value gains, net		2,301	1,569
Realised gains on available-for-sale investments (transfer from equity)		151,337	61,754
Exchange losses, net		(28,383)	(37,780)
Others		194,404	5,992
		319,608	310,090
		1,740,623	1,268,671

6. PROFIT BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold		46,896,742	45,541,531
Cost of construction contracts		12,982,909	12,066,951
Cost of services provided		3,131,283	2,915,077
Finance Company:			
Interest expense due to banks and other financial institutions		8,543	19,590
Interest expense on customer deposits		39,361	26,121
Interest expense on bonds		-	44,500
		47,904	90,211
Depreciation of property, plant and equipment	14	1,398,586	1,337,719
Depreciation of investment properties	15	5,681	5,613
Amortisation of prepaid land lease payments*	16	45,249	45,003
Amortisation of patents and licences*	18	43,459	48,408
Amortisation of concession intangible assets*	18	17,417	17,903
Amortisation of other intangible assets*	18	23,970	17,135
Research and development costs:*			
Amortisation of technology know-how	18	29,771	35,592
Current year expenditure		1,960,337	2,060,922
		1,990,108	2,096,514
Minimum lease payments under operating leases:			
Land and buildings		111,723	140,275
Plant, machinery and motor vehicles		65,442	62,678
Auditors' remuneration		30,265	30,248
Staff costs (including directors' and supervisors' remuneration (note 8)):			
Wages and salaries		5,574,947	5,138,617
Defined contribution pension scheme (note i)		630,135	574,661
Supplementary pension		100,390	123,238
Early retirement benefits and staff severance costs (note ii)		113,310	4,198
Medical benefits costs (note iii)		382,874	349,637
Housing fund		319,897	283,188
Cash housing subsidy costs		5,149	2,854
		7,126,702	6,476,393

Notes to Financial Statements (continued)

31 December 2013

6. PROFIT BEFORE TAX (continued)

	Notes	2013 RMB'000	2012 RMB'000
Write-down of inventories to net realisable value		829,247	441,452
Impairment of trade receivables and other receivables*	27,30	325,429	410,000
Impairment of investment in associates*	21	3,443	-
Impairment of loans receivable*	22	27,894	2,261
Impairment of lease receivables*	22	40,078	66,428
Reversal of impairment of discounted bills receivable*	28	(3,305)	(69)
Impairment of items of property, plant and equipment*	14	6,069	46,530
Impairment of goodwill *	17	19,446	-
Impairment of other intangible assets*	18	8,914	1,659
Loss on disposal of items of property, plant and equipment*		14,623	16,535
Loss on disposal of other intangible assets*		141	4,669
Product warranty provision:	39		
Additional provision		591,865	420,887
Reversal of unutilised provision		(40,685)	(42,699)
Onerous contract provision:	39		
Additional provision		1,279,023	1,359,323
Reversal of unutilised provision		(592,572)	(261,589)
Late delivery provision:	39		
Additional provision		-	2,000
Reversal of unutilised provision		(23,000)	-
Other provisions:	39		
Additional provisions		288,930	9,037

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss.

(i) Defined contribution pension scheme

All of the Group's full-time employees in Mainland China are covered by a government-regulated pension scheme and are entitled to an annual pension determined by their basic salaries upon their retirement. The PRC government is responsible for the pension liabilities to these retired employees. The Group is required to make annual contributions to the government-regulated pension scheme mainly at 21.0% (2012: 22.0%) of the employees' basic salaries. This defined contribution pension scheme continued to be available to the Group's employees for the year. The related pension costs are expensed as incurred.

Certain of the Group's employees who retired before 1 January 2000 are entitled to supplementary pension benefits (the "Supplementary Pension Benefits") provided by certain subsidiaries of the Group in addition to the benefits under the government-regulated pension scheme described above. The Supplementary Pension Benefits are calculated based on factors including the number of years of service and salary level on the date of retirement of the respective employee. The Company and SE Corporation have agreed that the costs of the Supplementary Pension Benefits are borne by SE Corporation from 1 March 2004 onwards, i.e., the incorporation date of the Company. Starting from that date, the related costs paid by the Group are fully reimbursed by SE Corporation.

6. PROFIT BEFORE TAX (continued)

(ii) Early retirement benefits and staff severance

The Group implements an early retirement plan for certain employees in addition to the benefits under the government-regulated defined contribution pension scheme and the Supplementary Pension Benefits described above. The benefits of the early retirement plan are calculated based on factors including the remaining number of years from the date of early retirement to the normal retirement date and the salary amount on the date of early retirement of the employee.

The Group recognises staff severance costs when terminating the employment of employees before the expiry date of employment contracts or making an offer in order to encourage voluntary redundancy.

The directors have estimated the Group's obligations to the early retirement benefits and staff severance until the qualified employees are eligible for the government-regulated pension scheme totalled to be approximately RMB106,538,000 as at 31 December 2013 (2012: RMB59,173,000) and the full amount has been accrued. The costs of the early retirement benefits were recognised in the period when employees opted for early retirement. The provision for early retirement benefits was not assessed by any independent actuary. Where the effect of discounting is material, the amount recognised for the early retirement benefits is the present value at the statement of financial position and of reporting period date of the future cash flows expected to be required to settle the obligation. The staff severance costs are recognised when the Group has a formal plan for the termination or an offer to voluntary redundancy and is without realistic possibility of withdrawal.

(iii) Medical benefits

The Group contributes on a monthly basis to defined contribution medical benefit plans organised by the PRC government. The PRC government undertakes to assume the medical benefit obligations for all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for medical benefits and supplemental medical benefits for their qualified employees under these plans.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank loans, other loans and bonds wholly repayable within five years	251,343	192,502
Interest on bank loans and other loans wholly repayable beyond five years	2,808	3,025
	254,151	195,527

Notes to Financial Statements (continued)

31 December 2013

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Directors		
Fees	750	750
Other emoluments:		
Salaries, bonuses and allowances received from the Group	2,794	1,612
Pension scheme contributed by the Group	108	66
Other social benefit schemes contributed by the Group	102	62
	3,754	2,490
Supervisors		
Fees	-	-
Other emoluments:		
Salaries, bonuses and allowances received from the Group	341	344
Pension scheme contributed by the Group	36	33
Other social benefit schemes contributed by the Group	34	31
	411	408
	4,165	2,898

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2013 RMB'000	2012 RMB'000
Mr. Zhu Sendi	250	250
Dr. Cheung Wai Bun	250	250
Dr. Lui Sun Wing	250	250
	750	750

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, non-executive directors and supervisors

Save as disclosed below, none of the executive directors, non-executive directors and supervisors of the Company received any remuneration for the year that is required to be disclosed in the financial statements pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance.

	Fees RMB'000	Salaries, bonuses and allowances received from the Group RMB'000	Pension scheme contributed by the Group RMB'000	Other social benefit schemes contributed by the Group RMB'000	Total RMB'000
2013					
Executive directors					
Mr. Huang Dinan	-	956	36	34	1,026
Mr. Zheng Jianhua	-	1,076	36	34	1,146
Mr. Yu Yingui	-	762	36	34	832
	-	2,794	108	102	3,004
Supervisor					
Mr. Xie Tonglun	-	341	36	34	411
	-	3,135	144	136	3,415
2012					
Executive directors					
Mr. Huang Dinan	-	906	33	31	970
Mr. Yu Yingui	-	706	33	31	770
	-	1,612	66	62	1,740
Supervisor					
Mr. Xie Tonglun	-	344	33	31	408
	-	1,956	99	93	2,148

During the year, no director or supervisor waived or agreed to waive any emolument and no emoluments were paid by the Group to the directors or supervisors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Financial Statements (continued)

31 December 2013

9. FIVE HIGHEST PAID EMPLOYEES

No director (2012: nil) was included in the five highest paid employees during the year. Details of the remuneration for the year of the five (2012: five) highest paid employees who are neither a director nor a supervisor of the company, are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, bonuses and allowances received from the Group	16,138	9,303
Pension scheme contributed by the Group	-	-
Other social benefit schemes contributed by the Group	-	-
	16,138	9,303

The number of non-director/non-supervisor, highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2013	2012
HKD1,000,001 to HKD2,000,000	-	1
HKD2,000,001 to HKD3,000,000	2	4
HKD3,000,001 to HKD5,000,000	2	-
HKD5,000,001 to HKD10,000,000	1	-
	5	5

10. INCOME TAX

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China were subject to the statutory corporate income tax rate of 25% for the year ended 31 December 2013 (2012: 25%) under the income tax rules and regulations of the PRC, except that:

- Certain subsidiaries were subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law for the three successive years from 2011. The assessments of "High-New Technology Enterprises" are no longer valid after 31 December 2013. As at the date the financial statements are approved, those subsidiaries are applying to renew their title of "High-New Technology Enterprise" and recognise the deferred tax assets and liabilities at tax rate of 15%.

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

10. INCOME TAX (continued)

	2013 RMB'000	2012 RMB'000
Group:		
Current - Mainland China		
Charge for the year	1,343,587	1,611,452
Overprovision in prior years	(16,184)	(14,481)
Current – Other jurisdictions		
Charge for the year	(69,229)	7,077
Under/(over)provision in prior years	5,218	(86)
Deferred (note 24)	(190,788)	(259,945)
Total tax charge for the year	1,072,604	1,344,017

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2013					
	Mainland China RMB'000	%	Other jurisdictions RMB'000	%	Total RMB'000	%
Profit/(loss) before tax	5,331,119		(48,400)		5,282,719	
Tax at the statutory tax rate	1,332,784	25.0	(47,935)	99.0	1,284,849	24.3
Lower tax rate for specific districts or concessions	(267,651)	(5.0)	(11)	(0.0)	(267,662)	(5.1)
Adjustments in respect of current tax of previous periods	(16,184)	(0.3)	5,218	(10.8)	(10,966)	(0.2)
Profits and losses attributable to joint ventures and associates	(180,486)	(3.4)	-	-	(180,486)	(3.4)
Income not subject to tax	(34,737)	(0.7)	-	-	(34,737)	(0.7)
Expenses not deductible for tax	80,247	1.5	5,339	(11.0)	85,586	1.6
Tax incentives on eligible expenditures	(27,170)	(0.5)	-	-	(27,170)	(0.5)
Tax losses and deductible temporary differences utilised from previous periods	(142,094)	(2.7)	(59,233)	122.4	(201,327)	(3.8)
Tax losses and deductible temporary differences not recognised	397,886	7.5	104,570	(216.0)	502,456	9.5
Tax true up adjustment	-	-	(70,118)	144.9	(70,118)	(1.3)
Others	(6,494)	(0.1)	(1,327)	2.7	(7,821)	(0.1)
Tax charge at the Group's effective rate	1,136,101	21.3	(63,497)	131.2	1,072,604	20.3

Notes to Financial Statements (continued)

31 December 2013

10. INCOME TAX (continued)

	2012					
	Mainland China RMB'000	%	Other jurisdictions RMB'000	%	Total RMB'000	%
Profit/(loss) before tax	5,866,151		(140,228)		5,725,923	
Tax at the statutory tax rate	1,466,538	25.0	(48,738)	34.8	1,417,800	24.8
Lower tax rate for specific districts or concessions	(392,656)	(6.7)	-	-	(392,656)	(6.9)
Effect of change in tax rate on the opening balance of deferred tax*	(112)	(0.0)	-	-	(112)	(0.0)
Adjustments in respect of current tax of previous periods	(14,481)	(0.3)	(86)	0.1	(14,567)	(0.3)
Profits and losses attributable to joint ventures and associates	(150,506)	(2.6)	-	-	(150,506)	(2.6)
Income not subject to tax	(6,904)	(0.1)	(4,359)	3.1	(11,263)	(0.2)
Expenses not deductible for tax	40,285	0.7	92,338	(65.8)	132,623	2.3
Tax incentives on eligible expenditures	(20,206)	(0.3)	-	-	(20,206)	(0.3)
Tax losses and deductible temporary differences utilised from previous periods	(27,365)	(0.5)	(135,984)	97.0	(163,349)	(2.9)
Tax losses and deductible temporary differences not recognised	334,927	5.7	83,050	(59.3)	417,977	7.3
Taxable temporary differences not recognised#	(36,586)	(0.6)	-	-	(36,586)	(0.6)
Tax for intra-group equity transactions	-	-	143,145	(102.1)	143,145	2.5
Others	-	-	21,717	(15.5)	21,717	0.4
Tax charge at the Group's effective rate	1,192,934	20.3	151,083	(107.7)	1,344,017	23.5

* The effect of change in tax rate on the opening balances of deferred tax for the year ended 31 December 2012 is due to the preferential/transitional tax rates granted to certain subsidiaries during that year.

The taxable temporary differences arose from the gain on disposal of Shanghai Jintai Engineering Machinery Co., Ltd. with the capital injection from a third party. The Group has an intention to hold the remaining interests for the long term, thus no deferred tax liability has been recognised.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB3,296,085,000 (2012: RMB2,780,384,000) which has been dealt with in the financial statements of the Company (note 43(b)).

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Proposed final 2013 – RMB7.465cents per ordinary share (2012: RMB6.37 cents)	957,284	816,865

On 25 Jun 2013, the Company's 2012 annual general meeting approved the proposed final 2012 dividend of an aggregate amount of RMB816,865,000, based on total of 12,823,626,660 shares and a cash dividend of RMB6.37 cents per share (tax inclusive). The dividend was distributed on 23 Aug 2013.

On 28 March 2014, the board of directors of the Company resolved to recommend to the shareholders of the Company a final dividend of RMB7.465 cents per share (tax inclusive), totalling RMB957,284,000 for the year ended 31 December 2013.

The proposed final dividend for the year ended 31 December 2013 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Pursuant to the Corporate Income Tax Law and relevant regulations, a Chinese resident enterprise shall withhold income tax at 10% when dividends are distributed to overseas non-resident enterprise H-share shareholders for year 2008 and the years thereafter. Accordingly, out of the final dividend of RMB957,284,000 for the year ended 31 December 2013 proposed after the end of the reporting period, the Company will withhold income tax for the portion to be distributed to overseas non-resident enterprise H-share shareholders.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 12,823,626,660 (2012: 12,823,626,660) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	2,393,242	2,714,876

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	12,823,626,660	12,823,626,660

Notes to Financial Statements (continued)

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and moulds RMB'000	Construction in progress RMB'000	Total RMB'000
2013						
At cost:						
At 1 January 2013	8,173,683	13,243,326	541,895	1,083,751	1,722,657	24,765,312
Additions	263,208	153,069	23,353	110,738	1,285,253	1,835,621
Business combination (note 44)	42,909	58,073	5,113	15,491	1,972	123,558
Disposals	(122,997)	(360,576)	(32,074)	(59,308)	(96,945)	(671,900)
Disposal of subsidiaries (note 45)	(355,258)	(309,305)	(3,032)	(32,377)	(2,939)	(702,911)
Transfers	566,282	969,984	42,514	104,209	(1,682,989)	-
Transferred to other intangible assets (note 18)	-	-	-	-	(7,729)	(7,729)
Exchange realignment	(56,946)	(38,962)	(555)	(5,392)	(708)	(102,563)
At 31 December 2013	8,510,881	13,715,609	577,214	1,217,112	1,218,572	25,239,388
Accumulated depreciation and impairment:						
At 1 January 2013	2,594,321	5,796,442	367,830	779,884	622	9,539,099
Depreciation provided during the year (note 6)	318,677	902,585	47,895	129,429	-	1,398,586
Business combination (note 44)	9,016	37,791	4,320	13,198	-	64,325
Impairment (note 6)	-	6,069	-	-	-	6,069
Disposals	(28,870)	(241,204)	(28,846)	(62,975)	-	(361,895)
Disposal of subsidiaries (note 45)	(150,129)	(280,056)	(2,743)	(28,498)	-	(461,426)
Exchange realignment	(31,383)	(35,827)	(543)	(4,333)	-	(72,086)
At 31 December 2013	2,711,632	6,185,800	387,913	826,705	622	10,112,672
Net carrying amount:						
At 31 December 2013	5,799,249	7,529,809	189,301	390,407	1,217,950	15,126,716

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and moulds RMB'000	Construction in progress RMB'000	Total RMB'000
2012						
At cost:						
At 1 January 2012						
As previously reported	6,991,258	11,449,794	471,949	788,044	1,534,098	21,235,143
Business combinations under common control	497,118	379,641	2,024	174,231	17,424	1,070,438
As restated	7,488,376	11,829,435	473,973	962,275	1,551,522	22,305,581
Additions	59,080	98,146	39,083	64,473	1,866,029	2,126,811
Acquisition of subsidiaries	275,790	324,056	64,832	34,130	136,940	835,748
Transferred from investment properties (note 15)	3,050	-	-	-	-	3,050
Disposals	(56,919)	(256,887)	(56,703)	(36,212)	(67,525)	(474,246)
Transfers	407,420	1,274,297	21,060	61,189	(1,763,966)	-
Exchange realignment	(3,114)	(25,721)	(350)	(2,104)	(343)	(31,632)
At 31 December 2012	8,173,683	13,243,326	541,895	1,083,751	1,722,657	24,765,312
Accumulated depreciation and impairment:						
At 1 January 2012						
As previously reported	2,120,395	4,663,453	310,763	520,333	2,249	7,617,193
Business combinations under common control	90,313	294,686	1,818	144,521	-	531,338
As restated	2,210,708	4,958,139	312,581	664,854	2,249	8,148,531
Depreciation provided during the year	310,116	843,804	62,166	121,633	-	1,337,719
Acquisition of subsidiaries	79,076	179,967	39,322	20,188	-	318,553
Transferred from investment properties (note 15)	672	-	-	-	-	672
Impairment (note 6)	6,098	39,737	-	73	622	46,530
Disposals	(9,621)	(202,370)	(45,817)	(24,946)	(2,249)	(285,003)
Exchange realignment	(2,728)	(22,835)	(422)	(1,918)	-	(27,903)
At 31 December 2012	2,594,321	5,796,442	367,830	779,884	622	9,539,099
Net carrying amount:						
At 31 December 2012	5,579,362	7,446,884	174,065	303,867	1,722,035	15,226,213

Notes to Financial Statements (continued)

31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and moulds RMB'000	Construction in progress RMB'000	Total RMB'000
2013						
At cost:						
At 1 January 2013	784,388	185,152	8,652	65,195	86,701	1,130,088
Additions	72,911	31,796	1,036	5,904	32,129	143,776
Transfers	5,718	17,278	-	2,181	(25,177)	-
Transferred to other intangible assets (note 18)	-	-	-	-	(3,299)	(3,299)
Disposals	-	(55,261)	(145)	(4,313)	(311)	(60,030)
At 31 December 2013	863,017	178,965	9,543	68,967	90,043	1,210,535
Accumulated depreciation:						
At 1 January 2013	135,824	43,937	4,823	56,380	-	240,964
Depreciation provided during the year	53,741	31,728	1,038	8,149	-	94,656
Disposals	-	(7,223)	(280)	(4,170)	-	(11,673)
At 31 December 2013	189,565	68,442	5,581	60,359	-	323,947
Net carrying amount:						
At 31 December 2013	673,452	110,523	3,962	8,608	90,043	886,588
2012						
At cost:						
At 1 January 2012	792,933	184,749	5,639	61,238	74,187	1,118,746
Additions	-	-	3,415	6,234	16,903	26,552
Transfers	2,602	470	-	-	(3,072)	-
Disposals	(11,147)	(67)	(402)	(2,277)	(1,317)	(15,210)
At 31 December 2012	784,388	185,152	8,652	65,195	86,701	1,130,088
Accumulated depreciation:						
At 1 January 2012	98,845	39,634	4,460	44,550	-	187,489
Depreciation provided during the year	36,979	4,426	709	13,344	-	55,458
Disposals	-	(123)	(346)	(1,514)	-	(1,983)
At 31 December 2012	135,824	43,937	4,823	56,380	-	240,964
Net carrying amount:						
At 31 December 2012	648,564	141,215	3,829	8,815	86,701	889,124

The sites of the freehold land, with a total cost of RMB67,335,000 (2012:RMB106,199,000) are in Japan, USAand UK.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2013, certain buildings were pledged to secure certain bank loans granted to the Group totalling RMB426,952,000 (31 December 2012: RMB212,995,000) (note 38).

As at 31 December 2013, the Group has not obtained the real estate certificates for buildings with a net carrying amount of RMB519,568,000. The Group was in the process of applying for the real estate certificates for buildings with a net carrying amount of approximately RMB497,655,000 as at 31 December 2013.

As at 31 December 2013, the Company has not obtained the real estate certificates for buildings with a net carrying amount of RMB62,779,000. The Company was in the process of applying for the real estate certificates for buildings with a net carrying amount of approximately RMB62,779,000 as at 31 December 2013.

15. INVESTMENT PROPERTIES

Group

	2013 RMB'000	2012 RMB'000
At cost:		
At 1 January	219,289	194,627
Acquisition of subsidiaries	-	27,712
Addition	846	-
Transfer to owner-occupied properties(note 14)	-	(3,050)
At 31 December	220,135	219,289
Accumulated depreciation:		
At 1 January	74,253	65,259
Acquisition of subsidiaries	-	4,053
Depreciation provided during the year (note 6)	5,681	5,613
Transfer to owner-occupied properties(note 14)	-	(672)
At 31 December	79,934	74,253
Net carrying amount:		
At 31 December	140,201	145,036

Notes to Financial Statements (continued)

31 December 2013

15. INVESTMENT PROPERTIES (continued)

Group (continued)

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	2013 RMB'000	2012 RMB'000
Medium term leases (less than 50 years but not less than 10 years)	111,529	116,669
Short term leases (less than 10 years)	28,672	28,367
	140,201	145,036

Company

	2013 RMB'000	2012 RMB'000
At cost:		
At 1 January	54,033	54,033
At 31 December	54,033	54,033
Accumulated depreciation:		
At 1 January	4,645	2,323
Depreciation provided during the year	2,322	2,322
At 31 December	6,967	4,645
Net carrying amount		
At 31 December	47,066	49,388

The Company's investment properties are situated in Mainland China and are held under the following lease terms:

	2013 RMB'000	2012 RMB'000
Medium term leases (less than 50 years but not less than 10 years)	47,066	49,388

16. PREPAID LAND LEASE PAYMENTS

Group

	2013 RMB'000	2012 RMB'000
At cost:		
At 1 January	1,988,078	1,754,812
Additions	41,223	6,728
Acquisition of subsidiaries (note 44)	55,697	233,617
Disposals	(57,501)	(4,258)
Disposal of subsidiaries (note 45)	(50,234)	-
Exchange realignment	(4,650)	(2,821)
At 31 December	1,972,613	1,988,078
Accumulated depreciation and impairment:		
At 1 January	308,610	260,757
Amortisation provided during the year (note 6)	45,249	45,003
Acquisition of subsidiaries	-	6,049
Disposals	(6,075)	(3,199)
At 31 December	347,784	308,610
Net carrying amount:		
At 31 December	1,624,829	1,679,468
Of which:		
Current portion included in prepayments, deposits and other receivables (note 30)	43,352	37,812
Non-current portion	1,581,477	1,641,656
	1,624,829	1,679,468

Except for one (2012: three) parcel of leasehold land with a total cost of RMB885,000 (2012: RMB26,479,000), which is situated in USA, the Group's leasehold land is all situated in Mainland China.

Notes to Financial Statements (continued)

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16. PREPAID LAND LEASE PAYMENTS (continued)

Group (continued)

The Group's leasehold land is held under the following lease terms:

	2013 RMB'000	2012 RMB'000
At cost:		
Long term (no less than 50 years)	72,634	98,228
Medium term (no less than 10 years but less than 50 years)	1,899,979	1,889,850
	1,972,613	1,988,078

As at 31 December 2013, no land use right of the Group was pledged to secure certain bank loans granted to the Group (2012: RMB20,784,000) (note 38).

Company

	2013 RMB'000	2012 RMB'000
At cost:		
At 1 January and 31 December	249,505	249,505
Accumulated depreciation:		
At 1 January	21,666	16,263
Amortisation provided during the year	5,403	5,403
At 31 December	27,069	21,666
Net carrying amount:		
At 31 December	222,436	227,839
Of which:		
Current portion included in prepayments, deposits and other receivables (note 30)	5,403	5,403
Non-current portion	217,033	222,436
	222,436	227,839

The Company's leasehold land is situated in Mainland China and is held under a medium term lease.

17. GOODWILL

Group

	2013 RMB'000	2012 RMB'000
At cost:		
At 1 January		
As previously reported	365,616	73,441
Business combinations under common control	-	137,139
As restated	365,616	210,580
Acquisition of subsidiaries	-	155,036
At 31 December	365,616	365,616
Accumulated impairment:		
At 1 January		
As previously reported	198,097	60,958
Business combinations under common control	-	137,139
As restated	198,097	198,097
Impairment during the year (note 6)	19,446	-
At 31 December	217,543	198,097
Net carrying amount:		
At 31 December	148,073	167,519

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

Cash-generating unit	Segment	Carrying amount of goodwill
		2013 RMB'000
Printing and packing machinery	Industrial equipment	12,483
Transmission and distribution equipment	High efficiency and clean energy	135,590
		148,073

Notes to Financial Statements (continued)

31 December 2013

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

The recoverable amounts of the above cash-generating units have been determined based on their value in use calculations, using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the printing and packing machinery cash flow projections is 12% (2012: 13%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2012: 3%). The discount rate applied to the transmission and distributionequipment cash flow projections is 14% (2012: 14%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2012: 3%).

Assumptions were used in the value in use calculations of the above cash-generating units for 31 December 2013 and 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Raw materials price inflation - The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for local markets from where the raw materials are sourced.

Discount rate - The discount rate used reflects specific risks relating to the relevant units.

The values assigned to key assumptions are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

Group

	Patents and licences RMB'000	Technology know-how RMB'000	Concession intangible assets RMB'000	Others RMB'000	Total RMB'000
2013					
At cost:					
1 January 2013	737,275	501,274	425,779	191,508	1,855,836
Additions	26,314	42,822	-	36,858	105,994
Transferred from construction in progress (note 14)	-	-	-	7,729	7,729
Business combination (note 44)	15,678	-	-	568	16,246
Disposals	-	-	(5,312)	(2,013)	(7,325)
Disposal of subsidiaries (note 45)	(13,210)	-	-	(2,632)	(15,842)
Exchange realignment	(2,670)	-	-	(244)	(2,914)
At 31 December 2013	763,387	544,096	420,467	231,774	1,959,724
Accumulated amortisation and impairment:					
1 January 2013	421,718	311,002	67,789	59,771	860,280
Amortisation provided during the year (note 6)	43,459	29,771	17,417	23,970	114,617

18. OTHER INTANGIBLE ASSETS (continued)

Group (continued)

	Patents and licences RMB'000	Technology know-how RMB'000	Concession intangible assets RMB'000	Others RMB'000	Total RMB'000
2013 (continued)					
Accumulated amortisation and impairment: (continued)					
Business combination (note 44)	-	-	-	21	21
Impairment (note 6)	-	7,290	-	1,624	8,914
Disposal of subsidiaries (note 45)	(12,326)	-	-	(1,946)	(14,272)
Exchange realignment	(745)	-	-	410	(335)
At 31 December 2013	452,106	348,063	85,206	83,850	969,225
Net carrying amount:					
At 31 December 2013	311,281	196,033	335,261	147,924	990,499
2012					
At cost:					
1 January 2012					
As previously reported	481,259	515,053	425,779	75,642	1,497,733
Business combinations under common control	106,234	-	-	7,475	113,709
As restated	587,493	515,053	425,779	83,117	1,611,442
Additions	205,227	8,932	-	113,190	327,349
Acquisition of subsidiaries	30,361	261	-	181	30,803
Disposals	(85,872)	(22,972)	-	(4,965)	(113,809)
Exchange realignment	66	-	-	(15)	51
At 31 December 2012	737,275	501,274	425,779	191,508	1,855,836
Accumulated amortisation and impairment:					
1 January 2012					
As previously reported	344,918	293,817	49,886	35,483	724,104
Business combinations under common control	49,593	-	-	7,330	56,923
As restated	394,511	293,817	49,886	42,813	781,027
Amortisation provided during the year	48,408	35,592	17,903	17,135	119,038
Acquisition of subsidiaries	980	-	-	-	980
Impairment (note 6)	-	-	-	1,659	1,659
Disposals	(22,358)	(18,407)	-	(1,762)	(42,527)
Exchange realignment	177	-	-	(74)	103
At 31 December 2012	421,718	311,002	67,789	59,771	860,280
Net carrying amount:					
At 31 December 2012	315,557	190,272	357,990	131,737	995,556

Notes to Financial Statements (continued)

31 December 2013

18. OTHER INTANGIBLE ASSETS (continued)

Company

	Patents and licences RMB'000	Others RMB'000	Total RMB'000
2013			
At cost:			
At 1 January	3,348	95,682	99,030
Additions	-	25,194	25,194
Transferred from construction in progress (note 14)	-	3,299	3,299
Disposals	-	(2,013)	(2,013)
At 31 December	3,348	122,162	125,510
Accumulated amortisation:			
At 1 January	1,813	18,248	20,061
Amortisation provided during the year	335	11,373	11,708
At 31 December	2,148	29,621	31,769
Net carrying amount:			
At 31 December	1,200	92,541	93,741
2012			
At cost:			
At 1 January	124,121	33,978	158,099
Additions	4,324	84,678	89,002
Disposals	(125,097)	(22,974)	(148,071)
At 31 December	3,348	95,682	99,030
Accumulated amortisation:			
At 1 January	1,479	11,083	12,562
Amortisation provided during the year	14,929	7,165	22,094
Disposal	(14,595)	-	(14,595)
At 31 December	1,813	18,248	20,061
Net carrying amount:			
At 31 December	1,535	77,434	78,969

19. INVESTMENTS IN SUBSIDIARIES

Company

	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	14,780,706	14,696,838
Listed investment in Mainland China, at cost	1,470,074	1,465,478
Impairment of unlisted investments	(149,571)	(108,155)
	16,101,209	16,054,161
Market value of listed shares	8,534,678	3,897,422

As at 31 December 2013, the Company had one listed subsidiary, Shanghai Mechanical & Electrical Industry Co., Ltd. ("Shanghai Mechanical & Electrical"), with a carrying amount of RMB1,470,074,000. Shanghai Mechanical & Electrical is listed on the Shanghai Stock Exchange. As at 31 December 2013, the fair market value of the listed shares of the subsidiary held by the Company amounted to RMB8,534,678,000.

The movement of impairment is as follows:

Company

	2013 RMB'000	2012 RMB'000
At 1 January	108,155	4,746
Addition	41,416	108,155
Disposal	-	(4,746)
At 31 December	149,571	108,155

Notes to Financial Statements (continued)

31 December 2013

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation /registration and operations	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd. 上海電氣集團上海電機廠有限公司	PRC	RMB241,818	100%	-	Production and sale of turbine generators and spare parts
Shanghai Boiler Works, Ltd. 上海鍋爐廠有限公司	PRC	RMB207,483	100%	-	Sale of power station boilers, industry boilers and power station equipment
Shanghai Electric Power Generation Equipment Co., Ltd. # 上海電氣電站設備有限公司	PRC	USD264,792	-	60%	Design, manufacture and sale of power generation equipment and auxiliary products
Shanghai Electric Wind Power EquipmentCo., Ltd. 上海電氣風電設備有限公司	PRC	RMB1,028,000	100%	-	Production and sale of wind power equipment, spare parts and provision of after-sales service
SEC Power Generation Environment Protection Engineering Co., Ltd. 上海電氣電站環保工程有限公司	PRC	RMB50,000	95%	-	Design, manufacture and sale of desulphurisation equipment
Shanghai Heavy Machinery Plant Co., Ltd. 上海重型機器廠有限公司	PRC	RMB1,973,210	100%	-	Sale of metallurgy materials, spare parts, power station equipment and anti-pressure containers
Shanghai Electric Nuclear Power Equipment Co., Ltd. 上海電氣核電設備有限公司	PRC	RMB2,092,000	100%	-	Production and sale of nuclear power equipment, spare parts and provision of after-sales service
Shanghai No.1 Machine Tool Works Co., Ltd. 上海第一機床廠有限公司	PRC	RMB620,000	100%	-	Design, manufacture of civil nuclear bearing equipment and electrical and mechanical equipment
Shanghai Electric Group Finance Co., Ltd. 上海電氣集團財務有限責任公司	PRC	RMB1,500,000	73.38%	6.24%	Provision of financial services
Shanghai Electric International Economic and Trading Co., Ltd. 上海電器國際經濟貿易有限公司	PRC	RMB350,000	100%	-	Import and export of products
Shanghai Mechanical & Electrical Industry Co., Ltd. ^ 上海機電股份有限公司	PRC	RMB1,022,740	47.35%	-	Production and sale of elevators, printing and packing machinery, artificial boards, air-conditioners, welding materials and engineering machinery
Shanghai Electric Group General Refrigeration and Air-conditioning Equipment Co., Ltd. * 上海電氣集團通用冷凍空調設備有限公司	PRC	RMB351,340	-	47.35%	Production and sale of refrigeration and air-conditioning equipment, provision of technical services and equipment construction services
Shanghai Electric Group Printing & Packaging Machinery Co., Ltd. * 上海電氣集團印刷包裝機械有限公司	PRC	RMB632,863	-	47.35%	Production and sale of printing and packaging equipment, spare parts and raw materials

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows (continued):

Company name	Place of incorporation/ registration and operations	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Mitsubishi Elevator Co., Ltd. # * 上海三菱電梯有限公司	PRC	USD155,269	-	24.62%	Manufacture and sale of elevators, escalators, electronic ramps, building automation, management and safety systems and provision of related services
Shanghai GuanghuaPrinting Machinery Co., Ltd.* 上海光華印刷機械有限公司	PRC	RMB172,480	-	47.35%	Production and sale of printing machinery
Shanghai Electric Hydraulics Pneumatics Co., Ltd. * 上海電氣液壓氣動有限公司	PRC	RMB251,243	-	47.35%	Sale of pressurised pumps and related equipment
Goss International Corporation* 美國高斯國際有限公司	USA	USD1.00	-	47.35%	Production and sale of printing equipment
Shanghai Machine Tool Works Ltd. 上海機床廠有限公司	PRC	RMB698,733	100%	-	Production and sale of machinery and spare parts
Shanghai Electric Transmission and Distribution Group Co., Ltd.& 上海電氣輸配電集團有限公司	PRC	RMB2,000,000	50%	-	Production and sale of power transmission, distribution and controlling equipment
Shanghai Electric Wind Energy Co., Ltd. 上海電氣風能有限公司	PRC	EUR104,006	51%	-	Design, research and development and sales wind power equipment and spare parts
Shanghai Electric Leasing Co., Ltd. 上海電氣租賃有限公司	PRC	RMB500,000	100%	-	Provision of finance leases and business consulting

Sino-foreign equity joint ventures

^ SMEI is 47.35% owned by the Company and is accounted for as a subsidiary by virtue of the Company's control over it. Details of the disclosure are included in note 3.

* The Company consolidated the results of these entities because the Company's subsidiaries control these entities.

& Pursuant to the agreement, the Company is entitled to a contractual right to acquire an additional 1% equity from the counterparty at the Company's discretion. Taking into account the potential voting right, Shanghai Electric Transmission and Distribution Group Co., Ltd. ("SETD") has been included in the consolidation scope of the Group's consolidated financial statements.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements (continued)

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2013 RMB'000	2012 RMB'000
Percentage of equity interest held by non-controlling interests:		
SMEI	52.65%	52.72%
SETD	50%	50%

	2013 RMB'000	2012 RMB'000
Profit for the year allocated to non-controlling interests:		
SMEI	1,280,284	907,702
SETD	230,464	220,658
Dividends paid to non-controlling interests of:		
SMEI	669,925	571,111
SETD	50,000	-
Accumulated balances of non-controlling interests at the reporting dates:		
SMEI	5,342,112	4,716,963
SETD	1,678,130	1,527,187

19. INVESTMENTS IN SUBSIDIARIES (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company elimination:

	2013 RMB'000	2012 RMB'000
SMEI		
Revenue	19,769,379	17,592,157
Total expenses	(18,077,626)	(16,372,916)
Profit for the year	1,691,753	1,219,241
Total comprehensive income for the year	1,666,198	1,185,251
Current assets	22,230,426	20,937,769
Non-current assets	4,890,034	4,805,907
Current liabilities	18,266,618	16,292,929
Non-current liabilities	787,007	2,320,347
Net cash flows from operating activities	1,758,893	3,106,070
Net cash flows used in investing activities	(38,766)	(525,099)
Net cash flows (used in)/from financing activities	(2,356,343)	611,639
Effect of changes in exchange rate on cash	(18,590)	1,615
Net (decrease)/increase in cash and cash equivalents	(654,806)	3,194,225
SETD		
Revenue	7,685,268	6,983,467
Total expenses	(7,318,994)	(6,633,403)
Profit for the year	366,274	350,064
Total comprehensive income for the year	366,274	350,064
Current assets	5,369,416	4,897,336
Non-current assets	1,155,963	1,186,727
Current liabilities	3,615,061	3,424,997
Non-current liabilities	116,516	181,452
Net cash flows from operating activities	454,156	934,984
Net cash flows used in investing activities	(90,055)	(956,404)
Net cash flows used in/from financing activities	(292,420)	313,537
Effect of changes in exchange rate on cash	(772)	1
Net increase in cash and cash equivalents	70,909	292,118

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20. INVESTMENTS INJOINT VENTURES

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	6,270	92,537

The Group's balances due to or from joint ventures are disclosed in notes 22, 30, 34 and 37 to the financial statements, respectively.

The Group does not have any individually material joint venture. The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2013 RMB'000	2012 RMB'000
Share of the joint ventures' profit for the year	4,088	3,876
Share of the joint ventures' total comprehensive income	4,088	3,876
Aggregate carrying amount of the Group's investments in the joint ventures (excluding impairment)	6,270	92,537

21. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	-	-	1,836,371	1,836,371
Share of net assets	3,864,105	3,582,464	-	-
Goodwill on acquisition	21,282	21,282	-	-
Impairment	(3,443)	-	(39,277)	-
	3,881,944	3,603,746	1,797,094	1,836,371

The Group's balances due to or from associates are disclosed in notes 22, 27, 28, 29, 30, 34, 35, 36, 37 and 41 to the financial statements, respectively.

The movement of impairment is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	-	-	-	-
Addition (note 6)	3,443	-	39,277	-
At 31 December	3,443	-	39,277	-

21. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

Company name	Place of incorporation /registration and operations	Registered capital (in'000)	Percentage of ownership interest attributable to the Group Direct	Indirect	Principal activities
Shanghai Rail Traffic Equipment Development Co., Ltd. 上海軌道交通設備發展有限公司	PRC	RMB676,041	34.21%	-	Production, sale, maintenance and technology development of city rail-traffic equipment and provision of consultancy services
Siemens Gas Turbine Parts Co., Ltd. # 上海西門子燃氣輪機部件有限公司	PRC	EUR32,000	49%	-	Production and sale of combustion chambers and burners
Siemens Power Equipment Packages Co., Ltd. # 上海西門子電站成套設備有限公司	PRC	RMB20,000	35%	-	System integration of fossil power plant equipment, import and export of fossil power plant equipment and relevant technical consultation
Schneider Shanghai Power Distribution Electrical Apparatus Co., Ltd. # 上海施耐德配電電器有限公司	PRC	USD11,000	20%	-	Production and sale of low voltage air breakers and low voltage containers
Schneider Shanghai Industrial Control Co., Ltd. # 上海施耐德工業控制有限公司	PRC	USD14,560	20%	-	Production and sale of circuit breakers, thermal overload relays, contactors and industrial control components
Siemens Shanghai Switchgear Ltd. # 上海西門子開關有限公司	PRC	EUR15,300	45%	-	Design, manufacture and sale of switchgears and related products
MWB (Shanghai) Co., Ltd. # 上海MWB互感器有限公司	PRC	USD18,344	-	35%	Production and sale of mutual inductors
Trench High Voltage Products Co., Ltd. , Shenyang # 傳奇電器（瀋陽）有限公司	PRC	RMB112,634	35%	-	Production and sale of bushings and instrument transformers
Siemens Shanghai High Voltage Switchgear Co., Ltd. # 上海西門子高壓開關有限公司	PRC	USD13,100	49%	-	Production and sale of gas insulated switchgears
SEC Alstom (Shanghai Baoshan) Transformers Co., Ltd. # 上海電氣阿爾斯通寶山變壓器有限公司	PRC	USD50,180	50%	-	Production and sale of oil-immersed power transformers
SEC Alstom (Wuhan) Transformers Co., Ltd. # 上海電氣阿爾斯通武漢變壓器有限公司	PRC	EUR20,000	25%	25%	Production and sale of oil-immersed power transformers

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21. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows (continued):

Company name	Place of incorporation/ registration and operations	Registered capital (in'000)	Percentage of ownership interest attributable to the Group Direct	Indirect	Principal activities
Yileng Carrier Air Conditioning Equipment Co., Ltd. # * 上海一冷開利空調設備有限公司	PRC	RMB372,343	-	14.21%	Production and sale of centralised air-conditioning systems
Shanghai Marathon-Gexin Electric Co., Ltd. # * 上海馬拉松革新電氣有限公司	PRC	USD8,000	-	21.31%	Production, repair and sale of electric machines and machine sets
Mitsubishi Electric Shanghai Mechanical &Electrical Elevator Co., Ltd. # * 三菱電機上海機電電梯有限公司	PRC	USD53,000	-	18.94%	Research and development, manufacture and sale of major components of elevators, escalators and automatic sidewalks
Shanghai arnaiz special Yantian Coating Machinery Co., Ltd.# *^ 上海阿耐斯特岩田塗裝機械有限公司	PRC	JPY329,412	-	18.94%	Design, manufacture and sale of, compression mechanical, spraying mechanical,spraying equipment, hydraulic equipment
Chengdu Ri Yong-JEA Gate Electric Co., Ltd. * 成都日用友捷汽車電氣有限公司	PRC	RMB20,000	-	9.47%	Design, manufacture and sale of auto radiator fans, blowers and micromotors
Shanghai Nabtesco Hydraulic Co., Ltd. # * 上海納博特斯克液壓有限公司	PRC	USD14,500	-	14.20%	Production and sale of hydraulic travelling motors and swing motors
Shanghai Ri Yong-JEA Gate Electric Co., Ltd. # * 成都日用友捷汽車電氣有限公司	PRC	USD17,000	-	18.94%	Design,manufacture and sale of auto radiator fans, blowers and micromotors
Shanghai Faiverley Transport Co., Ltd. # * 上海法維萊交通車輛設備有限公司	PRC	DEM10,500	-	23.20%	Production and sale of key systems for modern railway vehicles and locomotives
Sauer Shanghai Hydrostatic Transmission Co., Ltd. # * 上海薩澳液壓傳動有限公司	PRC	USD18,000	-	18.94%	Production and sale of hydraulic piston pumps and motors
Shanghai Jintai Engineering Machinery Co., Ltd. * 上海金泰工程機械有限公司	PRC	RMB832,239	-	23.20%	Manufacturing and operation of engineering machinery
Siemens Wind Power Blades (Shanghai) Co., Ltd. # 西門子風力發電設備（上海）有限公司	PRC	EUR60,828	51%	-	Manufacturing of valves and cocks

\# Sino-foreign equity joint ventures

* The investments in these entities are indirectly held by the Group through its subsidiary Shanghai Mechanical & Electrical. The Group exercises significant influence on these entities.

^ In 2013, the joint venture become an associate due to the Group's subsidiary Shanghai Electric Hydraulic Pneumatic Co., Ltd., reducing the company's stake to 40%.

21. INVESTMENTS IN ASSOCIATES (continued)

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group does not have any individually material associates. The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 RMB'000	2012 RMB'000
Share of the associates' profit for the year	807,463	607,312
Share of the associates' total comprehensive income	807,463	607,312
Aggregate carrying amount of the Group's investments in the associates (excluding impairment)	3,885,387	3,603,746

22. LOANS AND LEASE RECEIVABLES

Group

	2013			2012		
	Gross RMB'000	Provision RMB'000	Net RMB'000	Gross RMB'000	Provision RMB'000	Net RMB'000
Loans to the ultimate holding company	3,550,000	(35,500)	3,514,500	600,000	(6,000)	594,000
Loans to SEC group companies*	743,000	(9,480)	733,520	878,300	(11,371)	866,929
Loans to joint ventures	-	-	-	24,500	(245)	24,255
Loans to associates	50,000	(500)	49,500	30,000	(300)	29,700
Loans to other related parties	33,000	(330)	32,670	-	-	-
	4,376,000	(45,810)	4,330,190	1,532,800	(17,916)	1,514,884
Lease receivables	4,482,153			3,009,096		
Less: unearned finance income	(785,024)			(448,935)		
Net lease receivables	3,697,129	(175,370)	3,521,759	2,560,161	(135,292)	2,424,869
	8,073,129	(221,180)	7,851,949	4,092,961	(153,208)	3,939,753
Portion classified as current assets	5,610,711	(169,565)	5,441,146	2,733,325	(112,117)	2,621,208
Non-current portion	2,462,418	(51,615)	2,410,803	1,359,636	(41,091)	1,318,545

* SEC group companies are defined as the Group's related companies over which SE Corporation is able to exert control.

Notes to Financial Statements (continued)

31 December 2013

22. LOANS AND LEASE RECEIVABLES (continued)

The Group provides finance lease services to customers who purchase equipment from the Group or other vendors through Shanghai Electric Leasing Co., Ltd. The tenure of finance lease contracts entered between the Group and lessees range from two to five years. At the end of the lease term, the lessee has an option to purchase the leased assets at a nominal price, then ownership of the leased assets is transferred to the lessee.

Company

Loans receivable

		2013			2012		
	Annual interest rate	Gross RMB'000	Provision RMB'000	Net RMB'000	Gross RMB'000	Provision RMB'000	Net RMB'000
Loans to subsidiaries		2,245,000	-	2,245,000	1,095,000	-	1,095,000
Portion classified as current assets	Nil	1,545,000	-	1,545,000	1,095,000	-	1,095,000
Non-current portion	5.04%	700,000	-	700,000	-	-	-

As at 31 December 2013, the above loans represent the entrusted loans provided by the Company to subsidiaries.

The movements in the provision for impairment of loans receivable and lease receivables are as follows:

Group

	2013		2012	
	Impairment of loans receivable RMB'000	Impairment of lease receivables RMB'000	Impairment of loans receivable RMB'000	Impairment of lease receivables RMB'000
At 1 January				
As previously reported	17,916	135,292	26,141	-
Business combinations under common control	-	-	(10,486)	69,581
As restated	17,916	135,292	15,655	69,581
Impairment losses recognised (note 6)	27,894	40,078	2,261	66,428
Amount written off as uncollectible	-	-	-	(717)
At 31 December	45,810	175,370	17,916	135,292

The detailed analysis on loans receivable by category is as follows:

	2013 RMB'000	2012 RMB'000
Credit loans receivable	3,600,000	654,500
Guaranteed loans receivable	776,000	878,300
	4,376,000	1,532,800

22. LOANS AND LEASE RECEIVABLES (continued)

As at 31 December 2013, none (2012: nil) of the Group's loans receivable was past due. The annual interest rates of loans provided to related parties range from 5.04% to 6.00% (2012: 5.04% to 7.08%).

An aged analysis of the gross and net amounts of lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period is as follows:

Group

	2013		2012	
	Lease receivables RMB'000	Net lease receivables RMB'000	Lease receivables RMB'000	Net lease receivables RMB'000
Within 1 year	2,899,196	2,329,426	1,758,769	1,418,368
Over 1 year but within 5 years	1,579,913	1,365,249	1,250,327	1,141,793
Over 5 years	3,044	2,454	-	-
	4,482,153	3,697,129	3,009,096	2,560,161

The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following five consecutive accounting years:

Group

	2013		2012	
	Lease receivables RMB'000	Net lease receivables RMB'000	Lease receivables RMB'000	Net lease receivables RMB'000
Within 1 year	1,494,993	1,234,711	1,413,293	1,200,525
Over 1 year but within 5 years	2,318,896	1,861,829	1,341,110	1,155,654
Over 5 years	668,264	600,589	254,693	203,982
	4,482,153	3,697,129	3,009,096	2,560,161

There were no unguaranteed residual values in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at the end of the reporting period.

As part of its normal business, the Group entered into an arrangement (the "Arrangement") to transfer certain lease receivables tobanks. Under the Arrangement, the Group may be required to reimburse the banks for losses if any lessees default. The Group is exposed to default risks of the lessees after the transfer and accordingly, it continued to recognise the full carrying amount of such lease receivables and treat the transactions as borrowing. Subsequent to the transfer, the Group does not retain any rights on the use of the lease receivables, including sale, transfer or pledge of the lease receivables to any other third parties. The aggregate carrying amount of lease receivables transferred under the Arrangement that have not been settled as at 31 December 2013 amounted to RMB18,033,000 (2012: RMB39,713,000) (note 38).

Notes to Financial Statements (continued)

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23. OTHER INVESTMENTS (NON-CURRENT)

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Equity investments:				
- Available-for-sale (unlisted), at cost	40,046	40,761	12,925	12,925
- Impairment	(10,947)	(10,947)	-	-
	29,099	29,814	12,925	12,925
- Available-for-sale (listed), at fair value	556,124	614,832	373,031	479,219
	585,223	644,646	385,956	492,144
Debt investments:				
- Available-for-sale (unlisted), at fair value	284,578	334,334	-	-
- Available-for-sale (listed), at fair value	99,555	51,544	-	-
- Held-to-maturity (unlisted), at amortised cost	-	10,860	-	-
	384,133	396,738	-	-
Trust product:				
- Available-for-sale (unlisted), at fair value	-	376,451	-	376,451
	969,356	1,417,835	385,956	868,595

The movements in the provision for impairment of equity investments are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January and 31 December	10,947	10,947	-	-

As at 31 December 2013, no listed available-for-sale equity investments were restricted for trading over certain periods (31 December 2012: RMB472,800,000).

During the year, the decrease in fair value of the Group's non-current available-for-sale investments recognised in other comprehensive income amounted to RMB16,149,000 (2012: increase in fair value of RMB91,191,000). In addition, upon the disposal of certain non-current available-for-sale investments during the year, a cumulative gain of RMB31,818,000 (2012: nil) was transferred from equity and recognised in the consolidated statement of profit or loss during 2013.

23. OTHER INVESTMENTS (NON-CURRENT) (continued)

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets.

As at 31 December 2013, certain unlisted available-for-sale equity investments with a carrying amount of RMB29,099,000 (2012: RMB29,814,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	2013						
	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets and provisions RMB'000	Unrealised loss on investments RMB'000	Accrued expense RMB'000	Eliminated profits resulting from intragroup transactions RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2013	65,764	1,186,877	48,488	524,758	87,236	38,279	1,951,402
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	90,120	189,342	(30)	18,732	(10,844)	16,904	304,224
Deferred tax charged to equity during the year	-	-	(43,364)	-	-	-	(43,364)
Acquisition of subsidiaries (note 44)	-	-	-	1,411	-	-	1,411
Disposal of subsidiaries (note 45)	(37,587)	-	-	-	-	(602)	(38,189)
Exchange realignment	329	(418)	-	(1,534)	-	41	(1,582)
Gross deferred tax assets at 31 December 2013	118,626	1,375,801	5,094	543,367	76,392	54,622	2,173,902
Offset against deferred tax liabilities*							(56,979)
Net deferred tax assets at 31 December 2013							2,116,923

Notes to Financial Statements (continued)

31 December 2013

24. DEFERRED TAX (continued)

Deferred tax liabilities

Group

	2013					
	Revaluation of properties RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Unrealised gain on investments RMB'000	Eliminated losses resulting from intragroup transactions RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2013	(152,625)	(128,600)	(71,270)	(167,913)	(94,297)	(614,705)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	1,457	7,696	(2,320)	(120,580)	311	(113,436)
Deferred tax credited to equity during the year	-	-	13,300	-	-	13,300
Acquisition of subsidiaries (note 44)	-	(4,956)	-	-	(1,923)	(6,879)
Disposal of subsidiaries (note 45)	-	47,430	-	3,806	-	51,236
Exchange realignment	-	-	-	-	1,835	1,835
Gross deferred tax liabilities at 31 December 2013	(151,168)	(78,430)	(60,290)	(284,687)	(94,074)	(668,649)
Offset against deferred tax assets*						56,979
Net deferred tax liabilitites at 31 December 2013						(611,670)

Deferred tax assets

Group

	2012						
	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets and provisions RMB'000	Unrealised loss on investments RMB'000	Accrued expense RMB'000	Eliminated profits resulting from intragroup transactions RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2012	-	1,016,105	24,314	399,011	45,271	45,292	1,529,993
Business combinations under common control	47,364	35,287	-	(4,403)	-	-	78,248
As restated	47,364	1,051,392	24,314	394,608	45,271	45,292	1,608,241
Effect of change in tax rate on the opening balance credited to the statement of profit or loss (note 10)	-	670	-	(558)	-	-	112
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	18,400	128,747	(235)	132,121	41,965	(7,013)	313,985
Deferred tax credited to equity during the year	-	-	24,409	-	-	-	24,409
Acquisition of subsidiaries	-	4,632	-	-	-	-	4,632
Exchange realignment	-	1,436	-	(1,413)	-	-	23
Gross deferred tax assets at 31 December 2012	65,764	1,186,877	48,488	524,758	87,236	38,279	1,951,402
Offset against deferred tax liabilities*							(76,508)
Net deferred tax assets at 31 December 2012							1,874,894

24. DEFERRED TAX (continued)

Deferred tax liabilities

Group

	2012					
	Revaluation of properties RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Unrealised gain on investments RMB'000	Eliminated losses resulting from intragroup transactions RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2012						
As previously reported	(154,092)	(25,591)	(24,995)	(106,387)	(53,263)	(364,328)
Business combinations under common control	-	(51,000)	-	-	(44,988)	(95,988)
As restated	(154,092)	(76,591)	(24,995)	(106,387)	(98,251)	(460,316)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	1,467	1,390	563	(61,526)	3,954	(54,152)
Deferred tax charged to equity during the year	-	-	(46,838)	-	-	(46,838)
Acquisition of subsidiaries	-	(59,016)	-	-	-	(59,016)
Exchange realignment	-	5,617	-	-	-	5,617
Gross deferred tax liabilities at 31 December 2012	(152,625)	(128,600)	(71,270)	(167,913)	(94,297)	(614,705)
Offset against deferred tax assets*						76,508
Net deferred tax liabilities at 31 December 2012						(538,197)

Deferred tax assets

Company

	2013				2012			
	Impairment of assets and provisions RMB'000	Accrued expense RMB'000	Unrealised loss on investments RMB'000	Total RMB'000	Impairment of assets and provisions RMB'000	Accrued expense RMB'000	Unrealised loss on investments RMB'000	Total RMB'000
At 1 January	261,041	249,014	48,458	558,513	217,797	201,726	538	420,061
Deferred tax credited/(charged) to the statement of profit or loss during the year	34,643	(38,807)	-	(4,164)	43,244	47,288	-	90,532
Deferred tax (charged)/credited to equity during the year	-	-	(43,364)	(43,364)	-	-	47,920	47,920
Gross deferred tax assets at 31 December	295,684	210,207	5,094	510,985	261,041	249,014	48,458	558,513
Offset against deferred tax liabilities*				(19,428)				(45,592)
Net deferred tax assets at 31 December				491,557				512,921

Notes to Financial Statements (continued)

31 December 2013

24. DEFERRED TAX (continued)

Deferred tax liabilities

Company

	2013			2012		
	Unrealised gain on investment RMB'000	Hedging instrument RMB'000	Total RMB'000	Unrealised gain on investment RMB'000	Hedging instrument RMB'000	Total RMB'000
At 1 January	(21,950)	(23,642)	(45,592)	(2,150)	(499)	(2,649)
Deferred tax credited to the statement of profit or loss during the year	-	-	-	-	499	499
Deferred tax credited/(charged) to equity during the year	19,800	6,364	26,164	(19,800)	(23,642)	(43,442)
Gross deferred tax liabilities at 31 December	(2,150)	(17,278)	(19,428)	(21,950)	(23,642)	(45,592)
Offset against deferred tax assets*			19,428			45,592
Net deferred tax liabilities at 31 December			-			-

* For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Tax losses	4,036,381	3,994,192	-	-
Deductible temporary differences	2,907,077	3,320,771	41,416	-
	6,943,458	7,314,963	41,416	-

Deferred tax assets for the tax losses and deductible temporary differences arising from these subsidiaries with operating losses have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

25. INVENTORIES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Raw materials	4,343,425	4,566,528	47,275	41,393
Work in progress	10,268,158	11,425,466	31,253	422,355
Finished goods	6,033,221	5,941,842	-	20,796
	20,644,804	21,933,836	78,528	484,544

26. CONSTRUCTION CONTRACTS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Gross amount due from contract customers	1,505,713	1,476,431	178,975	553,902
Contract costs incurred plus recognised profits less losses	22,433,127	49,017,777	12,627,450	42,520,916
Less: progress billings	(20,927,414)	(47,541,346)	(12,448,475)	(41,967,014)
	1,505,713	1,476,431	178,975	553,902

As at 31 December 2013, advances received from customers for contract work included in the Group's and the Company's balances of other payables and accruals amounted to approximately RMB4,967,405,000 (2012: RMB3,818,226,000) and RMB2,441,151,000 (2012: RMB3,093,167,000), respectively.

27. TRADE RECEIVABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables	29,618,062	24,718,265	16,890,446	12,189,073
Impairment	(4,349,682)	(4,112,568)	(778,077)	(786,841)
	25,268,380	20,605,697	16,112,369	11,402,232

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

Notes to Financial Statements (continued)

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27. TRADE RECEIVABLES (continued)

For the sale of other products, the Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance or cash on delivery is normally required. The credit period is generally three months and may extend to six months for key customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

As part of its normal business, the Group entered into an arrangement (the "Arrangement") to transfer certain trade receivables to banks. Under the Arrangement, the Group may be required to reimburse the banks for losses if any customers default. The Group is exposed to default risks of the customers after the transfer and accordingly, it continued to recognise the full carrying amount of these trade receivables and treat the transactions as borrowings. Subsequent to the transfer, the Group does not retain any rights on the use of the trade receivables, including sale, transfer or pledge of the trade receivables to any other third parties. The aggregate carrying amount of trade receivables transferred under the Arrangement that have not been settled as at 31 December 2013 amounted to RMB806,722,000 (2012: RMB584,215,000) (note 38).

An aged analysis of the trade receivables as at the end of the reporting period, based on the due date and net of provision for bad and doubtful debts, is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Undue	17,411,100	12,889,096	11,606,178	7,562,277
Within 3 months past due	2,210,641	2,426,041	560,639	962,885
Over 3 months but within 6 months past due	2,012,003	1,806,303	1,207,499	774,633
Over 6 months but within 1 year past due	1,844,327	1,950,840	983,169	907,533
Over 1 year but within 2 years past due	1,380,238	1,256,106	962,976	702,939
Over 2 years but within 3 years past due	386,405	234,455	469,494	297,053
Over 3 years past due	23,666	42,856	322,414	194,912
	25,268,380	20,605,697	16,112,369	11,402,232

27. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision for bad and doubtful debts, is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 3 months	11,573,938	7,555,324	5,760,333	2,934,567
Over 3 months but within 6 months	1,700,780	1,964,951	489,812	1,026,330
Over 6 months but within 1 year	3,862,732	4,275,696	2,406,810	2,070,925
Over 1 year but within 2 years	4,159,038	3,711,018	3,392,726	2,726,685
Over 2 years but within 3 years	2,581,588	2,374,596	2,090,194	1,670,803
Over 3 years	1,390,304	724,112	1,972,494	972,922
	25,268,380	20,605,697	16,112,369	11,402,232

The movements in the provision for impairment of trade receivables are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January				
As previously reported	4,112,568	3,634,773	786,841	595,812
Business combinations under common control	-	107,672	-	-
As restated	4,112,568	3,742,445	786,841	595,812
Impairment losses recognised (note 6)	656,864	579,349	224,126	219,917
Acquisition of subsidiaries	3,382	14,769	-	-
Disposal of subsidiaries	(78,988)	(39,059)	-	-
Amount written off as uncollectible	(11,647)	(22,931)	-	-
Impairment losses reversed (note 6)	(332,443)	(168,225)	(232,890)	(28,888)
Others	(54)	6,220	-	-
	4,349,682	4,112,568	778,077	786,841

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27. TRADE RECEIVABLES (continued)

The above provisions for impairment of trade receivables of the Group and the Company are provisions for both individually and collectively impaired trade receivables with carrying amounts before provision of RMB9,507,627,000 (2012: RMB9,027,213,000) and RMB5,068,641,000 (2012:RMB3,870,010,000), respectively. These impaired trade receivables relate to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered.

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	17,364,574	11,935,756	11,146,031	7,090,418
Less than 3 months past due	1,888,091	2,105,160	380,539	793,554
3 to 6 months past due	726,778	1,072,162	295,235	418,827
Over 6 months past due	130,992	577,974	-	16,264
	20,110,435	15,691,052	11,821,805	8,319,063

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The amounts due from related parties included above are analysed as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
The ultimate holding company	75,563	79,499	-	-
Subsidiaries	-	-	483,808	231,349
Associates	47,999	49,271	-	-
SEC group companies	117,572	100,382	-	-
Other related companies	897,418	43,341	817,910	-
	1,138,552	272,493	1,301,718	231,349

The amounts due from related parties are on credit terms similar to those offered to the major customers of the Group.

28. DISCOUNTED BILLS RECEIVABLE

A maturity profile of the discounted bills receivable of the Group as at the reporting date is as follows:

	2013 RMB'000	2012 RMB'000
Within 3 months	494,693	608,997
Over 3 months but within 6 months	59,758	281,227
	554,451	890,224
Less: Provision for discounted bills receivable	(5,749)	(9,054)
	548,702	881,170

The movements in the provision for impairment of discounted bills receivable are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	9,054	9,123
Impairment losses reversed (note 6)	(3,305)	(69)
	5,749	9,054

Discounted bills receivable due from related parties are analysed as follows:

	2013 RMB'000	2012 RMB'000
Associates	14,890	12,800
SEC group companies	496,003	757,544
Other related companies	-	70,900
	510,893	841,244

The annual interest rates of discounting services provided to related parties ranged from 5.15% to 7.38% for the year ended 31 December 2013 (2012: 4.32% to 9.90%).

Notes to Financial Statements (continued)

31 December 2013

28. DISCOUNTED BILLS RECEIVABLE (continued)

Discounted bills receivable for bills issued by related parties to third parties are analysed as follows:

	2013 RMB'000	2012 RMB'000
Associates	5,931	2,400
SEC group companies	41,718	46,580
	47,649	48,980

Discounted bills receivable relate to discounting services provided by Finance Company. For those bills endorsed by banks, the banks have an irrevocable liability to effect payment when the bills fall due. With regard to commercial acceptance bills, all of them are with recourse to the issuers and endorsers.

29. BILLS RECEIVABLE

A maturity profile of the bills receivable as at the end of the reporting period is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 3 months	2,353,572	2,439,511	72,457	63,292
Over 3 months but within 6 months	2,104,585	2,587,013	145,276	888,757
Over 6 months but within 1 year	410,763	63,650	216,330	9,000
	4,868,920	5,090,174	434,063	961,049

Bills receivable due from related parties included above are analysed as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Subsidiaries	-	-	15,000	-
Associates	11,125	-	-	-
SEC group companies	135,672	130,514	-	71,657
	146,797	130,514	15,000	71,657

29. BILLS RECEIVABLE (continued)

The balances are unsecured, non-interest-bearing and repayable as and when the bills fall due.

Included in the balance of bills receivable as at 31 December 2013 was an amount of RMB553,250,000 (2012: RMB1,007,701,000) related to bills receivable discounted by the Group companies with Finance Company and an amount of RMB15,000,000 (2012: nil) related to bills receivable discounted by the Group companies with outside financial institutions (note 38). The balance was thus recorded as bills receivable in the Group's consolidated statement of financial position as at 31 December 2013.

As at 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") with a carrying amount of RMB549,315,000 to certain of its suppliers in order to settle the trade payables due to these suppliers (the "Endorsement") (the Company: nil). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to these Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. As at 31 December 2013, the aggregate carrying amount of the trade payables settled by the Endorsed Bills of the Group to which the suppliers have recourse was RMB549,315,000 (the Company: nil).

As at 31 December 2013, the Group and the Company endorsed certain bills receivable accepted by reputable banks in the PRC (the "Derecognized Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB1,180,897,000 and RMB1,377,094,000. The Derecognized Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills have a right of recourse against the Group and the Company if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group and the Company have transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group and the Company's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's and the Company's Continuing Involvement in the Derecognized Bills are not significant.

Notes to Financial Statements (continued)

31 December 2013

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Prepayments	**7,944,310**	7,645,732	**2,952,168**	3,173,411
Deposits and other receivables	**1,222,638**	1,259,866	**336,575**	477,716
Prepaid land lease payments (note 16)	**43,352**	37,812	**5,403**	5,403
Dividend receivables	**72,358**	34,004	**184,800**	234,587
Other current assets	**411,476**	29,051	**-**	-
Due from subsidiaries	**-**	-	**10,713,658**	11,416,077
Due from the ultimate holding company	**88,555**	7,215	**-**	-
Due from joint ventures	**-**	1	**-**	-
Due from associates	**139,185**	446,872	**96,097**	49,114
Due from SEC group companies	**158,839**	315,794	**73,490**	65,159
Due from other related companies	**773,436**	936,648	**-**	28,090
	10,854,149	10,712,995	**14,362,191**	15,449,557
Less: Provision for deposits and other receivables	**(47,041)**	(47,449)	**(850)**	(895)
	10,807,108	10,665,546	**14,361,341**	15,448,662

As at 31 December 2013, the Group's and the Company's balances with related parties included prepayments of RMB1,067,794,000 (2012: RMB1,583,725,000) and RMB10,254,619,000 (2012: RMB11,120,955,000), respectively. The remaining balances of RMB92,221,000 (2012: RMB122,805,000) and RMB628,626,000 (2012: RMB437,485,000) are non-trade in nature and are unsecured, non-interest-bearing and repayable on demand or within one year.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in the provision for impairment of deposits and other receivables are as follows:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January				
As previously reported	47,449	42,926	895	309
Business combinations under common control	-	1,267	-	-
As restated	47,449	44,193	895	309
Acquisition of subsidiaries	-	6,692	-	-
Impairment losses recognised (note 6)	2,409	3,924	-	586
Amount written off as uncollectible	(1,416)	-	-	-
Impairment losses reversed (note 6)	(1,401)	(5,048)	(45)	-
Disposal of subsidiaries	-	(2,312)	-	-
	47,041	47,449	850	895

The above provision for impairment of deposits and other receivables is a provision for the Group's and the Company's both individually and collectively impaired deposits and other receivables with carrying amounts of RMB65,756,000 (2012: RMB72,318,000), and RMB18,034,000 (2012: RMB16,660,000). These impaired deposits and other receivables relate to parties that were in default or delinquency in payments and only a portion of the deposits and other receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

Receivables of the Group and the Company that were not impaired, amounting to RMB1,249,103,000 (2012: RMB1,310,353,000) and RMB947,167,000 (2012: RMB898,541,000), respectively. These balances mainly relate to deposits, advances to employees and other operating receivables which are without a fixed due date. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as these balances are considered fully recoverable.

Notes to Financial Statements (continued)

31 December 2013

31. INVESTMENTS (CURRENT)

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Equity investments:				
- At fair value through profit or loss (listed)	251	145	-	-
- Available-for-sale (listed), at fair value	45,247	-	-	-
- Available-for-sale (unlisted), at fair value	88,973	-	90,059	-
	134,471	145	90,059	-
Debt investments:				
- At fair value through profit or loss (listed)	144,654	16,723	-	-
- Available-for-sale (unlisted), at fair value	291,783	-	-	-
- Held-to-maturity (unlisted), at amortised cost	11,403	-	-	-
	447,840	16,723	-	-
Investment funds:				
- At fair value through profit or loss (listed)	51,918	-	-	-
- Available-for-sale (unlisted), at fair value	2,340,821	3,088,678	-	-
	2,392,739	3,088,678	-	-
Investment products:				
- Available-for-sale, at fair value	659,498	-	-	-
Reverse repurchase agreements	2,589,780	-	-	-
	6,224,328	3,105,546	90,059	-

During the year, the increase in fair value in respect of the Group's current available-for-sale investments recognised in other comprehensive income amounted to RMB210,543,000 (2012: increase in fair value of RMB177,810,000). In addition, upon the disposal of certain current available-for-sale investments during the year, a cumulative gain of RMB119,519,000 (2012: a cumulative gain of RMB61,754,000) was transferred from equity and recognised in the consolidated statement of profit or loss.

There was no significant decline in the fair value of any of the above available-for-sale investments during the year. The directors consider that no impairment loss shall be recognised.

31. INVESTMENTS (CURRENT) (continued)

The movements in the provision for impairment of available-for-sale investments are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	-	85,304
Disposals		
- Equity investments	-	(14,977)
- Investment funds	-	(24,158)
- Investment products	-	(12,307)
- Designated investment management	-	(33,862)
	-	(85,304)
At 31 December	-	-

As at 31 December 2013, listed available-for-sale equity investments of RMB45,247,000 were restricted for trading over certain periods of less than one year (2012: nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

32. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2013		2012	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward currency contracts - cash flow hedges	69,108	(8,376)	94,565	(193,833)
Forward currency contracts - non-hedging	2,101	-	-	(200)
	71,209	(8,376)	94,565	(194,033)
Portion classified as non-current	20,625	-	4,460	(117,878)
Current portion	50,584	(8,376)	90,105	(76,155)

Notes to Financial Statements (continued)

31 December 2013

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Company

	2013		2012	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward currency contracts - cash flow hedges	69,108	(8,376)	94,565	(193,833)
Portion classified as non-current	20,625	-	4,460	(117,878)
Current portion	48,483	(8,376)	90,105	(75,955)

Forward currency contracts –– cash flow hedges

Forward currency contracts are designated as hedging instruments in respect of forecast future sales to overseas customers of which the Group and the Company has firm commitments. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

The terms of the forward currency contracts have been negotiated to match the expected future sales. The cash flow hedges relating to expected future monthly sales in 2014 and 2015 were assessed to be highly effective and a net gain of RMB120,000,000 (net of tax effect) was included in the hedging reserve as follows:

	2013 RMB'000	2012 RMB'000
Total fair value gains included in the hedging reserve	256,506	18,267
Deferred tax impact on fair value change	(64,126)	(4,567)
Reclassified from other comprehensive income and recognised in the statement of profit or loss	(96,506)	(115,382)
Deferred tax on reclassifications to profit or loss	24,126	28,846
Net gains/(losses) on cash flow hedges	120,000	(72,836)

Forward currency contracts –– non - hedging

In addition, the Group has entered into several forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedging purposes and are measured at fair value through profit or loss. Increases in the fair value of non-hedging financial derivatives amounting to RMB2,301,000 (2012: increases in the fair value of RMB1,569,000).

33. DUE FROM THE CENTRAL BANK, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash and bank balances	10,366,777	10,703,038	7,617,663	7,094,110
Time deposits	11,656,608	12,062,787	7,334,535	2,914,275
	22,023,385	22,765,825	14,952,198	10,008,385
Less: Restricted deposits	(614,629)	(624,122)	-	-
Cash and cash equivalents	21,408,756	22,141,703	14,952,198	10,008,385
Due from the Central Bank	4,087,577	2,580,698	-	-
Total	25,496,333	24,722,401	14,952,198	10,008,385

Pledged deposits, classified as restricted deposits, are analysed as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Pledged deposits secured for:				
Security deposits	614,629	624,122	-	-

The Group's and the Company's cash and bank balances and time deposits are denominated in RMB at the end of each reporting date, except for the following:

Group

	2013		2012	
	Foreign currency in'000	RMB equivalent RMB'000	Foreign currency in'000	RMB equivalent RMB'000
Cash and bank balances:				
United States dollars ("USD")	269,297	1,641,898	526,075	3,306,649
Euro ("EUR")	16,899	142,276	14,867	123,659
Japan yen ("JPY")	1,414,621	81,732	2,479,027	181,091
Great Britain pound("GBP")	253	2,544	859	8,732
Hong Kong dollars ("HKD")	35,785	28,129	8,015	6,500
Vietnam dong ("VND")	168,891,659	54,620	165,337,830	49,601
Bangladesh taka("BDT")	2,661	209	18,299	1,442
Indian rupee ("INR")	52,799	5,196	469,906	53,522
Indonesian rupiah ("IDR")	49,535,326	24,777	162,233,846	105,452
Ethiopian birr ("ETB")	7,371	2,335	26,219	8,973
Australian dollar ("AUD")	245	1,328	292	1,908
Singapore dollar ("SGD")	485	2,320	46	233
Saudi riyal ("SR")	561	912	-	-
Sudanese pound("SDP")	2	2	-	-
Sri Lanka rupee ("LKR")	75,929	3,540	-	-

Notes to Financial Statements (continued)

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33. DUE FROM THE CENTRAL BANK, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS (continued)

Group (continued)

	2013		2012	
	Foreign currency in'000	RMB equivalent RMB'000	Foreign currency in'000	RMB equivalent RMB'000
Time deposits:				
USD	150,500	917,583	52,501	329,989
AUD	1,300	7,056	1,016	6,646
JPY	2,600,000	150,205	670,501	48,979
HKD	20,235	16,083	20,054	16,260
INR	385,000	37,923	-	-

Company

	2013		2012	
	Foreign currency in'000	RMB equivalent RMB'000	Foreign currency in'000	RMB equivalent RMB'000
Cash and bank balances:				
USD	6,887	41,990	177,999	1,118,809
EUR	574	4,835	424	3,530
VND	134,695,770	44,285	119,835,836	40,618
BDT	2,661	209	18,299	1,442
INR	27,237	2,678	23,587	2,696
IDR	49,535,326	24,777	162,233,846	105,452
ETB	7,371	2,335	26,219	8,973
SR	561	912	-	-
Time deposits:				
USD	150,000	914,535	50,000	314,275

RMB is not freely convertible into other currencies. However, according to Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations in China, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The amount due from the Central Bank as at 31 December 2013 comprised deposits of RMB4,016,616,000 (2012: RMB2,546,272,000) and USD11,639,000 (equivalent to RMB70,961,000) (2012: USD5,477,000 equivalent to RMB34,426,000) with the People's Bank of China (the "Central Bank"), including a statutory reserve of 15% and 5% (2012: 15% and 5%) for RMB and foreign currency, respectively, on customer deposits held by Finance Company.

33. DUE FROM THE CENTRAL BANK, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the Company's year-end balance of cash and cash equivalents are cash and bank balances of RMB13,239,524,000 (2012: RMB8,665,801,000) which were deposited with Finance Company according to the prevailing market conditions.

34. TRADE PAYABLES

An aged analysis of the trade payables as at the end of reporting period, based on the invoice date, is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 3 months	14,915,112	12,752,683	9,213,989	8,292,432
Over 3 months but within 6 months	3,187,148	3,937,657	1,014,019	1,409,514
Over 6 months but within 1 year	3,067,758	2,974,824	3,261,201	2,866,402
Over 1 year but within 2 years	1,944,389	2,498,839	4,273,532	3,124,774
Over 2 years but within 3 years	1,503,348	1,465,551	3,380,025	3,107,469
Over 3 years	481,219	401,695	1,231,589	1,020,908
	25,098,974	24,031,249	22,374,355	19,821,499

The amounts due to related parties included above are analysed as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Subsidiaries	-	-	13,773,799	12,256,777
Joint ventures	77	365	-	-
Associates	432,692	377,811	53,146	119,830
SEC group companies	778,561	789,402	443,489	423,790
Other related companies	146,088	124,450	-	-
	1,357,418	1,292,028	14,270,434	12,800,397

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34. TRADE PAYABLES (continued)

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The amounts due to related parties are negotiated on credit terms similar to those offered by the major suppliers of the Group.

35. BILLS PAYABLE

An aged analysis of the Group's bills payable as at the end of the reporting period is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 3 months	1,663,068	840,862	920,463	771,364
Over 3 months but within 6 months	2,328,139	1,596,233	28,777	257,504
Over 6 months but within 1 year	153,266	19,712	-	-
	4,144,473	2,456,807	949,240	1,028,868

The amounts due to related parties included above are analysed as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Subsidiaries	-	-	528,541	1,008,992
Associates	100,258	24,857	-	-
SEC group companies	146,563	93,849	-	-
Other related companies	1,164	-	-	-
	247,985	118,706	528,541	1,008,992

Bills payable are non-interest-bearing.

36. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Advances from customers	31,755,865	27,612,318	15,346,301	13,092,821
Other payables	3,612,463	3,700,485	652,974	418,078
Government grants	449,950	510,538	53,654	30,743
Dividend payable to non-controlling shareholders	210,242	189,524	6,333	5,593
Accruals	4,466,004	3,887,262	119,984	14,014
Payroll payable	2,263,049	2,083,043	340,205	388,592
Due to subsidiaries	-	-	295,076	147,363
Due to the ultimate holding company	47,666	69,464	-	-
Due to associates	115,334	103,125	15	-
Due to SEC group companies	67,507	38,764	-	6,530
Due to other related companies	224,826	431,462	-	238,288
	43,212,906	38,625,985	16,814,542	14,342,022

The Group's and the Company's balances with related parties are unsecured, non-interest-bearing and repayable on demand or within one year.

Except for amounts due to related parties of RMB304,471,000 (2012: RMB247,903,000) and RMB121,053,000 (2012: RMB89,332,000) as at 31 December 2013 which are non-trade in nature, the Group's and the Company's balances with related parties as at 31 December 2013 all related to purchase deposits received by the Group and the Company. These trades' related balances are to be settled in accordance with the relevant trading terms. Other payables are non-interest-bearing and have an average term of no more than one year.

37. CUSTOMER DEPOSITS

Group

	2013 RMB'000	2012 RMB'000
Deposits from the ultimate holding company	147,609	139,513
Deposits from joint ventures	-	583
Deposits from associates	67,526	58,620
Deposits from SEC group companies	1,464,337	1,052,526
Deposits from other related companies	7	17
Deposits from non-related parties	82,925	43,150
	1,762,404	1,294,409

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37. CUSTOMER DEPOSITS (continued)

Group (continued)

	2013 RMB'000	2012 RMB'000
Repayable:		
On demand	1,406,704	989,659
Within 3 months	117,000	138,000
Over 3 months but within 1 year	238,700	166,750
	1,762,404	1,294,409

The annual interest rates of customer deposits provided to related parties range from 0.35% to 3.75% (2012: 0.35% to 2.80%).

38. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2013			2012		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Current bank loans						
- unsecured	3.10-6.60	2014	1,357,880	1.48-6.90	2013	1,218,444
- secured	5.70-6.60	2014	229,300	6.30-6.90	2013	110,000
- trade receivables factoring	4.70-6.44	2014	537,000	5.05-6.90	2013	490,000
- bills receivable discounted	8.00	2014	15,000	-	-	-
Current portion of long-term bank loans						
- unsecured	3 month LIBOR + 1.40	2014	731,628	-	-	-
- unsecured	1.70	2014	640,174	-	-	-
- unsecured	-	-	-	1 year LIBOR+2.20	2013	1,288,528
- unsecured	10% off Over-5-year base rate	2014	186,600	10% off Over-5-year base rate	2013	186,600
- unsecured	-	-	-	1-3-year base rate	2013	51,065
- unsecured	-	-	-	Over-5-year base rate	2013	41,665
- unsecured	10% off 1-to-3 year base rate	2014	18,945	-	-	-
- unsecured	2.55-6.23	2014	2,484	2.55-6.23	2013	14,799
- secured	3-to-5 year base rate	2014	35,000	-	-	-
- secured	-	-	-	7.50	2013	1,846
- trade receivables factoring	6.03	2014	10,501	6.10-6.15	2013	16,353
			3,764,512			3,419,300

38. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group (continued)

	2013			2012		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Non-current bank loans						
- unsecured	-	-	-	3 month LIBOR + 1.40	2014	754,260
- unsecured	-	-	-	1.70	2014	659,978
- unsecured	-	-	-	10% off over-5-year base rate	2014	136,600
- unsecured	-	-	-	Over-5-year base rate	2015	125,005
- unsecured	5.84	2016	90,080	-	-	-
- unsecured	5.53	2016	76,950	-	-	-
- unsecured	-	-	-	1-3-year base rate	2015	76,000
- unsecured	-	-	-	5% off 3-5-year base rate	2015	62,989
- unsecured	-	-	-	10% off over-5-year base rate	2015	50,000
- unsecured	6.23	2021	45,068	6.23	2021	48,555
- unsecured	2.55	2015	455	2.55	2015	909
- secured	-	-	-	3-5-year base rate	2014	95,000
- trade receivables factoring	6.03	2015	5,108	6.03-6.15	2015	19,289
			217,661			2,028,585
			3,982,173			5,447,885

	2013 RMB'000	2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	3,764,512	3,419,300
In the second year	5,563	1,645,838
In the third to fifth years, inclusive	167,030	334,192
Beyond five years	45,068	48,555
	3,982,173	5,447,885

Notes to Financial Statements (continued)

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38. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Group (continued)

All borrowings are denominated in RMB, except for the following bank loans:

	2013		2012	
	Foreign currency in'000	RMB equivalent RMB'000	Foreign currency in'000	RMB equivalent RMB'000
Foreign currency borrowing balances:				
USD	232,725	1,418,901	456,963	2,872,239
JPY	-	-	80,000	5,844

As at 31 December 2013, certain of the Group's bank loans are secured by mortgages over certain of the Group's buildings with a net carrying amount of approximately RMB426,952,000 (31 December 2012: building with net carrying amounts of RMB212,995,000 and land use rights with net carrying amounts of RMB20,784,000), respectively (notes 14 and 16).

As at 31 December 2013, accounts receivable with a net carrying amount of approximately RMB806,722,000 (31 December 2012: RMB584,215,000) were factored with recourse to obtain certain bank facilities of RMB537,000,000 (31 December 2012: RMB490,000,000) (note 27). In addition, lease receivables with a net carrying amount of approximately RMB18,033,000 (31 December 2012: RMB39,713,000) were factored with recourse to obtain certain bank facilities of RMB15,609,000 (31 December 2012: RMB35,642,000) (note 22).

As at 31 December 2013, bills receivable of an amount of approximately RMB15,000,000 (31 December 2012: nil) was discounted at an outside financial institution to obtain certain bank facilities of RMB15,000,000 (31 December 2012: nil) (note 29).

Company

	2013			2012		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Current Bank loans						
- unsecured	-	-	-	5.04-5.68	2013	1,390,000
Current portion of long-term bank loans						
-unsecured	2.55	2014	455	2.55	2013	455
			455			1,390,455
Non-current Bank loans						
- unsecured	2.55	2015	455	2.55	2015	909
			910			1,391,364

38. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Company (continued)

	2013 RMB'000	2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	455	1,390,455
In the second to fifth years, inclusive	455	909
	910	1,391,364

As at 31 December 2013, no bank loan was borrowed from Finance Company (2012: RMB1,390,000,000).

The carrying amounts of the Group's and the Company's current interest-bearing bank and other borrowings approximate to their fair values. The carrying amounts and fair values of the Group's and the Company's non-current interest-bearing bank and other borrowings are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Floating rate bank loans	-	1,959,832	-	1,958,529
Fixed rate bank loans	217,661	68,753	211,587	67,954
	217,661	2,028,585	211,587	2,026,483

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Fixed rate bank loans	455	909	421	828

Notes to Financial Statements (continued)

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39. PROVISIONS

Group

	Product warranty RMB'000	Onerous contracts RMB'000	Early retirement benefits and staff severance costs RMB'000	Late delivery RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	757,682	1,740,591	59,173	72,000	22,854	2,652,300
Additional provisions (note 6)	591,865	1,279,023	131,436	-	288,930	2,291,254
Reversal during the year (note 6)	(40,685)	(592,572)	-	(23,000)	-	(656,257)
Amounts utilised during the year	(376,458)	(530,960)	(84,071)	-	(23,600)	(1,015,089)
At 31 December 2013	932,404	1,896,082	106,538	49,000	288,184	3,272,208
Portion classified as current portion	932,404	1,896,082	83,292	49,000	288,184	3,248,962
Non-current portion	-	-	23,246	-	-	23,246

Company

	Product warranty RMB'000	Onerous contracts RMB'000	Late delivery RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	13,739	158,633	2,000	8,737	183,109
Additional provisions	13,697	181,254	-	1,377	196,328
Reversal during the year	-	(10,826)	-	-	(10,826)
Amounts utilised during the year	-	(17,693)	-	(4,493)	(22,186)
At 31 December 2013	27,436	311,368	2,000	5,621	346,425
Portion classified as current portion	27,436	311,368	2,000	5,621	346,425

39. PROVISIONS (continued)

Product warranty provision

The Group provides warranties ranging from one to two years to its customers on certain products and undertakes to repair or replace items that fail to perform satisfactorily. The amount of the provision for warranties is estimated based on the sales volume and past experience on the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Onerous contracts provision

The Group has entered into several contracts in respect of the sale of power equipment and nuclear power equipment. Under these contracts, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received as at 31 December 2013. Provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts.

Early retirement benefits and staff severance costs

The Group implemented plans for early retirement, termination of employment or offer to encourage voluntary redundancy for certain employees. Please refer to note 6 (ii) for details.

Late delivery

The Group has entered into several contracts in respect of the sale of power equipment in which the Group has committed to contractual obligations for late delivery. Provision has been made for late delivery based on the contract terms to the extent that it is more likely than not that an outflow of resources will be required.

As at 31 December 2013, certain provisions made for the following lawsuits are included in the balances:

(1) The Company and PT Merak Energi Indonesia ("Indonesia Company") entered into a power station construction contract ("Engineering Contract") in Indonesia with a total contract value of USD108,000,000 and relevant performance guarantee of USD13,500,000. In 2009, the Indonesia Company unilaterally terminated the Engineering Contract and enforced the guarantee letter for advance payment and performance guarantee amounting to USD10,800,000 and USD13,500,000, respectively, in 2010. Both parties had appealed for arbitration in Singapore. As at 31 December 2013, the Company accrued the onerous contract provision after taking the arbitration progress and best estimations of possible liabilities related to this dispute into consideration.

On 14 January 2014, the Company received a partial award from SIAC. The counter-claims lodged by the Company against the Indonesia Company based on certain terms of the Engineering Contract were dismissed and the Indonesia Company could claim for its loss against the Company according to the common law. The amount of the loss will be determined in a separate phase of arbitration (quantitative trial stage). The directors of the Company are of the opinion that the provision accrued on 31 December 2013 has reflected the current arbitration result appropriately and no further provision is deemed necessary. At the same time, the Company disagreed with the verdict and is considering to pursue an appellate proceeding.

(2) The Company received the verdict for the lawsuit by Longyuan Construction Group Co., Ltd ("LCGC") against Shanghai Electric Lingang Heavy Machinery Equipment Co., Ltd ("SELHMEC") and the Company (as first and second defendant respectively) this year. According to the verdict, the Group shall pay LCGC the construction project fees of an aggregate of RMB195,170,000 and the interests on overdue payments (calculated according to the bank's lending rate over the same period). As at 31 December 2013, the Group accrued the provision accordingly. In January 2014, the Group made an appellate proceeding, which has been accepted by the court.

Notes to Financial Statements (continued)

31 December 2013

40. BONDS

The Company was approved by the China Securities Regulatory Commission (Zheng Jian Xu Ke [2012]1703) on 24 December 2012 to issue corporate bonds with an aggregate nominal value of up to RMB4 billion by public offer. The corporate bonds would be issued to public investors online and to institutional investors by inquiry placement offline in tranches, where the nominal value of the first tranche was RMB2 billion.

On 27 February 2013, the Company issued three-year fixed rate bonds with an offering size of RMB400 million and coupon rate of 4.50% and five-year fixed rate bonds with an offering size of RMB1,600 million and coupon rate of 4.90%, as the first tranche. The Bonds were issued at par value and the interest is settled on an annual basis with the principal payable in full when due. No guarantee was provided for the bonds. The maturity dates of the Bonds are 27 February 2016 and 27 February 2018, respectively. The balance was listed in Bonds on the statement of financial position at 31 December 2013.

41. OTHER NON-CURRENT LIABILITIES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Relocation compensation	478,595	337,098	-	-
Defined benefit obligations	34,369	296,291	-	-
Finance lease deposits	187,270	180,862	-	-
Non-interest-bearing loans	136,258	136,258	-	-
R&D subsidies	43,831	47,056	14,710	17,355
Others	99,573	85,026	-	-
Due to SEC group companies	750	86	-	-
Due to associates	12,280	27,207	-	-
	992,926	1,109,884	14,710	17,355

Defined benefit plan

The Group operates several defined benefit plan for part of its employees abroad. The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. This review includes the asset-liability matching strategy and investment risk management policy. The trustees decide the contribution based on the results of the annual review. The investment portfolio targets a mix of debt instruments and investment.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and debt market risk.

41. OTHER NON-CURRENT LIABILITIES (continued)

Defined benefit plan (continued)

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2013 by Mercer, using the projected unit credit actuarial valuation method.

Future cash flow information of the defined benefit obligations is as follows:

	2013 RMB'000
Year ended 31 December 2014	2,443
Year ended 31 December 2015	1,347
Year ended 31 December 2016	1,745
Year ended 31 December 2017	1,826
Year ended 31 December 2018 and thereafter	107,981
	115,342

The average duration of the defined benefit obligation at the end of the reporting period is 14.75 years.

42. SHARE CAPITAL

Shares

	2013 RMB'000	2012 RMB'000
Registered, issued and fully paid:		
A shares of RMB1.00 each	9,850,715	9,850,715
H shares of RMB1.00 each	2,972,912	2,972,912
Total	12,823,627	12,823,627

A summary of the transactions during the year with reference to the movements in the Company's issued capital and share premium account is as follows:

	Number of shares in issue '000	Issued capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	12,823,627	12,823,627	3,606,286	16,429,913

Notes to Financial Statements (continued)

31 December 2013

43. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve of the Group includes the share premium and the non-distributable reserves of the Company and its subsidiaries recognised in accordance with the accounting and financial regulations of the PRC.

Contributed surplus

The Group's contributed surplus represents the excess of (i) the Company's cost of investments in the net assets of subsidiaries and an associate acquired from SE Corporation as part of the Group reorganisation over (ii) the aggregate amount of the paid-up capital of these subsidiaries attributable to the Group and the carrying value of the Group's investment in the associate upon the establishment of the Company.

Surplus reserves

In accordance with the PRC Company Law and the Group companies' articles of association, the Company and its subsidiaries are required to transfer a certain percentage of their net profits after tax to the surplus reserves, comprising the statutory surplus reserve and discretionary surplus reserve. Subject to certain restrictions set out in the relevant PRC regulations and in the Group companies' articles of association, the statutory surplus reserve may be used either to offset losses, or to be converted to share capital, and the discretionary surplus reserve is set aside to cover losses. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

Distributable reserves

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, amounted to RMB7,482,871,000 (2012: RMB5,323,804,000), out of which a dividend totalling RMB957,284,000 for the year has been proposed on 28 March 2014 (note 12).

The amount for which the Company can legally distribute by way of a dividend is determined based on the lower of the retained profits determined in accordance with generally accepted accounting principles in the PRC and those under HKFRSs.

43. RESERVES (continued)

(b) Company

	Note	Capital reserve RMB'000	Surplus reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012		3,492,552	927,642	3,205,029	7,625,223
Total comprehensive income for the year		(12,834)	-	2,780,384	2,767,550
Appropriation of statutory surplus reserves		-	267,700	(267,700)	-
Proposed 2012 final dividend	12	-	-	(816,865)	(816,865)
Others		10,172	-	-	10,172
At 31 December 2012 and 1 January 2013		3,489,890	1,195,342	4,900,848	9,586,080
Total comprehensive income for the year		55,811	-	3,296,085	3,351,896
Appropriation of statutory surplus reserves		-	330,659	(330,659)	-
Proposed 2013 final dividend	12	-	-	(957,284)	(957,284)
As at 31 December 2013		3,545,701	1,526,001	6,908,990	11,980,692

The capital reserve account balance as at 31 December 2013 included the Company's share premium of RMB3,606,286,000 (2012: RMB3,606,286,000) (note 42).

44. BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL

Acquisitions of subsidiaries

In July 2013, the Group acquired a 51% equity interest in Nabtesco Motion Machinery (Shanghai) Co., Ltd ("Nabtesco Motion") for a cash consideration of JPY262,110,000 (equivalent to RMB19,147,000). Nabtesco Motion is mainly engaged in production of motion transmitting machinery, parts and gear reducers. The consideration for the acquisition was paid in July 2013.

Notes to Financial Statements (continued)

31 December 2013

44. BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (continued)

Acquisitions of subsidiaries (continued)

In September 2013, the Group acquired additional 50% equity interest in Shanghai Neles Jamesbury Valve Co., Ltd. ("Shanghai Neles"), which used to be a joint venture, for a cash consideration of RMB67,806,000. Shanghai Neles is mainly engaged in design and production of valves and drive equipment. The consideration for the acquisition was paid in September 2013.

The fair values of the identifiable assets and liabilities of the companies as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	14	55,933
Prepaid land lease payments (Including current portion)	16	55,697
Other intangible assets	18	547
Deferred tax assets	24	1,411
Inventories		84,249
Bill receivable		1,406
Trade receivables		144,189
Prepayments, deposits and other receivables		4,882
Restricted deposits		2,372
Cash and cash equivalents		87,835
Trade payables		(108,004)
Other payables and accruals		(35,434)
Interest-bearing bank and other borrowings		(64,500)
Tax payable		(128)
Deferred tax liabilities	24	(6,879)
Total identifiable net assets at fair value		223,576
Non-controlling interests		(20,655)
Gains on bargain purchases recognised in other income and gains in the consolidated statement of profit or loss	5	(25,256)
		177,665
Satisfied by:		
Cash		86,953
Investment in a joint venture		90,712
		177,665

44. BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (continued)

Acquisitions (continued)

An analysis of the cash flows in respect of the acquisitions of the companies is as follows:

	RMB'000
Cash consideration	(86,953)
Cash paid on behalf of subsidiaries	(10,194)
Cash and bank balances acquired	90,207
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(6,940)

Since the acquisition, the newly acquired subsidiaries contributed RMB76,770,000 to the Group's turnover and RMB2,789,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB79,036,992,000 and RMB4,216,205,000, respectively.

After-sale Business

In August 2013, the Group acquired an after-sale service business ("After-sale Business") of Goss International France S.A.S ("Goss France", please refer to note 45 for details) from a reorganisation committee (the "Reorganisation Committee") for a cash consideration of EUR4,900,000. The After-sale Business included tangible and intangible assets, inventories, trade receivables, and staff obligations in relation to part of the sales, service support and engineering activities. The consideration for the acquisition was paid in August 2013.

The fair values of the identifiable assets and liabilities of the After-sale Businessas at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	14	3,300
Other intangible assets	18	15,678
Inventories		50,494
Trade receivables		32,728
Other payables and accruals		(19,464)
Other non-current liabilities		(15,398)
Total identifiable net assets at fair value		67,338
Gain on bargain purchases recognised in other income and gains in the consolidated statement of profit or loss	5	(26,905)
Satisfied by:		
Cash		40,433

Notes to Financial Statements (continued)

31 December 2013

44. BUSINESS COMBINATIONS NOT UNDER COMMON CONTROL (continued)

After-sale Business (continued)

An analysis of the cash flows in respect of the acquisitions of the After-sale Business is as follows:

	RMB'000
Cash consideration	(40,433)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(40,433)

Since the acquisition, the After-sale Business contributed RMB43,140,000 to the Group's turnover and RMB42,547,000 to the consolidated loss for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB78,794,522,000 and RMB4,210,115,000 respectively.

45. DISPOSAL OF SUBSIDIARIES

Goss France

In April 2013, a commercial court in France announced that Goss France, a subsidiary of the Group, entered into the legal reorganisation procedure, and assigned the Reorganisation Committee taking over Goss France. The Reorganisation Committee was independent with the Group and the Group lost the control over Goss France. As a result, the Group deconsolidated Goss France since the date of losing control.

45. DISPOSAL OF SUBSIDIARIES (continued)

Goss France (continued)

The carrying amounts of the assets and liabilities of Goss France as at the date of the disposal were as follows:

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment	14	170,728
Other intangible assets	18	884
Deferred tax assets	24	37,587
Inventories		233,618
Trade receivables		122,512
Bills receivable		506
Prepayments, deposits and other receivables		66,613
Cash and cash equivalents		32,081
Trade payables		(78,687)
Other payables and accruals		(494,894)
Deferred tax liabilities	24	(47,430)
Other non-current liabilities		(51,324)
Unrecognised net liability arising from disposal		(7,806)
Effect of changes in exchange fluctuation reserve		(61,578)
Write-off of intra-group receivables from Goss France		200,994
		131,610
Loss on disposal of a subsidiary	5	(131,610)
		-

The Group incurred transaction costs of RMB29,829,000 for this liquidation. These transaction costs have been expensed and are included in losses on disposal of subsidiaries in the consolidated statement of profit or loss.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Goss France is as follows:

	RMB'000
Cash and cash equivalents disposed of	(32,081)
Transaction costs of the disposal	(29,829)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(61,910)

Notes to Financial Statements (continued)

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45. DISPOSAL OF SUBSIDIARIES (continued)

Japan Ikegai Corporation

In September 2013, the Company transferred the control right over Japan Ikegai Corporation ("Ikegai") to Fair Friend Group, who entered into the agreement with the Company to acquire certain equity interests in Ikegai subsequently. As a result, the Group deconsolidated Ikegai since the date of losing control.

The carrying amounts of the assets and liabilities of Ikegai as at the date of the disposal were as follows:

	Note	RMB'000
Net assets disposed of:		
Property, plant and equipment	14	70,757
Prepaid land lease payments (including current portion)	16	50,234
Other intangible assets	18	686
Other investment		7,939
Deferred tax assets	24	602
Other non-current assets		556
Inventories		89,319
Trade receivables		33,146
Bills receivable		19,092
Prepayments, deposits and other receivables		7,105
Cash and cash equivalents		135,615
Interest-bearing bank and other borrowings		(5,023)
Trade payables		(24,533)
Other payables and accruals		(68,441)
Tax payable		(1,062)
Provision		(27,324)
Deferred tax liabilities	24	(3,806)
Non-controlling interests		(99,702)
		185,160
Loss on disposal of a subsidiary	5	(96,187)
		88,973
Satisfied by:		
Investments - Available-for-sale equity investment		88,973

45. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash and cash equivalents disposed of	(135,615)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(135,615)

46. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Guarantees given to banks in connection with facilities granted to:				
- Subsidiaries	-	-	1,859,970	889,970
- Associates	90,234*	93,025*	-	-
	90,234	93,025	1,859,970	889,970
Guarantees given to banks in connection with facilities utilised by:				
- Subsidiaries	-	-	1,516,917	562,656
- Associates	90,234	93,025	-	-
	90,234	93,025	1,516,917	562,656
Non-financial guarantee letters issued by Finance Company on behalf of:				
- Associates	6,174	15,028	-	-

* The above guarantees include one guarantee denominated in USD with a guarantee facility of USD14,800,000 (2012: USD14,800,000), out of which USD14,800,000 (2012: USD14,800,000) has been utilised. The guarantee is for a period from 30 September 2011 to 30 September 2014 (2012: 30 September 2011 to 30 September 2014).

(b) As of 31 December 2013, non-financial guarantees issued by financial institutions for contracts awarded to the Group amounted to RMB23,170,416,000 (2012: RMB22,676,957,000).

Notes to Financial Statements (continued)

31 December 2013

46. CONTINGENT LIABILITIES (continued)

(c) As of 31 December 2013, contingent liabilities amounted to RMB17,850,000 relating to pending lawsuits and arbitration (2012: RMB307,206,000).

47. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its properties and plant and machinery under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 20 years and those for plant and machinery are negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2013, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within one year	70,599	66,228	7,715	29,082
In the second to fifth years, inclusive	144,800	177,546	-	3,500
After five years	88,252	116,374	-	-
	303,651	360,148	7,715	32,582

(b) As lessee

The Group leases certain properties, plant and machinery and motor vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 50 years, while those for plant and machinery are for terms ranging from 1 to 20 years and those for motor vehicles are for a term of one year.

As at 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within one year	108,183	65,182	8,702	669
In the second to fifth years, inclusive	234,037	133,500	3,620	-
After five years	104,915	111,206	-	-
	447,135	309,888	12,322	669

48. COMMITMENTS

In addition to the operating lease commitments detailed in note 47(b) above, the Group and the Company had the following capital commitments at the end of reporting period:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:				
In respect of the acquisition of				
- Land and buildings	112,678	106,818	-	-
- Plant and machinery	806,806	725,521	-	-
- Intangible assets	82,505	118,901	-	-
In respect of capital contribution to				
- Subsidiaries	-	-	165,885	615,999
- Associate	185,492	177,538	185,492	177,538
	1,187,481	1,128,778	351,377	793,537
Authorised, but not contracted for:				
In respect of the acquisition of				
- Land and buildings	1,293	-	-	-
- Plant and machinery	366,332	48,828	-	-
	367,625	48,828	-	-
	1,555,106	1,177,606	351,377	793,537

Notes to Financial Statements (continued)

31 December 2013

49. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of SE Corporation, which is a state-owned enterprise subject to the control of the State Council of the PRC Government. The State Council of the PRC Government directly and indirectly controls a significant number of entities through its government authorities and other state-owned entities.

(1) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	2013 RMB'000	2012 RMB'000
Purchase of materials from:	(i)		
The ultimate holding company		-	5
Associates		3,396,800	2,313,127
Joint ventures		-	1,955
SEC group companies		831,167	1,253,535
Other related companies		2,104,140	1,528,559
		6,332,107	5,097,181
Sale of goods to:	(i)		
The ultimate holding company		16,653	1,748
Associates		278,425	678,220
SEC group companies		268,197	312,841
Other related companies		346,760	365,427
		910,035	1,358,236
Construction contracts from:	(i)		
Other related companies		2,727,023	488,943
Sale of scrap and spare parts to:	(i)		
Associates		13,583	10,328
Purchases of services from:	(i)		
The ultimate holding company		-	2
Associates		55	-
SEC group companies		37,199	52,253
Other related companies		78,292	103,445
		115,546	155,700

49. RELATED PARTY TRANSACTIONS (continued)

(1) (continued)

	Note	2013 RMB'000	2012 RMB'000
Provision of services to:	(i)		
The ultimate holding company		4,200	2,607
Associates		53,456	60,888
SEC group companies		21,995	3,666
Other related companies		1,024	-
		80,675	67,161
Purchases of equipment from:	(i)		
Associates		367	-
SEC group companies		-	10,289
Other related companies		55,610	113
		55,977	10,402
Disposal of property, plant and equipment to:	(i)		
Associates		-	27,029
Disposal of other intangible assets to:	(i)		
Associates		-	68,789
Rental income from:	(ii)		
Associates		19,596	15,931
SEC group companies		-	100
		19,596	16,031
Rental fee to:	(ii)		
The ultimate holding company		18,954	28,087
SEC group companies		4,040	7,031
		22,994	35,118

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.

Notes to Financial Statements (continued)

31 December 2013

49. RELATED PARTY TRANSACTIONS (continued)

(1) (continued)

During the year ended 31 December 2013, the Group effected the following non-recurring transactions:

The Company and SE Corporation entered into entrusted agreements in year 2007, according to which the Company entrusted SE Corporation to negotiate with Vietnam Quang Ninh Thermal Power Joint-Stock Company ("Vietnam Quang Ninh") and respective suppliers as well as constructors regarding the construction of Phase I and Phase II of a coal-fired power plant (the "Project"). SE Corporation acted as an entrusted party to sign the contracts on behalf of the Company. SE Corporation would not charge any fee in relation to the entrusted agreements apart from a reimbursement of reasonable costs actually incurred. The aggregate amount of the agreements was USD889,786,000.

Sales regarding the Project of RMB671,554,000 (2012: RMB1,203,925,000) were recognised during the year. In addition, purchases of RMB12,232,000 (2012: RMB14,918,000) and an agent fee of RMB16,470,000 (2012: RMB19,802,000) were incurred through SE Corporation during the year.

SMEI acquired 100% equity of Goss International Corporation ("Goss International") from SE Corporation in 2012. SE Corporation promised the profit forecast of Goss International for each of three years ending 31 December 2014 and guaranteed the compensation accordingly. As the performance result of Goss International in 2013 did not meet the promised forecast, SE Corporation is in the position to pay SMEI a cash compensation amounting to RMB82,780,000. The Group has recorded this compensation as receivables from SE Corporation and the reserves.

In 2013, Shanghai Electric Power Generation Equipment Co., Ltd ("PGE"), a subsidiary of the Group, and Siemens Ltd. China ("Siemens China"), a non-controlling shareholder of PGE, entered into compensation, pursuant to which Siemens China would make compensation to PGE given the actual purchase is lower than the promised amount. According to the agreement, Siemens China is liable for a cash compensation of RMB73,180,000 to PGE.

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

As at 31 December 2013, SE Corporation entered into financial guarantee letter agreements with Industrial and Commercial Bank of China, Bund Branch and China Construction Bank, Shanghai Branch, respectively. With those agreements, Goss International borrowed long-term loans of USD120,000,000 from Industrial and Commercial Bank of China New York Branch and USD105,000,000 from China Construction Bank Hong Kong Branch (31 December 2012: USD225,000,000). In addition, SE Corporation has provided corporate guarantee to Goss International in connection with its long-term loan of USD205,000,000 from China Development Bank as at 31 December 2012. The loan was repaid in the first quarter of 2013 and the guarantee was released accordingly.

As at 31 December 2013, the Group has provided corporate guarantees in connection with facilities totalling USD14,800,000 (31 December 2012: USD14,800,000) to related parties, out of which USD14,800,000 (31 December 2012: USD14,800,000) has been utilised; and Finance Company has issued non-financial guarantee letters on behalf of related parties totalling RMB6,174,000 (31 December 2012: RMB15,028,000).

49. RELATED PARTY TRANSACTIONS (continued)

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

	2013 RMB'000	2012 RMB'000
Interest expenses for customer deposits:		
The ultimate holding company	1,702	3,388
Associates	702	2,270
Joint ventures	-	23
SEC group companies	14,461	19,218
Other related companies	-	2
	16,865	24,901
Interest income for loans and bills discounting:		
The ultimate holding company	59,368	28,287
Associates	5,170	2,589
Joint ventures	-	2,293
SEC group companies	65,323	103,960
Other related companies	981	3,253
	130,842	140,382

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

(4) Balances due from/to related parties

The balances due from/to related parties mainly resulted from loans, trading transactions, customer deposits, discounted bills receivable and miscellaneous amounts reimbursable by/to the related parties. Further details are set out in notes 22, 27, 28, 29, 30, 34, 35, 36, 37 and 41 to the financial statements, respectively.

(5) Transactions and balances with other state-owned entities

The Group enters into extensive transactions covering purchases of materials, property, plant and equipment, receiving of services, sale of goods, rendering of services and making deposits and borrowings with state-owned entities, other than the SEC group companies, in the normal course of business at terms comparable to those with other non-state-owned entities.

Notes to Financial Statements (continued)

31 December 2013

49. RELATED PARTY TRANSACTIONS (continued)

(6) Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Fees	750	750
Salaries, bonuses and allowances received from the Group	8,075	6,047
Pension scheme contributed by the Group	324	268
Other social benefit schemes contributed by the Group	302	252
	9,451	7,317

Further details of directors' and supervisors' emoluments are included in note 8 to the financial statements.

In addition to the related party transactions with SE Corporation and SEC group companies disclosed above and elsewhere in these financial statements, the following related party transactions, which have been disclosed and included in the total sum of transactions with other related companies in the above table, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules:

	2013 RMB'000	2012 RMB'000
Purchases of equipment, components and technology from an associate:		
Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co., Ltd.	2,608,051	1,694,674
Purchases of equipment, components and technology from other related companies:		
Joint ventures and associates of SEC group	159,009	158,855
Siemens Aktiengesellschaft	1,652,735	1,228,558
Sales of goods to an associate:		
Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co., Ltd.	35,770	18,088
Sales of goods to other related companies:		
Siemens Aktiengesellschaft	245,129	356,787
Purchases of services from other related companies:		
Joint ventures and associates of SEC group	-	1,475

50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Financial assets

Group

	2013					
	Financial assets at fair value through profit or loss RMB'000	Derivative financial instruments designated as hedging instruments RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Loans receivable	-	-	-	4,330,190	-	4,330,190
Lease receivables	-	-	-	3,521,759	-	3,521,759
Equity investments	251	-	-	-	719,443	719,694
Debt investments	144,654	-	11,403	-	675,916	831,973
Investment products	-	-	-	-	659,498	659,498
Reverse repurchase agreements	-	-	-	2,589,780	-	2,589,780
Trade receivables	-	-	-	25,268,380	-	25,268,380
Discounted bills receivable	-	-	-	548,702	-	548,702
Bills receivable	-	-	-	4,868,920	-	4,868,920
Financial assets included in prepayments, deposits and other receivables	-	-	-	1,434,665	-	1,434,665
Investment funds	51,918	-	-	-	2,340,821	2,392,739
Derivative financial instruments	2,101	69,108	-	-	-	71,209
Due from the Central Bank	-	-	-	4,087,577	-	4,087,577
Restricted deposits	-	-	-	614,629	-	614,629
Cash and cash equivalents	-	-	-	21,408,756	-	21,408,756
	198,924	69,108	11,403	68,673,358	4,395,678	73,348,471

Notes to Financial Statements (continued)

31 December 2013

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

Group

	2013			
	Financial liabilities at fair value through profit or loss RMB'000	Derivative financial instruments designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	-	25,098,974	25,098,974
Bills payable	-	-	4,144,473	4,144,473
Financial liabilities included in other payables and accruals	-	-	4,366,032	4,366,032
Customer deposits	-	-	1,762,404	1,762,404
Interest-bearing bank and other borrowings	-	-	3,982,173	3,982,173
Financial liabilities included in other non-current liabilities	-	-	353,239	353,239
Bonds	-	-	1,990,910	1,990,910
Derivative financial instruments	-	8,376	-	8,376
	-	8,376	41,698,205	41,706,581

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

Group

	2012					
	Financial assets at fair value through profit or loss RMB'000	Derivative financial instruments designated as hedging instruments RMB'000	Held-to-maturity investments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Loans receivable	-	-	-	1,514,884	-	1,514,884
Lease receivables	-	-	-	2,424,869	-	2,424,869
Equity investments	145	-	-	-	644,646	644,791
Debt investments	16,723	-	10,860	-	385,878	413,461
Trust product	-	-	-	-	376,451	376,451
Trade receivables	-	-	-	20,605,697	-	20,605,697
Discounted bills receivable	-	-	-	881,170	-	881,170
Bills receivable	-	-	-	5,090,174	-	5,090,174
Financial assets included in prepayments, deposits and other receivables	-	-	-	1,387,650	-	1,387,650
Investment funds	-	-	-	-	3,088,678	3,088,678
Derivative financial instruments	-	94,565	-	-	-	94,565
Due from the Central Bank	-	-	-	2,580,698	-	2,580,698
Restricted deposits	-	-	-	624,122	-	624,122
Cash and cash equivalents	-	-	-	22,141,703	-	22,141,703
	16,868	94,565	10,860	57,250,967	4,495,653	61,868,913

Notes to Financial Statements (continued)

31 December 2013

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

Group

	2012			
	Financial liabilities at fair value through profit or loss RMB'000	Derivative financial instruments designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	-	24,031,249	24,031,249
Bills payable	-	-	2,456,807	2,456,807
Financial liabilities included in other payables and accruals	-	-	4,255,372	4,255,372
Customer deposits	-	-	1,294,409	1,294,409
Interest-bearing bank and other borrowings	-	-	5,447,885	5,447,885
Financial liabilities included in other non-current liabilities	-	-	359,962	359,962
Derivative financial instruments	200	193,833	-	194,033
	200	193,833	37,845,684	38,039,717

Financial assets

Company

	2013				
	Financial assets at fair value through profit or loss RMB'000	Derivative financial instruments designated as hedging instruments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Loans receivable	-	-	2,245,000	-	2,245,000
Equity investments	-	-	-	476,015	476,015
Trade receivables	-	-	16,112,369	-	16,112,369
Bills receivable	-	-	434,063	-	434,063
Financial assets included in prepayments, deposits and other receivables	-	-	839,749	-	839,749
Derivative financial instruments	-	69,108	-	-	69,108
Cash and cash equivalents	-	-	14,952,198	-	14,952,198
	-	69,108	34,583,379	476,015	35,128,502

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

Company

	2013		
	Derivative financial instruments designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	22,374,355	22,374,355
Bills payable	-	949,240	949,240
Financial liabilities included in other payables and accruals	-	694,798	694,798
Interest-bearing bank and other borrowings	-	910	910
Bonds	-	1,990,910	1,990,910
Derivative financial instruments	8,376	-	8,376
	8,376	26,010,213	26,018,589

Financial assets

Company

	2012				
	Financial assets at fair value through profit or loss RMB'000	Derivative financial instruments designated as hedging instruments RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Loans receivable	-	-	1,095,000	-	1,095,000
Equity investments	-	-	-	492,144	492,144
Trust product	-	-	-	376,451	376,451
Trade receivables	-	-	11,402,232	-	11,402,232
Bills receivable	-	-	961,049	-	961,049
Financial assets included in prepayments, deposits and other receivables	-	-	1,148,893	-	1,148,893
Derivative financial instruments	-	94,565	-	-	94,565
Cash and cash equivalents	-	-	10,008,385	-	10,008,385
	-	94,565	24,615,559	868,595	25,578,719

Notes to Financial Statements (continued)

31 December 2013

50. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

Company

	2012		
	Derivative financial instruments designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	19,821,499	19,821,499
Bills payable	-	1,028,868	1,028,868
Financial liabilities included in other payables and accruals	-	553,153	553,153
Interest-bearing bank and other borrowings	-	1,391,364	1,391,364
Derivative financial instruments	193,833	-	193,833
	193,833	22,794,884	22,988,717

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities				
Non-current portion of interest-bearing bank and other borrowings	217,661	2,028,585	211,587	2,026,483
Bonds	1,990,910	-	2,000,000	-
	2,208,571	2,028,585	2,211,587	2,026,483

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities				
Non-current portion of interest-bearing bank and other borrowings	455	909	421	828
Bonds	1,990,910	-	2,000,000	-
	1,991,365	909	2,000,421	828

Management has assessed that the fair values of financial instruments included in current assets and liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee regularly.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of loans and lease receivables, financial assets included in other non-current assets and liabilities, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments and bonds are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted available-for-sale equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Notes to Financial Statements (continued)

31 December 2013

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, are measured using valuation techniques similar to a forward pricing model, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

As at 31 December 2013, the marked to market value of the derivative asset position was net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	556,124	134,220	-	690,344
Debt investments	-	675,916	-	675,916
Investment funds	2,340,821	-	-	2,340,821
Investment products	-	659,498	-	659,498
Investments at fair value through profit or loss:				
Equity investments	251	-	-	251
Debt investments	144,654	-	-	144,654
Investment funds	51,918	-	-	51,918
Derivative financial instruments	-	71,209	-	71,209
	3,093,768	1,540,843	-	4,634,611

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued) :

Group (continued)

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	142,032	472,800	-	614,832
Debt investments	-	385,878	-	385,878
Investment funds	3,088,678	-	-	3,088,678
Trust product	-	376,451	-	376,451
Investments at fair value through profit or loss:				
Equity investments	145	-	-	145
Debt investments	16,723	-	-	16,723
Derivative financial instruments	-	94,565	-	94,565
	3,247,578	1,329,694	-	4,577,272

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	373,031	90,059	-	463,090
Derivative financial instruments	-	69,108	-	69,108
	373,031	159,167	-	532,198

Notes to Financial Statements (continued)

31 December 2013

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued) :

Company (continued)

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	6,419	472,800	-	479,219
Trust product	-	376,451	-	376,451
Derivative financial instruments	-	94,565	-	94,565
	6,419	943,816	-	950,235

Liabilities measured at fair values:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	-	8,376	-	8,376

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	-	194,033	-	194,033

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair values (continued) :

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	-	8,376	-	8,376

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	-	193,833	-	193,833

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (2012: Nil).

Liabilities for which fair value are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interesting-bearing bank and other borrowings	-	217,661	-	217,661
Bonds	1,990,910	-	-	1,990,910

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interesting-bearing bank and other borrowings	-	2,028,585	-	2,028,585

Notes to Financial Statements (continued)

31 December 2013

51. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair value are disclosed (continued) :

Company

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Non-current portion of interesting-bearing bank and other borrowings	-	455	-	455
Bonds	1,990,910	-	-	1,990,910

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets Level 1 RMB'000	Significant observable inputs Level 2 RMB'000	Significant unobservable inputs Level 3 RMB'000	Total RMB'000
Non-current portion of interesting-bearing bank and other borrowings	-	909	-	909

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing loans, bonds, customer deposits and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the foreign currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are market risk and financial risk. The Group's policies for managing each of these risks are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk of change in the fair value of financial instruments due to fluctuations in foreign exchange rates (foreign currency risk), equity market prices (equity price risk) and market interest rates (interest rate risk), whether the change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

(a) Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Renminbi and other currencies in which the Group conducts business may affect its financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position and using forward currency contracts to eliminate the foreign currency exposures.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currencies exchange rates, with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

Group

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013			
If RMB weakens against USD	5	239,536	(242,998)
If RMB strengthens against USD	(5)	(239,536)	242,998
If RMB weakens against EUR	5	15,111	8,866
If RMB strengthens against EUR	(5)	(15,111)	(8,866)
If RMB weakens against JPY	5	35	(396)
If RMB strengthens against JPY	(5)	(35)	396
If RMB weakens against HKD	5	1,762	14,987
If RMB strengthens against HKD	(5)	(1,762)	(14,987)
If RMB weakens against CHF	5	(15)	-
If RMB strengthens against CHF	(5)	15	-
If RMB weakens against GBP	5	(751)	42,272
If RMB strengthens against GBP	(5)	751	(42,272)

Notes to Financial Statements (continued)

31 December 2013

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(a) Foreign currency risk (continued)

Group (continued)

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013 (continued)			
If RMB weakens against ETB	5	88	-
If RMB strengthens against ETB	(5)	(88)	-
If RMB weakens against IDR	5	4,551	-
If RMB strengthens against IDR	(5)	(4,551)	-
If RMB weakens against INR	5	74	2,484
If RMB strengthens against INR	(5)	(74)	(2,484)
If RMB weakens against VND	5	2,082	512
If RMB strengthens against VND	(5)	(2,082)	(512)
If RMB weakens against BDT	5	283	-
If RMB strengthens against BDT	(5)	(283)	-
If RMB weakens against AUD	5	277	682
If RMB strengthens against AUD	(5)	(277)	(682)
If RMB weakens against SGD	5	91	(831)
If RMB strengthens against SGD	(5)	(91)	831
If RMB weakens against SAR	5	34	-
If RMB strengthens against SAR	(5)	(34)	-
If RMB weakens against LKR	5	14	-
If RMB strengthens against LKR	(5)	(14)	-

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(a) Foreign currency risk (continued)

Group (continued)

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2012			
If RMB weakens against USD	5	149,207	(305,213)
If RMB strengthens against USD	(5)	(149,207)	305,213
If RMB weakens against EUR	5	9,590	9,791
If RMB strengthens against EUR	(5)	(9,590)	(9,791)
If RMB weakens against JPY	5	12,529	23,417
If RMB strengthens against JPY	(5)	(12,529)	(23,417)
If RMB weakens against HKD	5	989	3,818
If RMB strengthens against HKD	(5)	(989)	(3,818)
If RMB weakens against CHF	5	(2)	-
If RMB strengthens against CHF	(5)	2	-
If RMB weakens against GBP	5	1,126	(9,315)
If RMB strengthens against GBP	(5)	(1,126)	9,315
If RMB weakens against ETB	5	336	-
If RMB strengthens against ETB	(5)	(336)	-
If RMB weakens against IDR	5	5,347	-
If RMB strengthens against IDR	(5)	(5,347)	-
If RMB weakens against INR	5	1,818	2,764
If RMB strengthens against INR	(5)	(1,818)	(2,764)
If RMB weakens against VND	5	1,860	491
If RMB strengthens against VND	(5)	(1,860)	(491)
If RMB weakens against BDT	5	91	-
If RMB strengthens against BDT	(5)	(91)	-

Notes to Financial Statements (continued)

31 December 2013

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(a) Foreign currency risk (continued)

Group (continued)

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2012 (continued)			
If RMB weakens against AUD	5	-	1,139
If RMB strengthens against AUD	(5)	-	(1,139)
If RMB weakens against SGD	5	-	3
If RMB strengthens against SGD	(5)	-	(3)

Company

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013			
If RMB weakens against USD	5	135,339	(161,880)
If RMB strengthens against USD	(5)	(135,339)	161,880
If RMB weakens against EUR	5	9,178	-
If RMB strengthens against EUR	(5)	(9,178)	-
If RMB weakens against GBP	5	(47)	-
If RMB strengthens against GBP	(5)	47	-
If RMB weakens against ETB	5	88	-
If RMB strengthens against ETB	(5)	(88)	-
If RMB weakens against IDR	5	4,551	-
If RMB strengthens against IDR	(5)	(4,551)	-

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(a) Foreign currency risk (continued)

Gompany (continued)

	Increase/ (decrease) in foreign currency exchange rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013 (continued)			
If RMB weakens against INR	5	5	-
If RMB strengthens against INR	(5)	(5)	-
If RMB weakens against VND	5	1,661	-
If RMB strengthens against VND	(5)	(1,661)	-
If RMB weakens against BDT	5	283	-
If RMB strengthens against BDT	(5)	(283)	-
If RMB weakens against SAR	5	34	-
If RMB strengthens against SAR	(5)	(34)	-
2012			
If RMB weakens against USD	5	83,957	(274,005)
If RMB strengthens against USD	(5)	(83,957)	274,005
If RMB weakens against EUR	5	3,318	-
If RMB strengthens against EUR	(5)	(3,318)	-
If RMB weakens against ETB	5	336	-
If RMB strengthens against ETB	(5)	(336)	-
If RMB weakens against IDR	5	5,347	-
If RMB strengthens against IDR	(5)	(5,347)	-
If RMB weakens against INR	5	101	-
If RMB strengthens against INR	(5)	(101)	-
If RMB weakens against VND	5	1,348	-
If RMB strengthens against VND	(5)	(1,348)	-
If RMB weakens against BDT	5	91	-
If RMB strengthens against BDT	(5)	(91)	-

* Excluding retained profits

Notes to Financial Statements (continued)

31 December 2013

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(b) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments and trust product classified as investments at fair value through profit or loss and available-for-sale investments (notes 23 and 31) as at 31 December 2013. The Group's listed investments are listed on the Shenzhen Stock Exchange ("SZSE"), the Shanghai Stock Exchange ("SHSE") and the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	2013			2012		
	31 December	High	Low	31 December	High	Low
SZSE A-share Index	1,104	1,150	916	920	1,057	766
SHSE A-share Index	2,214	2,548	2,041	2,376	2,578	2,052
Hong Kong - Hang Seng Index	23,306	24,039	19,814	22,657	22,667	18,186

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Carrying amount RMB'000	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013			
Equity investments:			
Shenzhen – Available-for-sale	1,904	-	71
Shanghai – Available-for-sale	599,467	-	7,435
– At fair value through profit or loss	251	9	-

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(b) Equity price risk (continued)

	Carrying amount RMB'000	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2012			
Equity investments:			
Shenzhen – Available-for-sale	1,715	-	64
Shanghai – Available-for-sale	613,117	-	23,202
– At fair value through profit or loss	145	5	-
Trust product:			
Hong Kong – Available-for-sale	376,451	-	14,117

* Excluding retained profits

(c) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table sets out the Group's and the Company's financial instruments exposed to interest rate risk by maturity and their effective interest rates:

Debt investments

Group

	2013		
	At fair value through profit or loss RMB'000	Held-to-maturity RMB'000	Available-for-sale RMB'000
Within 1 year	-	11,403	291,783
1 to 5 years	-	-	205,245
More than 5 years	144,654	-	178,888
Total	144,654	11,403	675,916
Effective interest rate (% per annum)	0.60-2.60	5.43	3.53-8.50

Notes to Financial Statements (continued)

31 December 2013

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(c) Interest rate risk (continued)

Debt investments (continued)

Group (continued)

	2012		
	At fair value through profit or loss RMB'000	Held-to-maturity RMB'000	Available-for-sale RMB'000
1 to 5 years	16,723	10,860	153,976
More than 5 years	-	-	231,902
Total	16,723	10,860	385,878
Effective interest rate (% per annum)	0.50-1.10	5.43	5.13-8.50

Other financial assets

Group

	2013		
	Loans receivable RMB'000	Discounted bills receivable RMB'000	Time deposits RMB'000
Within 1 year	4,376,000	548,702	11,656,608
Total	4,376,000	548,702	11,656,608
Effective interest rate (% per annum)	5.04-6.00	5.15-6.99	0.35-4.75

	2012		
	Loans receivable RMB'000	Discounted bills receivable RMB'000	Time deposits RMB'000
Within 1 year	1,532,800	881,170	12,062,787
Total	1,532,800	881,170	12,062,787
Effective interest rate (% per annum)	5.04-7.08	4.20-6.30	0.35-4.80

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(c) Interest rate risk (continued)

Financial liabilities

Group

	2013 Interest-bearing bank and other borrowings RMB'000	2013 Customer deposits RMB'000
Within 1 year	972,172	1,762,404
Total	972,172	1,762,404
Effective interest rate (% per annum)	1.70-6.35	0.50-3.50

	2012 Interest-bearing bank and other borrowings RMB'000	2012 Customer deposits RMB'000
Within 1 year	1,568,314	1,294,409
1 to 5 years	1,959,832	-
Total	3,528,146	1,294,409
Effective interest rate (% per annum)	1.70-6.55	0.50-3.50

Other financial assets

Company

	2013 Loans receivable RMB'000	2013 Time deposits RMB'000
Within 1 year	1,545,000	7,334,535
1 to 5 years	700,000	-
Total	2,245,000	7,334,535
Effective interest rate (% per annum)	0.00-5.04	2.86-3.30

Notes to Financial Statements (continued)

31 December 2013

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(c) Interest rate risk (continued)

Other financial assets (continued)

Company (continued)

	2012	
	Loans receivable RMB'000	Time deposits RMB'000
Within 1 year	1,095,000	2,914,275
Total	1,095,000	2,914,275
Effective interest rate (% per annum)	0.00	3.10-3.30

The following table demonstrates the sensitivity to a reasonably possible change in the Renminbi interest rate, with all other variables held constant, of the Group's profit after tax or equity (through the impact on floating rate financial assets and liabilities):

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013			
RMB	15	9,149	(824)
RMB	(15)	(9,149)	824
USD	15	(823)	-
USD	(15)	823	-
2012			
RMB	15	9,359	338
RMB	(15)	(9,359)	(338)
USD	15	(3,041)	-
USD	(15)	3,041	-

* Excluding retained profits

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks

(a) Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the Group's obligors to make any payment of the principal or interest when due, in the case of a fixed income investment, or, in the case of an equity investment, the loss in value resulting from a corporate failure. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, investments in bonds issued by PRC companies and the PRC Government. The Group mitigates credit risk by utilising detailed credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits within its investment portfolio.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 46 to the financial statements.

The carrying amount of the trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group does not have a significant concentration of credit risk in relation to the trade receivables as the trade receivables due from the five largest customers accounted for only 13.2% (2012: 9.4%) of the Group's trade receivables as at 31 December 2013.

The Group performs ongoing credit evaluations of its customers' financial conditions. The allowance for doubtful debts is based upon a review of the expected collectability of all trade receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 27 to the financial statements.

The main considerations for the loan impairment and lease receivables impairment assessment include whether any payments of principal or interest are overdue or whether there is any liquidity deterioration of borrowers, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment individually and collectively.

(b) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds to meet the Group's obligations as they become due. The Group seeks to manage its liquidity risk by matching the duration of its investment assets with the duration of its debts and customer deposits to the extent possible.

Notes to Financial Statements (continued)

31 December 2013

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks (continued)

(b) Liquidity risk (continued)

Group

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	22,337,879	1,769,999	896,560	94,536	-	25,098,974
Bills payable	-	1,653,668	2,490,805	-	-	4,144,473
Financial liabilities included in other payables and accruals	3,533,188	593,883	238,961	-	-	4,366,032
Customer deposits	1,406,704	119,576	245,874	-	-	1,772,154
Interest-bearing bank and other borrowings	-	352,000	3,482,818	227,031	61,246	4,123,095
Financial liabilities included in other non-current liabilities	-	-	-	353,239	-	353,239
Bonds	-	2,055	6,165	2,020,322	-	2,028,542
Derivative financial instruments	-	1,268	7,108	-	-	8,376
Financial guarantee contracts	-	-	90,234	-	-	90,234
	27,277,771	4,492,449	7,458,525	2,695,128	61,246	41,985,119

	2012					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	19,586,788	2,394,295	1,859,089	191,077	-	24,031,249
Bills payable	-	840,862	1,615,945	-	-	2,456,807
Financial liabilities included in other payables and accruals	3,527,241	538,607	189,524	-	-	4,255,372
Customer deposits	989,969	140,110	169,262	-	-	1,299,341
Interest-bearing bank and other borrowings	-	1,577,826	1,926,890	2,093,708	58,387	5,656,811
Financial liabilities included in other non-current liabilities	-	-	-	359,962	-	359,962
Derivative financial instruments	-	688	75,467	117,878	-	194,033
Financial guarantee contracts	-	-	-	93,025	-	93,025
	24,103,998	5,492,388	5,836,177	2,855,650	58,387	38,346,600

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risks (continued)

(b) Liquidity risk (continued)

Company

	2013					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	22,374,355	-	-	-	-	22,374,355
Bills payable	-	920,463	28,777	-	-	949,240
Financial liabilities included in other payables and accruals	688,465	-	6,333	-	-	694,798
Interest-bearing bank and other borrowings	-	6	464	467	-	937
Derivative financial instruments	-	1,268	7,108	-	-	8,376
Bonds	-	2,055	6,165	2,020,322	-	2,028,542
Financial guarantee contracts	-	-	430,000	1,429,970	-	1,859,970
	23,062,820	923,792	478,847	3,450,759	-	27,916,218

	2012					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	19,821,499	-	-	-	-	19,821,499
Bills payable	-	771,364	257,504	-	-	1,028,868
Financial liabilities included in other payables and accruals	547,560	-	5,593	-	-	553,153
Interest-bearing bank and other borrowings	-	474,430	945,231	936	-	1,420,597
Derivative financial instruments	-	688	75,267	117,878	-	193,833
Financial guarantee contracts	-	-	10,000	879,970	-	889,970
	20,369,059	1,246,482	1,293,595	998,784	-	23,907,920

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Notes to Financial Statements (continued)

31 December 2013

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings and bonds.

The gearing ratios as at the end of the reporting periods were as follows:

Group

	2013 RMB'000	2012 RMB'000
Interest-bearing bank and other borrowings	3,982,173	5,447,885
Bonds	1,990,910	-
Net debt	5,973,083	5,447,885
Total equity	42,708,568	40,682,258
Total equity and net debt	48,681,651	46,130,143
Gearing ratio	12.3%	11.8%

53. OTHER SIGNIFICANT MATTERS

Goss Graphic Systems Ltd. ("Goss UK") proposed a company voluntary arrangement (the "CVA") in October 2013. The CVA was approved in the creditors' meeting on 18 December 2013, and it was then legally binding to the relevant creditors. Gains on debt restructuring have been recognised by Goss UK on 18 December 2013. Goss UK has paid GBP4,600,000 to the accounts appointed by the three defined benefit plans and, in February 2014, issued 162,499 non-voting ordinary shares to them.

53. OTHER SIGNIFICANT MATTERS (continued)

The summary of gains on debt restructuring is as follows:

	2013 RMB'000
Forfeiture of defined benefit obligations	253,348
Less:	
Cash payment on date of debt restructuring	(44,641)
Payments by instalments from 2015 to 2019	(14,557)
Payment arising from net property proceeds	(4,852)
Issuance of 162,499 non-voting ordinary shares (including call option for redemption)	-
Cost of reducing redundant employees	(14,557)
Gain on debt restructuring	174,741

The Group determined the fair value of 162,499 non-voting ordinary shares (including call option for redemption) as at the debt restructuring date by using a valuation technique and key assumptions as follows:

- The fair value of 162,499 non-voting ordinary shares is calculated by discounting the expected future free cash flows under income approach;
- The current shares on book is taken as basis for the valuation of non-voting ordinary shares (including call option for redemption) at the valuation date;
- The valuation assumption has reflected the factors including the market economy circumstance and the information of UK Goss as at the valuation date. Given any change in these factors, the valuation result would change.

54. EVENTS AFTER THE REPORTING PERIOD

Details of the final 2013 dividend proposal are contained in note 12 to the financial statements.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.