上海电气
SHANGHAI ELECTRIC

2014

ANNUAL REPORT

Shanghai Electric Group Company Limited

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

www.shanghai-electric.com

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	Huang Dinan
Company's authorized representatives	Huang Dinan, Zheng Jianhua
Company's alternative authorized representative	Li Chung Kwong Andrew (FCCA, FCPA, ACA, CIA)
Company Secretary	Li Chung Kwong Andrew (FCCA, FCPA, ACA, CIA)

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

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

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 for inspection at	Office of the secretary to the Board of the Company
Website designated for publishing annual report required by China Securities Regulatory Commission	www.sse.com.cn
Website designated for publishing annual report required by the Stock Exchange of Hong Kong Limited	www.hkexnews.hk

Summary of Listing of the Company's Shares

Type 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

Registrar and Transfer Office

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

Other Relevant Information

Date of Incorporation of the Company	1 March 2004
Place of Incorporation of the Company	Shanghai, PRC
Name of domestic auditors appointed by the Company	PricewaterhouseCoopers Zhong Tian LLP
Business address of auditors appointed by the Company	11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
Name of international auditors appointed by the Company:	PricewaterhouseCoopers
Business address of international auditors appointed by the Company:	20/F, Prince Building, Central, Hongkong
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

FIVE-YEAR FINANCIAL SUMMARY

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

RMB(million)	2010	2011	2012	2013	2014
Revenue and Profit					
Revenue	65,912	71,461	76,591	78,795	76,785
Profit before tax	3,343	4,917	5,726	5,283	5,439
Tax	(217)	(772)	(1,344)	(1,073)	(895)
Profit for the year	3,126	4,145	4,382	4,210	4,543
Attributable to:					
Owners of the Company	2,491	3,183	2,715	2,393	2,511
Non-controlling interests	635	962	1,667	1,817	2,033
Dividend (Note 1)	1,590	980	817	957	753
Earnings per share attributable to ordinary equity holders of the Company					
Basic					
From profit for the year (cents)	19.60	24.82	21.17	18.66	19.58
Assets and Liabilities					
Non-current assets	22,080	23,387	26,883	27,822	32,318
Current assets	80,242	87,413	91,816	101,471	111,232
Current liabilities	(63,195)	(69,355)	(73,786)	(82,237)	(93,298)
Net current assets	17,047	18,058	18,030	19,234	17,934
Total assets less current liabilities	39,127	41,445	44,913	47,056	50,252
Non-current liabilities	(4,629)	(3,825)	(4,231)	(4,347)	(4,827)
Net assets	34,498	37,620	40,682	42,709	45,425
Equity attributable to owners of the Company	27,165	29,529	30,506	32,206	34,236
Non-controlling interests	7,333	8,091	10,176	10,503	11,189

Note 1: The proposed final dividend of RMB 753 million for 2014 is subject to the approval at the forthcoming annual general meeting.

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.

CHAIRMAN'S STATEMENT

Standing at the new starting point, Shanghai Electric made an in-depth study of a new development strategy in 2014 and formed a general idea and strategic framework of "taking innovation and development as the theme and adhering to the direction towards high end technology, asset-light business structure, group level centralized management and controls, simplified operation structure, together with a pragmatic and result-oriented work approach".

Chairman & CEO Huang Dinan

Over the past year, we experienced a fierce challenge of overcapacity and sluggish demand while we maintained a steady economic growth. During the reporting period, the Company achieved a turnover of RMB76,785 million, representing a decrease of 2.6% over the corresponding period of preceding year; the net profit attributable to the shareholders of the parent company amounted to RMB2,511 million, representing an increase of 4.9% over the corresponding period of preceding year.

New Energy Equipment

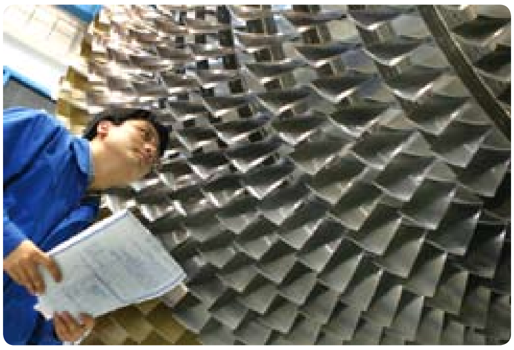
During the reporting period, the domestic nuclear power market revived gradually. New nuclear power projects started to proceed at a relatively slow pace. When a voice of building nuclear power projects in the inland regions of PRC was emerging, the China's nuclear power projects started in overseas market. In line with the national strategy of "safe and high efficiency development of nuclear power", we proactively advanced the progress of nationalization of production of nuclear power equipment. We had become a well-equipped and technologically advanced manufacturing group providing nuclear power equipment of various types of reactors and complete sets of equipment in China. At the same time, we will actively develop a cooperative platform for research and development with an aim to cultivate our innovative capacities in terms of the integration of design, equipment and service, and to shift from merely selling nuclear power equipment to a business development model of "equipment integration plus technology service". The nuclear power equipment orders we secured involve many domestic nuclear power projects under construction, while we actively tracked nuclear power equipment export projects. During the reporting period, we received orders for nuclear power nuclear island equipment aggregating in excess of RMB2.9 billion, representing a significant year-on-year increase. In respect of domestic wind power market, it continued the revival trend in the second half of 2013 during the reporting period. We seized the opportunity and received over RMB 9.4 billion worth of wind power equipment orders, hitting a new record. Our first 4.0 megawatt offshore wind turbine rolled off the production line successfully with technology introduced from Siemens. During the reporting period, we and BrightSource HK

Holdings Limited, one of the companies equipped with the most advanced concentrated sunlight solar thermal technology around the world, entered into a joint venture agreement, pursuant to which the parties thereto agreed to contribute capital together to establish a solar thermal power company. Shanghai Electric formally stepped into the solar thermal power generation field, which further drove Shanghai Electric's new energy business into the new submarket expansion.

During the reporting period, the new energy equipment segment achieved a turnover of RMB7, 751 million, representing an increase of 32.2% as compared with that of the same period of preceding year, of which wind power products recorded a year-on-year increase of 73.8%. The gross profit margin for the segment was 7.2%, representing a year-on-year increase of 3.6 percentage points, mainly due to the revival of wind power industry which resulted in an increase in the contract unit price of the wind power products of the Company and the expansion of the scale of wind power sales which resulted in a decrease in the unit purchase cost.

High Efficiency and Clean Energy Equipment

During the reporting period, we continued to focus on the intensive cultivation of thermal power equipment business and are gradually becoming a tier-one company in this industry globally. Based on our innovation business model and guided by customer value-oriented idea, we developed large-capacity, high-efficiency, environmental friendly and economical thermal power equipment, enhanced positioning of our products, stood on our competitive edge in technology advancement, and explored market for new product. We are gradually transforming from the passive model of developing market-oriented products to the positive innovation model of developing products that will lead the trend of market demand. Under the macro background of the shrinking demand in thermal power market, we concluded and applied the successful experience of the new product with "second reheat technology", vigorously introduced and recommended new technologies to customers so as to attract them to participate in the design of new products (such as 1200MW power generation units, second reheat power generation equipment and 620˚C power generation equipment) through technology innovation, which in turn built a basis for us to get new product orders through technology innovation. In the gas turbine area, we successfully entered into an equity purchase agreement with Fondo Strategico Italiano S.p.A. to acquire a 40% equity interest in Italy's Ansaldo Energia S.p.A. ("Ansaldo"), and to tap the heavy gas turbine market with Ansaldo, a move that can help us accelerate internationalization of our gas turbine business and improve our competitive strength in the global energy equipment sector. During the reporting period, we steered our development in power transmission and distribution equipment business towards an industry development system for high voltage technology, smart grid technology, power electronics technology and modern services, and 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 consolidated our foothold in the domestic power transmission and distribution equipment market in Shanghai while proactively extended our presence in markets outside Shanghai. By focusing on key projects, we further kept track of the market and enhanced our market share.

During the reporting period, the high efficiency and clean energy equipment segment achieved a turnover of RMB28,694 million, representing a decrease of 12.3% as compared with that of the same period of preceding year, of which power transmission and distribution equipment business recorded a year-on- year increase of 10.1% and coal-fired power equipment business recorded a year-on-year decrease of 11.0%. The gross profit margin for the segment was 16.9%, representing a year-on-year decrease of 0.7 percentage points which is mainly due to the overall demand shrinkage in coal-fired power generation equipment market, resulting in a reduction in the sales volume and unit price of the coal-fired power generation equipment delivered in the reporting period as compared to the corresponding period of preceding year.

Industrial Equipment

As for year 2014, although the property market was under the continuing impact of the domestic economic structure adjustment, credit tightening policy and the macroeconomic control, which therefore brought a negative impact to elevator market, however, the advancement of new urbanization, investment in public infrastructure, energy conservation and upgrading as well as replacement or retrofit of old elevators and other factors promoted the sustainable development of the elevator industry in a way. Under the combined influence of the above-mentioned factors, domestic elevator market demand remained a modest yet steady pace of growth in 2014. During the reporting period, adhering to the marketing strategies of "cover market in full, highlight market focuses, deepen business development, extend beyond market limits", Shanghai Mitsubishi Elevator captured business opportunities arising from construction of public facilities (in particular, the large-scale metro construction development) while we secured our foothold in the low-end social security housing market by launching elevator products that accommodate customized needs of different users. Meanwhile, we also focused on developing high-end and high-speed elevator products. During the reporting period, based on market conditions, Shanghai Mitsubishi Elevator laid more stress on the importance of maintaining and developing relationships with major strategic customers, on the other hand, it also kept a keen eye on the large projects in second and third tier cities. Significant project orders that had been undertaken include but not limited to: the bid of Shenzhen metro Phase III; modern property "Emerald City(漣城)" project in Nanjing by working with Hutchison Whampoa; "XingYe Jinxiu Park (興業錦繡花園)" large scale residential project by cooperating with Rizhao XingYe Group, a leading real estate enterprise in Rizhao City; international 5A

Grade A office building "Wanhui Center (重慶萬匯中心)" signed with Chongqing Wanhui Real Estate; and "Glory City (海闊天空•國瑞城)" project located in the central area of Haikou Green CBD contracted with HNA Group. During the reporting period, Shanghai Mitsubishi Elevator kept expanding in service business and the revenue from service business like the installation and maintenance of elevators exceeded RMB3,500 million in 2014, representing over 20% of the operating revenue. In the electric motors drive field, the joint venture engaging in high-voltage frequency conversion area jointly established by the Company and Fuji Electric of Japan, officially commenced operation, realizing a parallel pursuit of corporate establishment and market development. The Group will proactively explore the domestic high voltage frequency conversion market and enter into the industrial automation field.

During the reporting period, the industrial equipment segment achieved a turnover of RMB26,019 million, representing an increase of 2.8% as compared with that of the same period of preceding year, of which elevator business recorded a year-on-year increase of 5.9%. The gross profit margin is 21.0%, increased by 0.4 percentage points as compared with that of the same period of preceding year.

Modern Services

The Group continued to achieve steady development in the power plant engineering business during the reporting period. In respect of business expansion, we will shift from mere thermal power business to a business model developing both thermal power and new energy, to gradually cultivate our ability of undertaking and implementing gas turbine, wind power, and eco-friendly engineering projects. In 2014, we undertook a project of 100 megawatt photovoltaic power plant engineering for Jinchang Zhongxinneng (金昌中新能) in Gansu province, which laid a solid foundation for our further expansion in photovoltaic power market. For our power plant service business, we capitalized on growing awareness of the need for energy saving and environment protection in the society and proactively explored markets for thermal power equipment enhancement and various services for power plants, and achieved further development in the domestic and overseas markets. In the domestic market, we received a ventilation enhancement project order for

new model heat regenerative system of Jia Hua Phase III 1,000MW ultra-supercritical thermal power generation unit. In the overseas market, we entered into a long term service agreement with a subsidiary of PT Perusahaan Listrik Negara, the National Electric Power Company of Indonesia, under which we provide power plant equipment spare parts and components for its 43 power plants in total. Among the ranking of the largest 250 international engineering contractors in the world 2014 published by U.S. magazine The Engineering News-Record, we ranked 64th, up from 72nd in 2013. We will put more attention on markets in South America, Eastern Europe, Middle East and Africa in the future, and expand our market shares in the overseas by sticking to the "One Belt, One Road" Strategy. The business model of our power plant services has been enhanced to provision of comprehensive solutions, which combined energy saving, environmental redevelopment and installation together, and realized a model with general integration and general contracting of the enhancement services. During the reporting period, under the business model of "integrating business and finance, boosting business development by financial services" for our financial services business, we continued to enhance the constructive interaction between the Company's financial services and high-end manufacturing business. Our financial company will be turned from a "single internal funding management platform of the Group" to a "financial platform of providing various value-added services to the Group". In respect of our financing leasing business, we intend to start with certain familiar industries and constantly expand our market shares in financing leasing business. During the reporting period, by capitalizing on the opportunity of the development of the China (Shanghai) Pilot Free Trade Zone (the "FTZ"), we changed the registration place of our subordinate financial company to the FTZ, which benefits the improvement of its financial service function and expansion into the overseas so as to serve the Group's international development better. Besides, we also set up a financial leasing subsidiary in the FTZ, establishing an important platform for enhancing the service capability of overseas businesses as well as innovation over business models.

During the reporting period, the modern services segment achieved a turnover of RMB18,140 million, representing a decrease of 10.6% as compared to that of the same period of preceding year. Within the segment, revenue from power transmission and distribution engineering business and financial business recorded a year-on-year increase of 12.0% and 33.0% respectively, while revenue from power plant engineering business recorded a year-on-year decrease of 26.8%. The gross profit margin of the segment was 16.4%, representing an increase of 5.9 percentage points as compared with that of the same period of preceding year. The increase was mainly due to the effectiveness of further cost control of power plant engineering business in the implementation of the engineering project during the reporting period.

Looking forward, we will take an innovative and positive stance to cope with difficulties, and adapt ourselves to economic development under the new normal phase actively. We will enhance our capital quality to stay in health and improve our competitiveness and profitability to persevere with our object of building Shanghai Electric as a global and multinational group with international competitiveness and brand influence.

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.

Huang Dinan
Chairman
Shanghai, the PRC
17 March 2015

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	2014	2013	Change for the period over the corresponding period of the preceding year (%)
Revenue	76,784,516	79,214,931	-3.07
Total profit	5,621,021	5,497,353	2.25
Net profit attributable to shareholders of the listed company	2,554,487	2,462,792	3.72
Net cash flows generated from operating activities	4,410,915	7,178,088	-38.55
	At the end of 2014	**At the end of 2013**	**Change as at the end of the period over the end of the period of the preceding year (%)**
Total assets	143,550,564	129,292,714	11.03
Equity attributable to shareholders of the listed company	34,236,392	32,205,954	6.30
Key financial indicators	**2014**	**2013**	**Change for the period over the corresponding period of the preceding year (%)**
Basic earnings per share (RMB/share)	0.20	0.19	5.26
Diluted earnings per share (RMB/share)	0.20	0.19	5.26
Weighted average net assets return rate (%)	7.65	7.86	Decreased by 0.21 percentage points
Net cash flows generated from operating activities per share (RMB/share)	0.34	0.56	-39.29
	At the end of 2014	**At the end of 2013**	**Change as at the end of the period over the end of the period of the preceding year (%)**
Net assets attributable to shareholders of the listed company per share (RMB/ share)	2.67	2.51	6.37

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	2,554,487	2,462,792	34,236,392	32,205,954
Items and amounts adjusted in accordance with HKFRSs:				
Staff bonus and welfare funds	(61,255)	(96,385)	0	0
Safe production expenditures	17,332	26,835	0	0
In accordance with HKFRSs	2,510,564	2,393,242	34,236,392	32,205,954

SHARE CAPITAL STRUCTURE AND DISCLOSURE OF INTERESTS

Share Capital 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 2014 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 notified the Company / 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 corporations	1	7,741,053,372	Long position	78.58	60.37
	H	Interest of controlled corporation	1	30,634,000	Long position	1.03	0.24
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	7,301,161,178	Long position	74.12	56.94
	H	Beneficial owner	1	30,634,000	Long position	1.03	0.24
Fengchi Investment Co., Ltd.	A	Beneficial owner	2	728,986,654	Long position	7.40	5.68
Shenergy Group Company Limited	A	Beneficial owner	1	439,892,194	Long position	4.47	3.43
Schroders Plc	H	Investment manager	3	152,714,000	Long position	5.14	1.19
Siemens International Holding B.V.	H	Beneficial owner	4	148,646,000	Long position	5.00	1.16
Siemens Beteiligungsverwaltung GmbH & Co. OHG	H	Beneficial owner	4	148,646,000	Long position	5.00	1.16
Siemens Beteiligungen Management GmbH	H	Beneficial owner	4	148,646,000	Long position	5.00	1.16
Siemens Aktiengesellschaft	H	Beneficial owner	4	148,646,000	Long position	5.00	1.16
JPMorgan Chase & Co.	H	Beneficial owner	5	48,291,876	Long position		
	H	Investment manager	5	22,484,000	Long position		
	H	Custodian corporation	5	194,255,312	Long position		
		Total long position	5	265,031,188		8.91	2.07
	H	Custodian corporation	5	14,049,909	Short position	0.47	0.11

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 767,986,654 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) ("Shanghai Depeng") in which 廣東珠江投資控股集團有限公司 (Guangdong Zhujiang Investment Holding Group Co., Ltd) ("Guangdong Zhujiang"), 廣東韓江資產經營管理有限公司 (Guangdong Hanjiang Asset Operation and Management Co., Ltd) ("Guangdong Hanjiang Asset"), 廣東偉業投資有限公司 (Guangdong Weiye Investment Co., Ltd) ("Guangdong Weiye"), 廣東韓江建築安裝工程有限公司 (Guangdong Hanjiang Construction and Installation Engineering Co., Ltd) ("Guangdong Hanjiang Construction") and 朱一航 (Zhu Yihang) were deemed to be interested in by virtue of SFO because:

- Shanghai Depeng was 100% owned by Guangdong Zhujiang.
- Guangdong Zhujiang was 95% owned by Guandong Hanjiang Asset which in turn was 100% owned by Guangdong Weiye.
- Guangdong Weiye was 100% owned by Guandong Hanjiang Construction which in turn was 95% owned by Zhu Yihang.

(3) Schroders Plc had a long position in 152,714,000 H shares of the Company by virtue of its control over the following corporations:-

(3.1) Schroder Investment Management Limited, an indirect wholly-owned subsidiary of Schroders Plc, had a long position in 8,794,000 H shares of the Company.

(3.2) Schroder Investment Management (Hong Kong) Limited, an indirect wholly-owned subsidiary of Schroders Plc, had a long position in 143,920,000 H shares of the Company.

(4) 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.

(5) JPMorgan Chase & Co. had a long position in 265,031,188 H shares and a short position in 14,049,909 H shares of the Company by virtue of its control over the following corporations:-

(5.1) J.P. Morgan Clearing Corp, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 4,314,671 H shares of the Company.

(5.2) JF Asset Management Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 1,938,000 H shares of the Company.

(5.3) JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 460,000 H shares of the Company.

(5.4) J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 17,522,000 H shares of the Company.

(5.5) J.P. Morgan Whitefriars Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 43,963,821 H shares and a short position in 14,049,909 H shares of the Company.

(5.6) 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.

(5.7) JPMorgan Chase Bank, N.A., a wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 194,255,312 H shares of the Company.

(5.8) JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., had a long position in 2,564,000 H shares of the Company.

(5.9) The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 194,255,312 H shares (long position).

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 2014 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 2014, 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 and the resigned Directors, Supervisors and Senior Management during the reporting period

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)
Huang Dinan	Chairman of the Board and Chief Executive Officer	Male	48	26 February 2014	25 February 2017					91.05
Wang Qiang	Vice Chairman of the Board	Male	56	27 June 2014	25 February 2017					
Zhu Kelin	Vice Chairman of the Board	Male	52	26 February 2014	25 February 2017					
Zheng Jianhua	Executive Director and President	Male	54	26 February 2014	25 February 2017					110.6
Yu Yingui	Executive Director and Chief Financial Officer	Male	64	26 February 2014	17 March 2015					85.6
Yao Minfang	Non-executive Director	Female	47	26 February 2014	25 February 2017					
Lui Sun Wing	Independent Non-executive Director	Male	64	26 February 2014	25 February 2017					25
Kan Shun Ming	Independent Non-executive Director	Male	57	26 February 2014	25 February 2017					20.83
Chu Junhao	Independent Non-executive Director	Male	69	4 August 2014	25 February 2017					10.42
Dong Jianhua	Chairman of the Supervisory Committee	Male	49	26 February 2014	25 February 2017					
Xie Tonglun	Supervisor	Male	58	26 February 2014	25 February 2017					34.08
Li Bin	Supervisor	Male	54	26 February 2014	25 February 2017					
Zhou Changsheng	Supervisor	Male	49	26 February 2014	25 February 2017					
Zheng Weijian	Supervisor	Male	53	26 February 2014	25 February 2017					
Huang Ou	Vice President and Chief Technology Officer	Male	43	26 February 2014	25 February 2017					80.6
Zhu Genfu	Vice president	Male	49	15 August 2014	25 February 2017					31.85
Hu Kang	Chief Financial Officer	Male	51	26 February 2014	25 February 2017					55.6
Cao Jun	Chief Operating Officer	Male	47	26 February 2014	25 February 2017					55.6
Chen Hong	Chief Investment Officer	Male	60	26 February 2014	25 February 2017					
Li Jing	Chief Information Officer	Female	47	26 February 2014	25 February 2017	2,996	2,996			75.6
Tong Liping	Chief Legal Officer	Female	43	26 February 2014	25 February 2017					65.6
Zhang Jianming	Chief Risk Management Officer	Male	59	26 February 2014	25 February 2017					
Fu Rong	Secretary to the Board	Female	44	26 February 2014	25 February 2017					60.6
Li Chung Kwong Andrew	Company Secretary	Male	55	26 February 2014	25 February 2017					110
Total										913.03

Directors

Major work experience for the recent five years

Huang Dinan

Joined the Company in March 2004 and is the Chairman and an executive director of the Company. He is also the chairman 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 to2014, 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 professorial level.

Wang Qiang

Joined the Company in March 2004 and is the vice chairman of the Board of the Company, director and the president of Shanghai Electric (Group) Corporation and the chairman of Shanghai Prime Machinery Company Limited. Since joining Shanghai Electric in 2001, Mr. Wang has held various positions, namely, the head of the Human Resources Department, the head of Cadres Bureau and the head of Cadres Bureau and Human Resources Department, the secretary of the discipline committee, the executive vice president of Shanghai Electric (Group) Corporation and also the head of the Human Resources Department and executive director of Shanghai Electric Group Company Limited. Mr. Wang obtained a postgraduate qualification from the Central Party School of the Communist Party of China majoring in politics and he is also a senior economist.

Zhu Kelin

Joined the Company in March 2004 and is the 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 Fengchi Investment Co., Ltd. from May 2007 to July 2012, the general manager of Fengchi Investment Co., Ltd. from July 2012 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 present. Mr. Zhu graduated from the University of Western Sydney with a master's degree in business administration.

Zheng Jianhua

Joined the Company in March 2004 and is currently an executive director and the president of the Company. He is also the vice chairman of Shanghai Electric (Group) Corporation. 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, the chairman of Shanghai Electric Power Generation Equipment Co., Ltd 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.

Yu Yingui

Joined the Company in March 2004 and since then has been an executive director of the Company up to 17 March 2015. 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 Shanghai University of Finance and Economics, and is a senior economist.

Yao Minfang

Joined the Company in November 2007 and is a non-executive director of the Company. She was the head and deputy manager for 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 degree and is a senior engineer of professorial level.

Lui Sun Wing

Joined the Company in December 2010 and is an independent non-executive director of the Company. Dr. Lui joined the Hong Kong Productivity Council in 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, being 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 an independent non-executive director of Leo Paper Group (Hong Kong) Limited (unlisted), an independent non-executive director of Shenzhen GTA Information Technology Co., Ltd. (unlisted) and a non-executive director of Eco-Tek Holdings Limited. Dr. Lui obtained his PhD degree in mechanical engineering from the University of Birmingham in UK.

Kan Shun Ming

Joined the Company in February 2014 and is an independent non-executive director of the Company and currently serves as a partner of Wong Brothers & Co Certified Public Accountants and also a director of Authosis Venture (翱科創業投資有限公司) (to be confirmed by client), the honorary auditor of Hong Kong Public Doctors' Association, the honorary auditor of German Chamber of Commerce Hong Kong, a HGC Member of Hong Kong HA Tseung Kwan O Hospital and the financial adviser of Asia Women's League Limited. Mr. Kan previously served as an independent non-executive director of Lenovo Group and the chairman of Taiwan Fuxun Technology Company Limited. Mr. Kan graduated from the University of Manchester in UK 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.

Chu Junhao

Joined the Company in August 2014 and is an Academician of Chinese Academy of Sciences. He currently serves as an independent non-executive director of the Company, the researcher of Shanghai Institute of Technical Physics, the dean of the School of Information Science Technology of East China Normal University, a director of Shanghai Solar Cells Research and Development Center, and counselor of Shanghai Municipal People's Government. Mr. Chu is mainly engaged in scientific and technological research of infrared optoelectronic physics and semiconductor, and has won the National Natural Science Award (國家自然科學獎) three times, Provincial Technological Progress Awards and Natural Science Awards (省部級科技進步獎和自然科學獎) 12 times, the Outstanding Individual Award on the State Key Laboratory Scheme (國家重點實驗室計劃先進個人獎) and the Outstanding Individual Award on the State 973 Program (國家973計劃先進個人獎). In recent years, Mr. Chu has chaired the "Modern Infrared Optoelectronic Physics and Focal Plane Device Physics"(現代紅外光電子物理和焦平面器件物理) (2003-2011) of National Natural Science Foundation's Innovative Research Group Project and presided over "Spin Quantum Control in Semiconductor Quantum Structures" (半導體量子結構中的自旋量子調控) (2007-2011) and "Solid-state Quantum Devices and Circuits"(固態量子器件和電路) (2013-2017) of the Quantum Control Projects in the Major National Scientific Research Program (known as 973 Program). Mr. Chu and his colleagues established the Key Laboratory of Polar Materials and Devices, Ministry of Education (極化材料和器件教育部重點實驗室), and Shanghai Solar Cells Research and Development Center (上海太陽能電池研發中心). Mr. Chu obtained a doctor's degree from Shanghai Institute of Technical Physics of the Chinese Academy of Sciences.

Supervisors

Dong Jianhua

joined the Company in December 2010 and is the chief supervisor of the Company, the chief supervisor of Shanghai Highly (Group) Co., Ltd. and the chief supervisor of Shanghai Prime Machinery Company Limited. He joined Shanghai Electric (Group) Corporation, the parent group of the Company, as the 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

Joined the Company in March 2004 and is an employee representative of the supervisory committee of the Company and vice chairman of Shanghai Mechanical and Electrical Union (上海市機電工會). Mr. Xie was the deputy manager of the administration office of Shanghai Electric (Group) Corporation from 1996 to 2001, the deputy secretary of the Commission for Discipline Inspection of Shanghai Electric (Group) Corporation from 2001 to 2004 and the director of the office of the communist party office of Shanghai Electric Group Company Limited. Mr. Xie graduated with a bachelor's degree in business administration from Shanghai Administration Institute. Mr. Xie is a senior policy advisor.

Li Bin

Joined the Company in November 2007 and is an employee representative of supervisory committee of the Company, the vice chairman of Shanghai General Labour Union, the vice chairman of Shanghai Mechanical and Electrical Union, 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.

Zhou Changsheng

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 decades' work 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 the PRC.

Zheng Weijian

is a supervisor of the Company, the chairman of supervisory committee of Guangdong Zhujiang Investment Co., Ltd. Since January 2008 until now, Mr. Zheng has been the chairman of supervisory committee of Guangdong Zhujiang Investment Co., Ltd, a director of Shenzhen Yunfeng Guaranty & Investment Co., Ltd. Since January 2013 until now, Mr. Zheng has been the chairman of Guangdong Zhujiang Investment Management Group Co., Ltd. Since July 2012, Mr. Zheng has been the chairman of Fengchi Investment 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

Joined the Company in March 2004 and is currently a vice president, the chief technology officer and head of the Science and Technology Management Department of the Company, chairman of Shanghai Electric Transmission and Distribution Group Co., Ltd., and chairman of Shanghai Electric Architecture Saving 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 chairman and vice president of Shanghai Electric Power Generation Equipment Co., Ltd., the head of the Central Research Institute of Shanghai Electric Group Company Ltd., vice chairman of Shanghai Rail Traffic Equipment Development Co., Ltd., chairman of Shanghai Thales Saic Transport 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 professorial level.

Zhu Genfu

Is a vice president of the Company and the president of Shanghai Electric Nuclear Power Group (上海電氣核電集團). Mr. Zhu was previously the general manager of Shanghai Boiler Works Ltd., the executive vice president of Shanghai Electric Power Generation Group, the vice president of Shanghai Electric Heavy Industry Group, the executive director of Shanghai Electric Nuclear Power Equipment Co., Ltd., the chairman of the board of Shanghai No.1 Machine Tool Works Co., Ltd. and the deputy general manager of State Nuclear Power Engineering Company. Mr. Zhu graduated from Huazhong University of Science and Technology with a bachelor's degree in engineering and from Shanghai Jiao Tong University with a master's degree in business administration. Mr. Zhu is a senior engineer of professorial level.

Hu Kang

Joined the Company in April 2013 and is currently the chief financial officer, the head of the assets finance department of the Company, the chairman of Shanghai Electric Group Finance Co., Ltd. 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 EMBA degree from the Shanghai Jiao Tong University and he is a senior economist.

Cao Jun

Joined the Company in January 2013 and is the chief operating officer, head of the economic operation department 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 Building, 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.

Chen Hong

Joined the Company in August 2005 and is the chief investment officer of the Company, chairman of Shanghai Mechanical and Electrical Industry Company Limited, chairman 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.

Li Jing

Joined the Company in March 2004 and is the chief information officer and the head 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 decades 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 the field of domestic manufacturing informatization. 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.

Tong Liping

Joined the Company in March 2004 and currently serves as the chief legal officer, the head of legal department and the solicitor of the Company and the supervisor of Shanghai Highly (Group) Co., Ltd. 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.

Zhang Jianming

Joined the Company in March 2004 and is the chief risk officer of the Company and the secretary of the Commission for Discipline Inspection 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.

Fu Rong

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 master's degree in business administration and is a senior economist.

Li Chung Kwong Andrew

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.

Incentive Share Options Granted to Directors and Supervisors, Senior Management

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

(I) Employment status with shareholder entities

Name	Name of shareholder entities	Position in shareholder entities	Term of office commencing on	Term of office ending on
Huang Dinan	Shanghai Electric (Group) Corporation	Chairman of the Board	May 2014	to present
Wang Qiang	Shanghai Electric (Group) Corporation	Director, President	August 2014	to present
Zheng Jianhua	Shanghai Electric (Group) Corporation	Vice Chairman of the Board	May 2014	to present
Zhu Kelin	Fengchi Investment Co., Ltd.	General Manager	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
Zheng Weijian	Fengchi Investment Co., Ltd.	Chairman of the Board	July 2012	to present

(II) Employment status with other entities

Name	Name of other entities	Position in other entities	Term of office commencing on	Term of office ending on
Wang Qiang	Shanghai Prime Machinery Company Limited	Chairman of the Board	December 2012	to present
Zhu Kelin	Guangdong Zhujiang Investment Joint Stock Co., Ltd.	Chairman of the Board	December 2007	to present
Lui Sun Wing	Leeport (Holdings) Limited	Non-executive director	July 2013	June 2014
	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
	GTA Information Technology Co., Ltd.	Independent non-executive director	November 2014	to present
Kan Shun Ming	Wong Brothers & Co Certified Public Accountants	Partner	1990	to present
	Authosis Venture (翱科創業投資有限公司) (to be confirmed by client)	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
	Tseung Kwan O Hospital of Hospital Authority	Member of the Governing Committee	April 2014	to present
Chu Junhao	Shanghai Institute of Technical Physics	Researcher	December 1984	to present
	School of Information Science Technology, East China Normal University.	Dean	July 2006	to present
	Shanghai Center for Photovoltaics	Head	January 2008	to present
Dong Jianhua	Shanghai Highly (Group) Co., Ltd.	Chairman of the Supervisory Committee	April 2013	to present
	Shanghai Prime Machinery Company Limited	Chairman of the Supervisory Committee	April 2013	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 the Supervisory Committee	January 2008	to present
	Shenzhen Yunfeng Guaranty & Investment Co., Ltd.	Director	January 2006	to present
	Guangdong Zhujiang Investment Management Group Co., Ltd.	Chairman of the Board	January 2013	to present
Hu Kang	Shanghai Mechanical and Electrical Industry Co., Ltd	Chairman of the Board	17 January 2014	22 May 2015
Cao Jun	Shanghai Automation Instrumentation Co., Ltd.	Chairman of the Board	18 December 2013	to present
Tong Liping	Shanghai Highly (Group) Co., Ltd.	Supervisor	20 June 2014	19 June 2017

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	RMB9.1303 million

Changes of Directors, Supervisors and Senior Management of the Company

Name	Position	Change	Reason for the change
Huang Dinan	Chairman of the Board and Chief Executive Officer	Elected	Elected by the Board
Xu Jianguo	Chairman of the Board and Chief Executive Officer	Resigned	Age
Wang Qiang	Vice Chairman of the Board	Elected	Elected at the general meeting
Kan Shun Ming	Independent non-executive director	Appointed	Elected at the general meeting
Cheung Wai Bun	Independent non-executive director	Resigned	Expiration of the term of office
Chu Junhao	Independent non-executive director	Appointed	Elected at the general meeting
Zhu Sendi	Independent non-executive director	Resigned	Requirements of organization
Huang Ou	Vice president	Appointed	Work requirements
Zhu Genfu	Vice president	Appointed	Work requirements
Hu Kang	Chief Financial Officer	Appointed	Work requirements
Yu Yingui	Chief Financial Officer	Left the position	Work requirements

Core Technology Team and Key Technology Staff of the Company

There has been no significant change 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	82
Number of current staff in the principal subsidiaries	29,179
Total number of current staff	29,261
Number of retired staff for whom the Company and the principal subsidiaries are responsible for the retirement benefits	289

Personnel classification

Personnel categories	Number of employees
Production personnel	13,694
Sales personnel	2,423
Technical personnel	8,352
Financial personnel	739
Administration personnel	4,053
Total	29,261

Education Level

Categories by education level	Number of employees
Postgraduate and above	1,873
Undergraduate	9,364
Tertiary education	6,437
Secondary education and below	11,587
Total	29,261

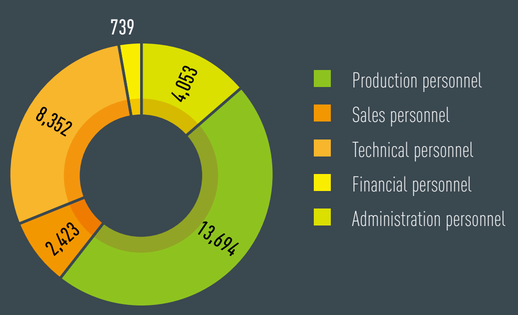
Remuneration Policy

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.

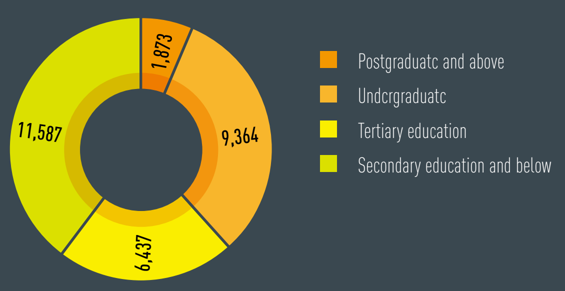
Training Program

During the reporting period, the company adhered to the idea of demand driven, enhanced the construction of training system and training base, and continued on training of core employees, especially of leading cadres and strategically short talents, making greater efforts on staff training and improving business development of the Group and human capital value by focusing on the Group's strategy and the requirement of"a year of transformation and breakthroughs".

Statistical Chart of Personnel Classification



Statistical Chart of Education Level



Contracted Labour

Total remuneration paid to contracted labour	RMB173 million

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, the Company has not any incentive Share Option Scheme.

CORPORATE GOVERNANCE REPORT

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 strictly complied with relevant rules including, but not limited to, the code provisions of the Code in respect of "Corporate Governance Code" 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") being part of a series of corporate governance regulatory documents, 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.

Model Code for Securities Transactions by Directors

The Company has adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors 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 2014. The Company was not aware of any noncompliance of the Model Code by any staff.

Board of Directors

During the reporting period, the Board of Directors comprises nine directors, including three executive directors, namely Huang Dinan, Xu Jianguo (resigned on 22 May 2014), Zheng Jianhua and Yu Yingui, three non-executive directors, namely Wang Qiang (appointed on 27 June 2014), Zhu Kelin and Yao Minfang, and three independent non-executive directors, namely Lui Sun Wing, Kan Shun Ming (appointed on 26 February 2014), Chu Junhao (appointed on 4 August 2014), Zhu Sendi (resigned on 15 July 2014) and Cheung Wai Bun (resigned on 26 February 2014). The number of independent non-executive directors represents one-third of the total number of directors.

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 standardization 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 annually. The Company has received the annual confirmations from such Directors and considered them to be independent in 2014.

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 controls.

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 the newest regulation on areas including business, law and finance, for the directors to advance their professional knowledge on a continuous basis.

The attendance of directors at the Board's meetings and general meetings

		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
Huang Dinan	No	15	13	10	2	0	Yes	3
Wang Qiang	No	8	8	7	0	0	No	0
Zhu Kelin	No	15	11	10	4	0	No	0
Zheng Jianhua	No	15	15	10	0	0	No	1
Yu Yingui	No	15	14	10	1	0	No	1
Yao Minfang	No	15	15	10	0	0	No	1
Lui Sun Wing	Yes	15	15	10	0	0	No	4
Kan Shun Ming	Yes	14	14	9	0	0	No	3
Chu Junhao	Yes	6	6	5	0	0	No	0

Number of Board meetings held during the year	15
Of which: Number of meetings by physical attendance	5
Number of meetings held via other communication means	10
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. Huang Dinan is the Chairman of the Board and the Chief Executive Officer of the Company. However, the executive director and the President of the Company, Mr Zheng Jianhua, 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 control system 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, half-yearly, 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), Dr. Lui Sun Wing, Mr. Chu Junhao (appointed on 4 August 2014) and Ms. Yao Minfang, is chaired by Mr. Kan Shun Ming, an independent non-executive director. During the reporting period, Dr. Cheung Wai Bun, the former Chairman of the Audit Committee, resigned on 26 February 2014. Mr. Zhu Sendi, the former member, resigned on 15 July 2014.

Nine meetings of the Audit Committee were held during the reporting period. During the meetings, the Audit Committee has reviewed and overseen the financial reporting procedures and internal control system 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, half-yearly 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)	8/8
Cheung Wai Bun (Former Chairman of the Committee)	1/1
Zhu Sendi (Former member of the Committee)	5/5
Lui Sun Wing	9/9
Chu Junhao	4/4
Yao Minfang	9/9

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 of the Company currently comprises Dr. Lui Sun Wing, Mr. Wang Qiang (appointed on 30 June 2014), and Mr. Chu Junhao (appointed on 4 August 2014). Dr. Lui Sun Wing is the chairman of the Remuneration Committee. During the reporting period, Mr. Huang Dinan, the former member of the Remuneration Committee, resigned on 30 June 2014. Mr. Zhu Sendi, the former member, resigned on 15 July 2014.

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 (Former member of the Committee)	1/1
Wang Qiang	0/0
Zhu Sendi (Former member of the Committee)	1/1
Chu Junhao	0/0

Strategic Committee

The Strategic Committee under the Board of the Company (the "Strategic Committee") is currently composed of Mr. Huang Dinan, Mr. Wang Qiang (appointed on 30 June 2014), Mr. Zheng Jianhua, Dr. Lui Sun Wing and Mr. Chu Junhao (appointed on 4 August 2014) and chaired by Mr. Huang Dinan. During the reporting period, Mr. Xu Jianguo, the former chairman, resigned on 22 May 2014. Mr. Zhu Sendi, the former member, resigned on 15 July 2014.

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

Name of Remuneration Committee Member	Actual attendance/ attendance required
Huang Dinan (Chairman of the Committee)	0/1
Xu Jianguo (former Chairman of the Committee)	0/1
Wang Qiang	0/0
Zheng Jianhua	1/1
Zhu Sendi (former member)	1/1
Chu Junhao	0/0
Lui Sun Wing	1/1

Nomination Committee

The Nomination Committee under the Board of the Company (the "Nomination Committee") currently comprises Mr. Chu Junhao (appointed on 4 August 2014), Mr. Wang Qiang (appointed on 30 June 2014) and Mr. Kan Shun Ming (appointed on 26 February 2014), Mr. Chu Junhao being the Chairman. During the reporting period, the former chairman Mr. Zhu Sendi resigned on 15 July 2014, the former member Mr. Huang Dinan resigned on 30 June 2014 and the former member Dr. Cheung Wai Bun resigned on 26 February 2014.

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

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.

Three meetings of our Nomination Committee were convened during the reporting period. During the meetings, the Nomination Committee has reviewed issues regarding the newly-appointed candidates for directors of the Company during the reporting period, and adopted the policy on board member diversification of the Company. The Nomination Committee has also 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, and the Board has satisfied the requirements of the Hong Kong Stock Exchange on the diversification of the Board's composition of listed companies. The Nomination Committee will also continue to perform their duties in accordance with those requirements.

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

Name of Nomination Committee Member	Actual attendance/ attendance required
Chu Junhao (Chairman of the Committee)	1/1
Wang Qiang	2/2
Kan Shun Ming	3/3
Zhu Sendi (former Chairman)	2/2
Huang Dinan (former member)	1/1
Cheung Wai Bun (former member)	0/0

Corporate Governance Functions

During the reporting period, the Board of the Company performed the following functions: to develop and review the Company's policies and practices on corporate governance and make recommendations; to review and monitor the training and continuous professional development of directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

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 2014, 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 (Attendance in person/attendance required):

Name of Supervisors	Actual attendance/ attendance required
Dong Jianhua	8/9
Xie Tonglun	9/9
Li Bin	9/9
Zhou Changsheng	9/9
Zheng Weijian	9/9

Senior Management

As at the date of this report, the Company has 11 members of senior management in total, namely Zheng Jianhua, Huang Ou, Zhu Genfu, 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 the "Basic Standards of Internal Controls for Enterprises" and the supplementary guidelines of the Ministry of Finance, CSRC, National Audit Office, CBRC, and CIRC, as well as the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange and the relevant legal and regulatory requirements, 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 2014, 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 PricewaterhouseCoopers Zhongtian, LLP in 2014 to carry out an audit on the effectiveness of the internal controls related to the financial reporting of the Company. PricewaterhouseCoopers Zhongtian, 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 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 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' forums and conducted domestic and overseas roadshows at regular intervals to help investors gain a better understanding of the Company's operating results as well as its strategies and plans for future development. The Company will continue to make great efforts in its investor relations work to further enhance its transparency.

Other Matters

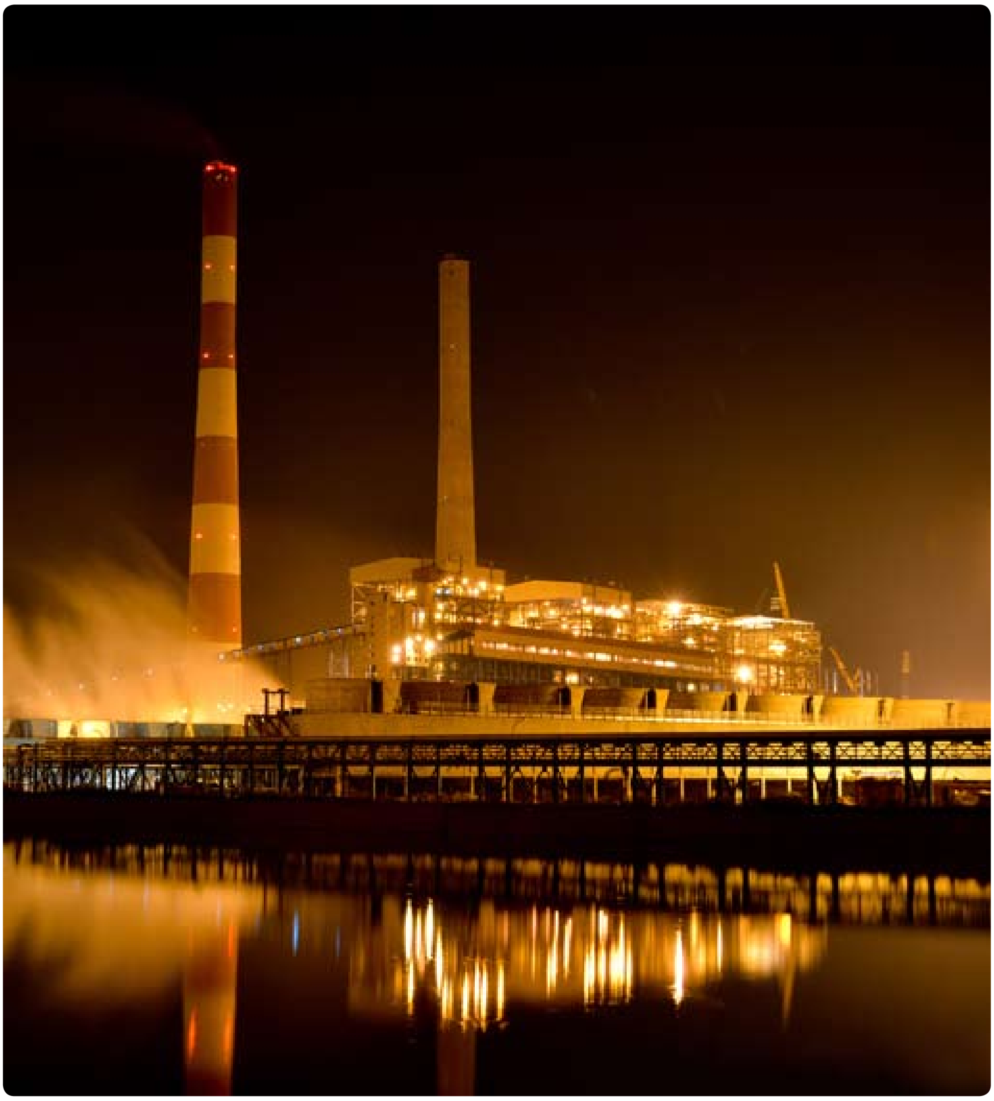
During the reporting period, a special resolution has been passed at the second extraordinary general meeting for 2014 (the "2014 second EGM") of the Company to amend the relevant provisions of the Articles of Association. Please refer to the circular of the 2014 second EGM and H share Class Meeting dated 30 June 2014 published at the websites of both the Hong Kong Stock Exchange 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
The first extraordinary general meeting for 2014	26 February 2014	China Securities Daily, Shanghai Securities Daily, Securities Times Daily	27 February 2014
Annual General Meeting of the Company for 2013	27 June 2014	China Securities Daily, Shanghai Securities Daily, Securities Times Daily	28 June 2014
The second extraordinary general meeting for 2014	4 August 2014	China Securities Daily, Shanghai Securities Daily, Securities Times Daily	5 August 2014
A share class meeting for 2014	4 August 2014	China Securities Daily, Shanghai Securities Daily, Securities Times Daily	5 August 2014
H share class meeting for 2014	4 August 2014	China Securities Daily, Shanghai Securities Daily, Securities Times Daily	5 August 2014
The third extraordinary general meeting for 2014	9 October 2014	China Securities Daily, Shanghai Securities Daily, Securities Times Daily	10 October 2014

Business Review

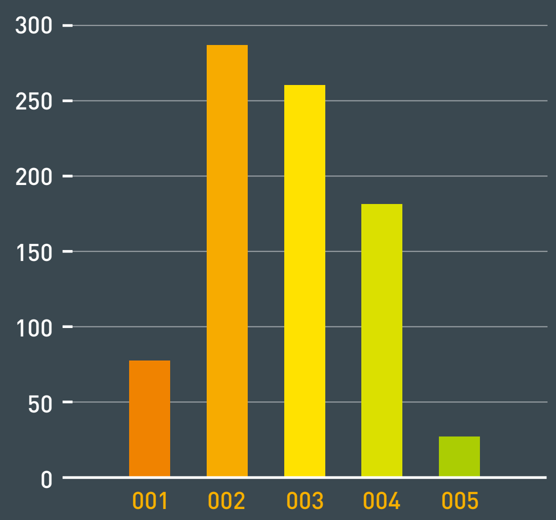
During the reporting period, the Company achieved a turnover of RMB76,785 million, representing a decrease of 2.6% over the corresponding period of preceding year. The net profit attributable to the owners of the parent amounted to RMB2,511 million, representing an increase of 4.9% over the corresponding period of preceding year.



Business Review of Major Business Segments

Unit: 100 million Currency: RMB

2014	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	77.51	71.96	7.2%	32.2%	27.4%	+3.6 percentage points
High Efficiency and Clean Energy Equipment	286.94	238.35	16.9%	-12.3%	-11.6%	-0.7 percentage points
Industrial Equipment	260.19	205.45	21.0%	2.8%	2.2%	+0.4 percentage points
Modern Services	181.40	151.59	16.4%	-10.6%	-16.5%	+5.9 percentage points
Other Business	25.09	21.21	15.5%	2.2%	2.4%	-0.1 percentage points
Elimination	(63.28)	(64.38)	-1.7%	-19.1%	-18.0%	-1.3 percentage points
Total	767.85	624.18	18.7%	-2.6%	-4.1%	+1.3 percentage points



001 New Energy Equipment
002 High Efficiency and Clean Energy Equipment
003 Industrial Equipment
004 Modern Services
005 Other business

Major Customers

The Company's total sales revenue during the reporting period from five largest customers was RMB9.562 billion, representing 12.5% 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 RMB5.63 billion, representing 11.9% of the total purchases amount of the Company.

Expenses

There was no expense item of the Company of which the year-on-year change was over 30% during the reporting period.

R&D expenditure

Unit: 100 million Currency: RMB

Total R&D expenditure	28.04
Percentage of total R&D expenditure to sales revenue (%)	3.7%

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. The Company focuses its energy on strategic emerging industrial projects and has made great achievement in science and technology in 2014.

NEW ENERGY EQUIPMENT

CAP1400 nuclear power demonstration engineering project progressed smoothly, witnessed by the completion of the research and development on forging components for the barrel and the primary pump and large-sized austenitic stainless steel forging components for the reactor vessel internals of CAP1400 steam generators and pressurizers. The heat treating and welding of certain components of CAP1400 steam generators has been finished and the research and development on CAP 1400 nuclear primary pump sample unit also came to the end and entered into the testing phase. In addition, the second generation plus nuclear primary pump has been developed and passed the tests for durability and delivery, therefore it has been delivered to the users.

HIGH EFFICIENCY AND CLEAN ENERGY EQUIPMENT

The technological development of the 1000MW "second reheat" equipment has been completed, and the major part of Taizhou 1000MW "second reheat" equipment that the project attached to has been substantially completed. Parts and components of the boiler have been delivered to the users' site. Parts and components of the turbine are ready for delivery after the manufacture completed.

INDUSTRIAL EQUIPMENT

In respect of passenger elevators, the installation of high-speed (8m/s) elevator prototype and the trial-production, trial, testing and improvement for the key components have been completed; ultra-precision grinded large-calibre optical element flatness on-site measurement equipment project, the major science and technology project undertaken by Shanghai Machine Tool Works Ltd. has completed the assembling and commissioning of the prototype and has entered into the phases of testing and improvement.

Review of the principal activities by geographical areas

Unit: billion Currency: RMB

Geographical Areas	2014 Sale Revenue	2014 Proportion	2013 Revenue	2013 Proportion
Mainland China	66.230	86.3%	65.590	83.2%
Elsewhere	10.555	13.7%	13.205	16.8%
Total	76.785	100%	78.795	100%

Major financial reporting items and Analysis of Changes

Major items in the balance sheet and analysis of changes

Unit: billion Currency: RMB

Assets	End of the year	Proportion in Total Assets	Beginning of the Year	Proportion in Total Assets
Investments in joint ventures	3.041	2.1%	0.006	0.0%
Inventories	24.073	16.8%	20.645	16.0%
Trade receivables	26.056	18.2%	25.268	19.5%
Cash and cash equivalents	25.113	17.5%	21.409	16.6%
Trade payables	26.938	18.8%	25.099	19.4%
Other payables and accruals	47.274	32.9%	43.213	33.4%
Short-term interest-bearing bank borrowings and other borrowings	5.009	3.5%	3.765	2.9%

Changes of investments in joint ventures as compared with that of the end of previous period were mainly due to the Company's acquisition of 40% equity interest in Ansaldo Energia S.p.A. during the period.

Changes of short-term interest-bearing bank borrowings and other borrowings as compared with that of the end of previous period were mainly due to the Company's additional loan in relation to the acquisition of Ansaldo Energia S.p.A..

Major items in the statement of profit or loss and analysis of changes

Unit: billion; Currency: RMB

	2014	2013	Change	Rate (%)
Revenue	76.785	78.795	(2.010)	(2.6)
Cost of Sales	62.418	65.085	(2.667)	(4.1)
Net profit attributable to owners of the parent	2.511	2.393	0.118	4.9

Revenue reduced by 2.6% as compared with that of the same period of preceding year, which was mainly due to the influence of the macroeconomic environment, and the thermal power equipment market and power plant engineering business were still sluggish during the reporting period; the wind power industry has revived during the reporting period and the Company's elevator business has maintained a positive trend of growth.

Net profit attributable to owners of the parent increased by 4.9% as compared with that of the same period of preceding year, which was mainly due to the improvement of the profitability of elevator, wind power products and other products during the reporting period.

Major items in the statement of cash flows and analysis of changes

Unit: billion Currency: RMB

Items	2014	2013	Year-on-year change
Net cash flows from operating activities	4.411	7.178	(2.767)
Net cash flows from investing activities	(3.423)	(5.311)	1.888
Net cash flows from financing activities	1.907	(1.439)	3.346

Net cash flows from operating activities decreased as compared with that of the same period of preceding year, which was primarily due to the increase of work in process and finished goods by the end of the period as compared with that of the same period of preceding year.

Net cash outflows from investing activities decreased as compared with that of the same period of preceding year, which was primarily due to an increase in cash inflow resulted from the disposal of financial assets by the Company by grasping the opportunity in the capital market in the reporting period.

Net cash flows from financing activities registered cash inflow in the reporting period, which was primarily due to the increase of the borrowings of the Company and the deposits absorbed by the Company's subsidiary finance company during the reporting period.

Source of Funding and Indebtedness

As at 31 December 2014, the Group had an aggregate amount of bank and other borrowings and bonds of RMB7,856 million (2013: RMB5,973 million), representing an increase of RMB1,883 million as compared with that of the beginning of the year. Borrowings and bonds repayable by the Company within one year amounted to RMB5,009 million, representing an increase of RMB1,244 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB2,847 million, representing an increase of RMB638 million as compared with that of the beginning of the year.

As at 31 December 2014, all unsecured bank borrowings in the bank and other borrowings of the Group, with the exception of unsecured bank borrowings of USD36,645,000 (equivalent to RMB222,749,000) (2013: USD232,725,000, equivalent to RMB1,418,901,000) and EUR400,000,000 (equivalent to RMB2,982,240,000) (2013: EUR0, equivalent to RMB0) and HKD700,000,000 (equivalent to RMB552,209,000) (2013: HKD0, equivalent to RMB0) and MYR33,250,000 (equivalent to RMB58,600,000) (2013: MYR0, equivalent to RMB0) and JPY84,000,000 (equivalent to RMB4,318,000) (2013: JPY0, equivalent to RMB0), are denominated in Renminbi.

As at 31 December 2014, 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 14.7%, representing an increase of 2.4 percentage points as compared with 12.3% at the beginning of the year.

Pledge of Assets

As at 31 December 2014, the bank deposits of the Group of RMB628 million (2013: RMB615 million) were pledged to banks for bank borrowings or credit facilities. In addition, certain buildings and machineries of the Group, with the net carrying value amounting to RMB1,338 million as at 31 December 2014 (2013: RMB427 million), were pledged for certain bank loans of the Group.

Contingent Liabilities

Please refer to note 47 to the consolidated financial statements for details.

Capital Commitments

Please refer to note 49 to the consolidated financial statements for details.

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

Industry competition landscape and the development trend

In 2014, China's economy stepped into New Normal Phase with its growth rate of future economy changing from a past annual growth rate of approximately 10% to a growth rate of 7%~8%. As the supply capacity of traditional industries is significantly in excess of demand, the re-engineering of economy structure is also increasingly changing, facilitating the continuous optimizing and upgrading of industry structure, which made corporate mergers and reorganization become a normal phenomenon. As for the market of equipment and energy, its focus has been shifted from priority in incremental capacity expansion to in-depth adjustment in both stock and increment and its development model is being changed from extensive growth of scale and speed to intensive growth of quality and efficiency. In the Government Report delivered at 2015 Two National Conferences, Prime Minister Li Keqiang clearly mentioned, "We will encourage companies to participate in overseas infrastructure development projects, engage in cooperation with their foreign counterparts in building up production capacity, execute major projects like high-end equipment, new energy, and gas turbine, in order to nurture a group of emerging industries in becoming leading industries. We will further implement Action Plan on Prevention and Control of Air Pollution by implementing regional joint prevention and control, upgrading coal-fired power plants to achieve ultra-low emissions and striving for zero-growth in the consumption of coal in heavily-polluted areas. In this regard, we will put great efforts in the development of wind power, photovoltaic power, and biomass, and work actively to develop hydropower and stress safety in developing nuclear power, in addition to exploiting shale gas and coal seam gas. We will control total energy consumption by reinforcing energy saving in key areas such as industries, traffic and construction, etc. For actively developing circular economy, we will endeavor to promote resourceful utilization of industry waste and household garbage. Since the country's energy saving and environment protection market has huge potential, we will commit to build the energy saving and environmental protection industry into a new pillar industry." We believe, in 2015 and during the 13th Five-Year Plan period, leveraging on the existing industry base and technical advantages of Shanghai Electric, we will have more market development opportunities and business development space in respect of export of equipment we manufactured, participation in construction of major energy projects, independent R&D of gas turbine, upgrade of coal-fired power plants to achieve ultra-low emissions, development with great efforts in distributed power covering wind power and photovoltaic power generation etc. and energy storage system, safety-emphasized development of nuclear power and reinforce in the emerging industry of energy saving and environmental protection, etc.

It is expected that the future annual average demand for energy equipment in domestic market is as follows: the newly installed thermal power capacity will remain around 30,000MW to 45,000MW; the newly installed gas turbine capacity will be around 4,000MW to 6,000MW; the newly installed wind power capacity will be around 18,000MW; the newly installed nuclear power capacity will reach around 8,000MW. As a large scale energy equipment manufacturing group, the Company will continue to strive to enhance our product competitiveness and improve 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 the track of general thought and strategic structure of z"adhering to the development theme of innovation and development, insisting on pushing ahead development with a direction towards high-end technology, asset-light business structure, group level centralized management and controls, simplified operation structure, together with a pragmatic and result-oriented work approach" and determine our strategic goal to be providing China and the world with more efficient, more environmental friendly and more economic energy and industrial equipment as well as a set of solutions and developing Shanghai Electric into a transnational enterprise equipped with international competitiveness and brand influence based on local China.

New Energy Equipment

As in the area of nuclear power equipment, we will develop ourselves into an equipment Group with an integration of equipment, supply and comprehensive services and strive to become a domestic leading and respected nuclear power equipment brand supplier. As in the area of wind power equipment, we will not only strengthen the leading position in the offshore wind power market, improve the market share of onshore wind power and enter into the first echelon in China, but also innovate on our business model, push forward industrialization for wind turbines service, make reasonable and moderate national layout, accelerate new product research and development and realize automation of high-end technology such as low speed wind turbines, offshore wind turbines and direct drive wind turbines etc..

High Efficiency and Clean Energy Equipment

As in the area of thermal power equipment, we will stick to a self-leading and innovation-driven principle, realize "high parameter, high reliability, high stability, low energy consumption, low emission and low pollution", further take the lead in market development, realize high-end orientation of environmental friendly thermal power equipment. As in the area of gas turbine equipment, we will achieve self-development of heavy gas turbine technology, complete industrialized layout of light gas turbine, achieve all-round innovations on gas turbine and enter into international stage by taking advantage of the cooperation with Italy's Ansaldo. As in the area of power transmission and distribution equipment, we will accelerate the integrated development of primary and secondary power transmission and distribution equipment by way of acquisition and merger and explore new areas such as micro-grid.

Industrial Equipment

As in the area of elevator equipment, we will continue to insist on the development strategy which includes technology import and self-development to build a technology innovation system aiming at "production with current generation of technology, development with next generation of technology, and preliminary research on an even higher generation of technology". We will continue to take service innovation as an effective way to promote the competitiveness of manufacture, provide powerful product additional services, and accelerate the process of service strategy upgrading and transformation.

Modern Services

For our power plant service business, our focus will shift from merely thermal power to thermal power plus new energy and we will gradually acquire capacities of contracting and implementing projects on gas turbine, wind power, and environment protection. Our power plant service business will tap into global market from the single segment market. We will encourage innovation in a business model of integrating business and finance and extend our business into energy service industry as well as into the provision of maintenance for overseas power plants on the foundation of our general EPC contracting business.

Operational plan

2015 will be critical for the Group's transformational development. We will endeavor to "stay healthy and orderly, make breakthroughs and get upgraded" in our operation. We will position staying healthy and orderly as a precondition, followed by further improving the Group's quality in economic operation and assets to ensure healthy and strong economic growth. Making breakthroughs and getting upgraded serve as the successive key step, in which opportunities should be seized while innovation and breakthroughs should be pursued for the Group to take a solid step on the way to transformational development. There will be new breakthroughs in the industry, new changes in the structure, new development in the reform exercise and new outcomes in the transformational development of the Group.

The Group's targets for 2015 will be to maintain steady development of core business and to achieve turnover increase compared to that of the same period in 2014. We will stand higher, see farther, think deeper, do more solid work into greater level of details with our focus as follows:

Maintaining steady development of core business

Core business is the main support of the Group's transformational development. We should enhance our competitiveness and profitability in our core business based on the principle of staying stable and healthy. We should maintain our market advantages in high-efficiency and clean thermal power and strive for a new round of breakthrough in the area of gas turbine, wind power equipment and energy services. With the speeding up of the pace of resumption for domestic nuclear power market, not only should we keep our leading position in the nuclear power industry and consolidate the third generation nuclear power, but also we should step forward into the area of the fourth generation nuclear power as well as military nuclear equipment and the research and development of post disposal equipment for spent nuclear fuel. At the same time, we should accelerate our expansion from nuclear power equipment manufacturer to the integration of nuclear power equipment design, manufacture and service. With its leading market position as a solid foundation, Shanghai Mitsubishi Elevator will attach more importance to the development of service-driven manufacture and further expand service network throughout the country.

Accelerating the optimization of industry structure

We should actively develop automation industry, mainly focusing on the development of industrial automation industry represented by intelligent manufacture. With more efforts to be made, relative plans to be considered, industry layout to be prepared and resources to be integrated, we will cultivate our capacity of integrating products and systems as soon as possible. In terms of environment protection industry, more attention should be focused on the core business areas including solid waste treatment, water treatment, comprehensive utilization of resources and energy saving. As for modern service, we should speed up the development of manufacturing-related service industry based on equipment manufacture. As for new industry, we will accelerate the overall cooperation with Fuji Electric. We will try to occupy the commanding heights for solar-thermal power generation area through international cooperation and develop our capacities and competitive strengths in the field of distributed energy as fast as we can through business model innovation.

Continuing to increase the market share of our core business

Currently, in face of the complicated external situation, we will continue to adjust our marketing and sales strategies to guarantee the market share of our core business and increase the number of new orders by studying the changes in national policies, market demand, competition landscape and customer mentality.

Strengthening the establishment of soft power.

We will follow and implement the development idea of "high recognition of technology but less recognition of assets", exercise strict control over the investment in fixed assets and improve the Company's core competitiveness by focusing on the development of such five core abilities including profitability, competitiveness, development ability, risk control ability and executive ability. The Company will maintain its operation in a healthier manner by leveraging on control indicators over items including trade receivables and inventories of its subsidiary enterprises. The Company will also increase its efforts in reducing operational costs to maintain a reasonable decrease in such costs through innovation of system and mechanism and reduction in costs by technology, management and procurement etc. Meanwhile, it will accelerate the transfer of its non-core manufacturing to low-cost regions in an attempt to realize the strategic transformation of "R&D and marketing in Shanghai and production outside Shanghai". It will continue to enhance its management, intensify management concentration and promote financial shared services centers, formulate standards such as standards of economic operation alarm value and etc., and establish a management system for major customers and actively promote the Group's management of major customers.

Accelerating of innovations in technology

Oriented by development strategies of the Company and in line with the new trend of the global technological development, we will carry on making plans in terms of scientific and technological development, revise such plans for the following 15 years, and establish a scrolling revision system for them, which reflects the Company's development principle of "high recognition of technology but less recognition of assets" and "high-end technology". We will continue enlarging the investment in scientific research, further enhance concentration on the investment in science and technology, further streamline and improve the three-layer structure system of scientific research of the Company.

Accelerating human resource development

We will promote human resource integration development and build a human resource shared services center. We will improve the training management system, endeavor to cultivate and manage core talents, and strengthen centralized management of training resources. We will advance the development of key and core talent teams and focus on the "TOP100+ International Talents Development" project. We will attach importance to the development of leader teams by recruiting influential and leading talents in the industry, and taking advantage of their strengths in leading. We will create a passionate and energetic mechanism. We will arouse the competence and passion of all employees of the Company through reasonable incentive mechanism, which lays a foundation for the achievement of the Company's strategic objective.

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 timely adjust management measures to raise the corporate management efficiency, and actively innovate 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

With the continuous expansion of its overseas presence, 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 US dollars, tends 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 January 2015, China Securities Regulatory Commission approved in writing the Company's public offer of convertible corporate bonds with an aggregate nominal value of RMB6 billion ("A Share Convertible Bonds"). In February 2015, the Company completed the public offer of A Share Convertible Bonds amounting to RMB6 billion, and the net proceeds will be used to finance the Iraq Wassit II Thermal Power Plant EPC project, India SASAN Thermal Power Plant BTG project and Vietnam Vinh Tan II Coal-fired Power Plant EPC project and used as a capital contribution to Shanghai Electric Leasing Co., Ltd.

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

None.

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

As audited by PricewaterhouseCoopers Zhong Tian LLP, the net profit of the parent set out in the financial statements prepared in accordance with the PRC GAAP amounted to RMB2,875,702,000 in 2014, and the opening unappropriated profit in 2014 amounted to RMB7,482,871,000. After a profit appropriation for 2013 of RMB957,284,000 and a transfer to statutory surplus reserve of RMB287,570,000, profit available for distribution amounted to RMB9,113,719,000. As audited by PricewaterhouseCoopers Zhong Tian LLP, the Company's net profit attributable to owners of the parent for 2014 based on the PRC GAAP amounted to RMB2,554,487,000, and as audited by PricewaterhouseCoopers, the Company's net profit attributable to owners of the parent based on Hong Kong Financial Reporting Standards amounted to RMB2,510,564,000.

Based on the total 12,823,626,660 shares of the Company, a total of RMB753,132,000 will be paid out as dividends, accounting for approximately 29% of the net profit of RMB2,554,487,000 attributable to owners of the parent based on PRC GAAP, and approximately 30% of the net profit of RMB2,510,564,000 attributable to owners of the parent based on 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 dividend for the year 2014 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 the dividends in respect thereof therefore will be subject to the withholding of the corporate income tax.

Closure of Register of Members

The Company's register of members for the H Shares will be closed from 3 April 2015 to 5 May 2015, both days inclusive and from 14 May 2015 to 19 May 2015, both days inclusive, during which period no transfer of H Shares will be effected.

Post balance sheet events

Please refer to note 18 to the consolidated financial statements for details of the proposed final dividend for the year 2014.

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 45 to the consolidated financial statements 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 19 to the consolidated financial statements.

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.

Equity interests in other listed companies held by the Company

Unit: Yuan Currency: RMB

Stock code	Stock abbreviation	Initial investment amount	Equity share (%)	Carrying amount as at the end of the period	Gain or loss during the reporting period	Changes in owners' equity during the reporting period	Account	Resource of shares
600642	Shenergy	2,800,000	0.06	17,442,000	0	5,157,000	Available-for-sale financial assets	Purchase
601328	BOCOM	9,122,809	0.01	41,149,812	0	17,912,271	Available-for-sale financial assets	Purchase
600000	SPDB	767,760	0.02	50,600,250	0	20,188,500	Available-for-sale financial assets	Purchase
600845	Baosight	4,912,000	0.48	58,792,500	0	14,917,500	Available-for-sale financial assets	Purchase
600610	S China Textile Machinery Co., Ltd.	760,000	0.10	8,154,432	0	-346,632	Available-for-sale financial assets	Purchase
600643	AJC	70,000	0.003	509,039	0	87,931	Available-for-sale financial assets	Purchase
600082	HiTech Develop	270,000	0.05	2,411,370	0	702,000	Available-for-sale financial assets	Purchase
600618	SCAC	1,240,008	0.03	3,371,060	0	1,104,488	Available-for-sale financial assets	Purchase
600633	Zhejiang Daily Media	7,471,992	1.44	79,715,856	0	13,169,112	Available-for-sale financial assets	Purchase
000501	Wu Han Department Store Group Co., Ltd.A	353,609	0.03	2,360,375	0	456,557	Available-for-sale financial assets	Purchase
600665	Tande Co., Ltd.	1,399,200	0.09	4,680,720	0	2,114,640	Available-for-sale financial assets	Purchase
600027	HDPI A-share	249,600,016	1.09	560,000,035	0	322,400,019	Available-for-sale financial assets	Purchase
	Total	278,767,394	/	829,187,449	0	397,863,386	/	/

Explanation on equity interests in other listed companies held by the Company

The Company's wholly-owned subsidiary, *Shanghai Electric Group Hong Kong Co., Ltd.*, increased shareholding in the Company's subsidiary Shanghai Mechanical & Electrical Industry Co., Ltd.("SMEI") by purchasing 204,870 B-shares (or 0.02% of total issued share capital of SMEI) through Shanghai Stock Exchange on 22 May 2014. Before the increase, the Company held 484,220,364 A-shares and 0 B-share of SMEI, equal to 47.35% of total issued share capital of SMEI; after the increase, the Company holds 484,220,364 A-shares and 204,870 B-shares, accounting for 47.37% of total issued share capital of SMEI.

Future shareholding increase plan: will not exceed 2% (including the initial increase) of the total issued share capital of SMEI within the 12 months from initial increase. The company will not reduce its shareholding in SMEI during the implementation period of the shareholding increase plan.

As at the end of the reporting period, the Company increased its shareholding in SMEI by 473,831 B-shares altogether during the reporting period.

Purchase or sales of shares of other listed companies

Share name	Initial share number	Share purchased during the reporting period	Capital used (RMB)	Number of shares sold during the reporting period	Ending share number	Investment income (RMB)
HDPI A-share	120,000,000	0	0	39,999,995	80,000,005	67,118,853

Connected Transactions and 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 2014 are set out as follows:

Connected Transactions

On 30 June 2014, the Company's Board of Directors discussed and approved the *Property Transfer Agreement* entered between the Company's wholly-owned subsidiary, Shanghai Heavy Machinery Plant Co., Ltd ("SHMP"), and Shanghai Electric (Group) Corporation ("SE Corporation"). SHMP transferred its buildings to SE Corporation at a price of RMB 862,704,700 determined based on evaluated net asset value on 30 April 2014. During the reporting period, such transfer had been completed.

On 10 October 2014, the Company's Board of Directors discussed and approved the repossession by SE Corporation of the property at 20, Chaling North Road in Shanghai owned by the Company's subsidiary Shanghai Yawa Printing Machinery Co., Ltd. with RMB 45,000,000 as compensation. During the reporting period, such transaction had been completed.

On 24 December 2014, the Company's Board of Directors discussed and approved the transfer of 100% equity shares of Shanghai Shenweida Machinery Co., Ltd from the Company's subsidiary Shanghai Electric Group Printing & Packaging Machinery Co., Ltd to Shanghai Electric Group Property Co., Ltd at a price of RMB92,271,700 determined based on evaluated net asset value on 31 May 2014. During the reporting period, such transfer was still in progress.

On 24 December 2014, the Company's Board of Directors discussed and approved the technology development agreement entered into between the Company's wholly-owned subsidiary SHMP and SE Corporation. SHMP, entrusted by SE Corporation, conducts research and development on heavy castings and forgings control technology and SE Corporation pays RMB140,000,000 of technology development fees. During the reporting period, such payment had been received.

Continuing Connected Transactions

Connected Transactions with Shanghai Electric (Group) Corporation

Framework sales agreement

The Company entered into a framework sales agreement with SE Corporation on 30 October 2013, pursuant to which the Group agrees to provide electrical engineering products, electrical equipment, 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 2014 was estimated to be RMB 400,000,000.

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 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 2014 was RMB174,570,000.

Framework purchase agreement

The Company entered into a framework purchase agreement with SE Corporation on 30 October 2013, pursuant to which the Group agrees to purchase, on a nonexclusive basis, certain component parts, such as turbine blades, coupling, AC motor and emergency trip control cabinet, automatic instruments, other mechanical 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 2014 was estimated to be RMB1,600,000,000.

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 prior to the expiry of the term and may be terminated by either party to the agreement by giving three months' notice.

The actual purchase from the Parent Group for the year ended 31 December 2014 was RMB719,670,000.

Framework financial services agreement

On 30 October 2013, Shanghai Electric Group Finance Co., Ltd. ("Finance Company"), a subsidiary of the Company, entered into various financial services agreements with SE Corporation, pursuant to which Finance Company provides deposit and loan services to the Parent Group.

The directors of the Company believe that these framework financial services 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 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 30 October 2013, Finance 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 2014 was estimated to be RMB4,800,000,000. 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 2014 did not exceed the approved annual cap of RMB 4,800,000,000. Besides, the Parent Group received interest income of RMB36,410,000 for the deposits from Finance Company for the year ended 31 December 2014.

(ii) Framework loan agreement

On 30 October 2013, Finance Company entered into a framework loan agreement with SE Corporation in relation to the loan and bills services provided by Finance Company and the payment shall be in accordance with the face amount of the instrument. The approved annual cap, representing the maximum daily balance of loans that may be extended and discounted bills that may be purchased (including interests), for the year ended 31 December 2014 was estimated to be RMB5,800,000,000.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.

The actual daily balance of outstanding loans and bills from the Parent Group in the year ended 31 December 2014 did not exceed the approved annual cap of RMB5,800,000,000. Besides, the Parent Group paid interest of RMB201,520,000, which was derived from loans and bills, to Finance Company for the year ended 31 December 2014.

Framework guarantee agreement

On 26 February 2014, Finance 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 letters of guarantee and electronic banker's acceptance, for the year ended 31 December 2014 was estimated to be RMB300,000,000.

The directors of the Company are of the opinion that the above framework guarantee agreement is entered into after 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 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 2014 was RMB300, 000,000.

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 RMB3,200,000,000 and RMB4,500,000,000, respectively; the annual caps of relevant sales for the two years ending 31 December 2014 are estimated to be RMB2,000,000,000 and RMB2,000,000,000, 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 framework agreement and the Renewal CCT. On 29 May 2012, the Independent Shareholders approved the waiver of written framework agreement and the Renewal CCT.

The actual purchases from Siemens Group for the year ended 31 December 2014 were RMB334,380,000 and the sales to Siemens Group for the year ended 31 December 2014 were RMB49,580,000.

In January 2015, the Company applied for exemption in strictly following Listing Rules 14A.34 and 14A.51 which provides that the Company shall enter into a framework agreement with Siemens on renewal continuing connected transactions. The waiver has been conditionally granted by the Stock Exchange on 10 February 2015, subject to and on the waiver conditions. On 10 February 2015, the Company made an announcement and disclosed the annual caps of purchases from Siemens amounting to RMB 1,600,000,000, RMB 2,200,000,000 and RMB 2,200,000,000 for the three years ending 31 December 2017 respectively after the Board of Directors' approval.

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% by Shanghai Mechanical & Electrical Industry Co., Ltd., a 47.39% owned subsidiary of the Company, 40% by Mitsubishi Electric and 20% 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 2014 are estimated to be RMB 2,400,000,000 and RMB 2,600,000,000, 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 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 two years ending 31 December 2014 from RMB2,400,000,000 and RMB2,600,000,000 to RMB3,400,000,000 and RMB4,200,000,000, 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 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 2014 were RMB2,747,950,000. 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 MESMEE framework purchase agreement aforesaid, the Company has been, for such relevant transactions, in strict compliance with the shareholders' approval and related requirements under Chapter 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 to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;
- prices in continuing connected transactions are in line with the pricing policies of the Company;
- no continuing connected transactions have exceeded the maximum aggregate annual caps disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions except the ratification of the above total transaction amount for the year 2013 under the framework purchase agreement with MESMEE.

Appointment, removal and remuneration of auditors

Removal of accounting firm:	Yes
Name of the PRC auditor	PricewaterhouseCoopers Zhong Tian LLP
Name of the international auditor	PricewaterhouseCoopers LLP

Unit: RMB '000

Services provided by auditors	**Remuneration**
Annual audit for the Company	8,691
Statutory audit for subsidiaries	8,981
Total	17,672

	Firm Name	**Remuneration**
Auditors for Internal controls review	PricewaterhouseCoopers Zhong Tian LLP	1,984

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHANGHAI ELECTRIC GROUP COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Electric Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 181, which comprise the consolidated balance sheet and the Company's balance sheet as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 auditor's judgment, 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 auditor considers 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 financial position of the Company and the Group as at 31 December 2014, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	6	**76,784,516**	78,794,522
Cost of sales	8	**(62,418,022)**	(65,084,541)
Gross profit		**14,366,494**	13,709,981
Other income and gains, net	7	**1,371,821**	1,470,987
Distribution expenses	8	**(2,437,275)**	(2,551,386)
Administrative expenses	8	**(8,098,922)**	(7,904,263)
Finance cost	11	**(296,481)**	(254,151)
Share of profits and losses accounted for using the equity method :			
Joint ventures	22	**944**	4,088
Associates	23	**532,073**	807,463
Profit before income tax		**5,438,654**	5,282,719
Income tax expense	12	**(895,235)**	(1,072,604)
Profit for the year		**4,543,419**	4,210,115
Profit attributable to:			
Owners of the company	13	**2,510,564**	2,393,242
Non-controlling interests		**2,032,855**	1,816,873
		4,543,419	4,210,115
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted earnings per share			
From profit for the year	13	**19.58 cents**	18.66 cents

The notes on pages 70 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	Year ended 31 December	
		2014	2013
		RMB'000	RMB'000
Profit for the year		4,543,419	4,210,115
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets		593,713	52,993
Cash flow hedges		(43,821)	120,000
Currency translation differences		(33,328)	(33,277)
Others		(644)	(43)
		515,920	139,673
Items that will not be reclassified subsequently to profit or loss			
Remeasurements gains/(losses) of defined benefit obligations		9,339	(52,968)
Other comprehensive income for the year, net of tax		525,259	86,705
Total comprehensive income for the year		5,068,678	4,296,820
Attributable to:			
– Owners of the company		2,969,200	2,481,153
– Non-controlling interests		2,099,478	1,815,667
		5,068,678	4,296,820

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

		As at 31 December	
	Notes	2014	2013
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**14,066,470**	15,126,716
Investment properties	17	**137,643**	140,201
Prepaid land lease payments	18	**1,684,582**	1,581,477
Goodwill	19	**148,073**	148,073
Intangible assets	20	**915,289**	990,499
Investments in joint ventures	22	**3,040,806**	6,270
Investments in associates	23	**3,791,884**	3,881,944
Other investments	25	**1,284,617**	969,356
Deferred tax assets	26	**2,683,479**	2,116,923
Derivative financial instruments	34	**-**	20,625
Loans and lease receivables	24	**4,068,514**	2,410,803
Other non-current assets		**497,127**	429,180
Total non-current assets		**32,318,484**	27,822,067
Current assets			
Inventories	27	**24,073,027**	20,644,804
Construction contracts	28	**2,111,976**	1,505,713
Trade receivables	29	**26,055,777**	25,268,380
Loans and lease receivables	24	**6,859,079**	5,441,146
Discounted bills receivable	30	**185,741**	548,702
Bills receivable	31	**6,390,123**	4,868,920
Prepayments, deposits and other receivables	32	**10,164,719**	10,807,108
Investments	33	**4,780,396**	6,224,328
Derivative financial instruments	34	**624,797**	50,584
Due from the Central Bank*	35	**4,244,973**	4,087,577
Restricted deposits	35	**628,005**	614,629
Cash and cash equivalents	35	**25,113,467**	21,408,756
Total current assets		**111,232,080**	101,470,647
Total assets		**143,550,564**	129,292,714

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2014

	Notes	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds	42	**1,993,201**	1,990,910
Interest-bearing bank and other borrowings	40	**853,644**	217,661
Provisions	41	**77,339**	23,246
Government grants		**424,834**	511,194
Other non-current liabilities	43	**1,086,963**	992,926
Deferred tax liabilities	26	**391,343**	611,670
Total non-current liabilities		**4,827,324**	4,347,607
Current liabilities			
Trade payables	36	**26,937,592**	25,098,974
Bills payable	37	**4,898,054**	4,144,473
Other payables and accruals	38	**47,273,941**	43,212,906
Derivative financial instruments	34	**3,819**	8,376
Customer deposits	39	**4,271,030**	1,762,404
Interest-bearing bank and other borrowings	40	**5,008,663**	3,764,512
Tax payable		**1,439,514**	995,932
Provisions	41	**3,465,559**	3,248,962
Total current liabilities		**93,298,172**	82,236,539
Total liabilities		**98,125,496**	86,584,146

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2014

	Notes	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Equity and liabilities (continued)			
Equity			
Equity attributable to owners of the Company			
Ordinary shares	44	**12,823,627**	12,823,627
Reserves	45	**20,659,633**	18,425,043
Retained earnings			
- Proposed final dividend		**753,132**	957,284
		34,236,392	32,205,954
Non-controlling interests		**11,188,676**	10,502,614
Total equity		**45,425,068**	42,708,568
Total equity and liabilities		**143,550,564**	129,292,714
Net current assets		**17,933,908**	19,234,108
Total assets less current liabilities		**50,252,392**	47,056,175

The notes on pages 70 to181 are an integral part of these consolidated financial statements.

Mr. Huang Dinan
Chairman and CEO

Mr. Hu Kang
CFO

BALANCE SHEET

As at 31 December 2014

	Notes	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**835,957**	886,588
Investment properties	17	**44,600**	47,066
Prepaid land lease payments	18	**217,037**	217,033
Intangible assets	20	**89,856**	93,741
Investments in subsidiaries	21	**17,802,073**	16,101,209
Investments in associates		**1,886,062**	1,797,094
Other investments	25	**616,000**	385,956
Deferred tax assets	26	**410,898**	491,557
Derivative financial instruments	34	**-**	20,625
Loans receivable	24	**620,000**	700,000
Other non-current assets		**550**	-
Total non-current assets		**22,523,033**	20,740,869
Current assets			
Inventories	27	**166,149**	78,528
Construction contracts	28	**90,517**	178,975
Trade receivables	29	**16,015,841**	16,112,369
Loans receivable	24	**875,000**	1,545,000
Bills receivable	31	**802,200**	434,063
Prepayments, deposits and other receivables	32	**15,409,628**	14,361,341
Investments	33	**-**	90,059
Derivative financial instruments	34	**3,844**	48,483
Cash and cash equivalents	35	**16,422,177**	14,952,198
Total current assets		**49,785,356**	47,801,016
Total assets		**72,308,389**	68,541,885

BALANCE SHEET (CONTINUED)

As at 31 December 2014

	Notes	As at 31 December 2014 RMB'000	2013 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds	42	**1,993,201**	1,990,910
Interest-bearing bank and other borrowings	40	**-**	455
Government grants		**3,400**	22,919
Other non-current liabilities	43	**39,146**	14,710
Total non-current liabilities		**2,035,747**	2,028,994
Current liabilities			
Trade payables	36	**22,989,984**	22,374,355
Bills payable	37	**373,874**	949,240
Other payables and accruals	38	**16,589,789**	16,814,542
Derivative financial instruments	34	**2,114**	8,376
Interest-bearing bank and other borrowings	40	**1,050,455**	455
Tax payable		**353,265**	257,895
Provisions	41	**848,151**	346,425
Total current liabilities		**42,207,632**	40,751,288
Total liabilities		**44,243,379**	42,780,282
Equity			
Equity attributable to owners of the Company			
Ordinary shares	44	**12,823,627**	12,823,627
Reserves	45	**14,488,251**	11,980,692
Proposed final dividend	45(b)	**753,132**	957,284
Total equity		**28,065,010**	25,761,603
Total equity and liabilities		**72,308,389**	68,541,885

Mr. Huang Dinan
Chairman and CEO

Mr. Hu Kang
CFO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Notes	Attributable to owners of the company												
		Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Hedging revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		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
Profit for the year		-	-	-	-	-	-	-	-	2,510,564	-	2,510,564	2,032,855	4,543,419
Other comprehensive income for the year:														
Changes in fair value of available for- sale investments, net of tax		-	-	-	-	-	521,808	-	-	-	-	521,808	71,905	593,713
Cash flow hedges, net of tax		-	-	-	-	(43,821)	-	-	-	-	-	(43,821)	-	(43,821)
Currency translation differences		-	-	-	-	-	-	-	(23,131)	-	-	(23,131)	(10,197)	(33,328)
Others		-	3,780	-	-	-	-	-	-	-	-	3,780	4,915	8,695
Total comprehensive income for the year		-	3,780	-	-	(43,821)	521,808	-	(23,131)	2,510,564	-	2,969,200	2,099,478	5,068,678
Capital injection to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	4,125	4,125
Addition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	49,250	49,250
Disposal of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(22,210)	(22,210)
Acquisition of non-controlling interests		-	15,766	-	-	-	-	-	-	-	-	15,766	(15,766)	-
Dividend paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(1,428,815)	(1,428,815)
Final 2013 dividend declared	15	-	-	-	-	-	-	-	-		(957,284)	(957,284)	-	(957,284)
Proposed final 2014 dividend	15	-	-	-	-	-	-	-	-	(753,132)	753,132	-	-	-
Transfer from retained profits		-	-	-	287,570	-	-	-	-	(287,570)	-	-	-	-
Others		-	2,756	-	-	-	-	-	-	-	-	2,756	-	2,756
At 31 December 2014		12,823,627	5,236,749	(2,352,526)	4,558,889	1,729	667,517	52,760	(77,386)	12,571,901	753,132	34,236,392	11,188,676	45,425,068

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

		Attributable to owners of the company												
	Notes	Issued capital RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Surplus reserves RMB'000	Hedging revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained 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
Currency translation differences		-	-	-	-	-	-	-	(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		-	-	-	-	-	-	-	-	-	-	-	20,655	20,655
Disposal of subsidiaries		-	-	-	-	-	-	-	(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		-	-	-	-	-	-	-	-	-	(816,865)	(816,865)	-	(816,865)
Proposed final 2013 dividend	15	-	-	-	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	46	5,773,147	8,723,195
Income tax paid		(1,362,232)	(1,545,107)
Net cash generated from operating activities		4,410,915	7,178,088
Cash flows from investing activities			
Interest received		855,953	680,702
Finance lease income		380,659	276,939
Dividends received from joint ventures		350	350
Dividends received from associates		484,511	491,952
Dividends received from investments		77,221	77,135
Purchases of items of property, plant and equipment		(1,710,932)	(1,770,966)
Purchases of investment properties		(5,072)	(846)
Realised fair value gains on investments at fair value through profit or loss		79,326	597
Prepaid land lease payments		(55,969)	(41,223)
Proceeds from disposal of items of property, plant and equipment		1,203,331	325,762
Business combination		-	(47,373)
Disposal of subsidiaries		-	(197,525)
Capital injection in joint ventures		(3,076,662)	-
Capital injection in associates		(49,690)	(6,061)
Proceeds from disposal of associates		-	2,042
Proceeds from disposal of joint ventures		-	4,128
Decrease in non-current other investments		772,423	483,596
Purchases of other intangible assets		(77,411)	(78,756)
Proceeds from disposal of other intangible assets		27,605	35,974
Proceeds from disposal of prepaid land lease payments		81,273	176,249
Acquisition of non-controlling interests		-	(4,596)
Acquisition of other-non current assets		(100,519)	(96,752)
(Increase) / decrease in restricted deposits		(13,376)	9,493
(Increase) / decrease in non-restricted time deposits with original maturity of over three months when acquired		(864,206)	999,015
Increase in loans and lease receivables		(2,752,038)	(2,915,035)
Decrease in discounted bill receivables		363,947	335,773
Increase in an amount due from the Central Bank		(157,396)	(1,506,879)
Decrease / (increase) in repurchased assets		1,376,280	(2,589,780)
Increase in current investments		(384,186)	(262,068)
Others		121,602	306,845
Net cash flows used in investing activities		(3,422,976)	(5,311,308)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2014

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cash flows from financing activities		
Capital injection by non-controlling shareholders	53,375	-
Business combinations under common control	-	(31,239)
Value added tax refunded	-	69,421
Capital reduction of subsidiaries	-	(13,006)
New bank and other loans	4,935,649	2,374,710
Repayments of bank and other loans	(3,042,423)	(3,850,312)
Issue of bonds	-	1,989,000
Dividends paid to non-controlling shareholders	(1,415,422)	(1,378,674)
Dividends paid by the Company	(957,284)	(816,865)
Increase in customer deposits	2,508,626	467,995
Interest paid	(325,305)	(200,572)
Others	150,000	(49,057)
Net cash flows generated from/(used in) financing activities	1,907,216	(1,438,599)
Net increase in cash and cash equivalents	2,895,155	428,181
Cash and cash equivalents at beginning of year	16,175,872	15,909,804
Effect of foreign exchange rate changes, net	(54,650)	(162,113)
Cash and cash equivalents at end of year	19,016,377	16,175,872
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated balance sheet	25,113,467	21,408,756
Less: non-restricted time deposits with original maturity of over three months when acquired	(6,097,090)	(5,232,884)
Cash and cash equivalents as stated in the consolidated statement of cash flows	19,016,377	16,175,872

1. GENERAL INFORMATION

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

During the year, the Company and its subsidiaries (together the "Group") is 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.

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of Shanghai Electric Group Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group adopts the going concern basis in preparing its consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) *New standard, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2014 but not currently relevant to the Group (although they may affect the accounting for future transactions and events).*

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Financial instruments: Presentation on asset and liability offsetting	1 January 2014
Amendments to HKFRSs 10, 12 and HKAS 27	Exception from consolidation for investment entities	1 January 2014
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	Financial instruments: Recognition and measurement - novation of derivatives	1 January 2014
HK(IFRIC) 21	Levies	1 January 2014

(b) *New and amended standards have been issued but are not effective for the financial year beginning on or after 1 January 2014 and have not been early adopted.*

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefits on defined benefit plans	1 July 2014
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 16 and HKAS38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group is assessing the full impact of the amendments and standards, and doesn't expect any significant impact on the consolidated financial statements upon adoption. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

(c) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap.622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with Section 358 of the Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap.622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.3 SUBSIDIARIES

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When the Group 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:

(i) the contractual arrangement with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Group's voting rights and potential voting rights.

(a) Business combinations

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.

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.

2.3 SUBSIDIARIES (CONTINUED)

(a) Business combinations (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.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 SUBSIDIARIES (CONTINUED)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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 balance sheet 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 are included in the consolidated income statement and consolidated statement of 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.

2.5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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 the consolidated income statement.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint ventures and their carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the consolidated income statement.

The results of associates and joint ventures are included in the Company's income statement 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 Noncurrent Assets Held for Sale and Discontinued Operations.

2.6 FAIR VALUE MEASUREMENT

The Group measures its derivative financial instruments and some 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.

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.

2.7 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, makes strategic decisions. The excutive directors are chief decision-makers for each decision.

2.8 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.8 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.9 PROPERTY, PLANT AND EQUIPMENT

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 consolidated income statement 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
– Land and buildings	10-50 years
– Plant and machinery	5-20 years
– Moter vehicles	5-12 years
– Equipment, tools and others	3-10 years

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. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in the consolidated income statement.

2.9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in the consolidated income statement.

2.10 INVESTMENT PROPERTY

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.

2.11 INTANGIBLE ASSETS

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.

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.11 INTANGIBLE ASSETS (CONTINUED)

(b) 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.

(c) 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.

(d) 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 consolidated income statement 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.

(e) Research and development costs

All research costs are charged to the consolidated income statement 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. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2.14 FINANCIAL ASSETS

2.14.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include those classified as held for trading, and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if it is: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee).

2.14 FINANCIAL ASSETS (CONTINUED)

2.14.1 Classification (continued)

(a) Financial assets at fair value through profit or loss (continued)

Financial assets are designated at fair value through profit or loss upon initial recognition when: (i) the financial assets are managed, evaluated and reported internally on a fair value basis; (ii) the designation eliminates or significantly reduces an accounting mismatch in the gain and loss recognition arising from the difference in the measurement basis of the financial assets; or (iii) if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset at fair value through profit or loss unless the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Notes 2.22), including trade receivables, loans and lease receivables, bills receivable and due from Central Bank, 'cash and cash equivalents' (Note 2.23), and 'restricted deposits' in the consolidated balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as other income.

2.14 FINANCIAL ASSETS (CONTINUED)

2.14.2 Recognition and measurement (continued)

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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.

2.15 IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.15 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Assets classified as available for sale

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. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.16 FINANCIAL LIABILITIES

2.16.1 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.

2.16.2 Subsequent measurement

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

(a) 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.

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 consolidated income statement.

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.

(b) 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 consolidated income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2.16 FINANCIAL LIABILITIES (CONTINUED)

2.16.2 Subsequent measurement (continued)

(b) Loans and borrowings (continued)

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 consolidated income statement.

(c) 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.

2.17 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 consolidated income statement.

2.18 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.19 REVERSE REPURCHASE TRANSACTIONS

Assets purchased under agreements to resell at a specified future date are not recognised in the consolidated balance sheet. The corresponding cash paid, including accrued interest, is recognised in the consolidated balance sheet 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.

2.20 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

2.20 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'other gains – net'.

Amounts recognised in other comprehensive income are transferred to the consolidated income statement 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.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement.

Gains and losses accumulated in other comprehensive income are included in the consolidated income statement when the foreign operation is partially disposed of or sold.

2.21 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.

2.22 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.23 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.24 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.25 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.26 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.27 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.28 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2.28 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.29 EMPLOYEE BENEFITS

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.30 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 consolidated income statement.

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.

2.31 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. 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.

2.32 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 consolidated income statement over the expected useful life of the relevant asset by equal annual installments.

2.33 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.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized on the percentage of completion method, by reference to the proportion of costs/hours incurred to date to the estimated total costs/hours of the relevant contracts. When the outcome of a construction contract can not be measured reliably, revenue is recognized only to the extent that the cost 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.

2.34 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.

2.35 INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.36 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2.36 LEASES (CONTINUED)

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other non-current liabilities. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.37 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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 and lease receivables, 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 to the financial statements.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Japanese Yen ("JPY"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's treasury function at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

At 31 December 2014, if RMB Yuan had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been RMB 376,247,000 (2013: RMB 452,107,000) higher/lower. If RMB Yuan had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been RMB 27,974,000 (2013: RMB 30,222,000) higher/lower. If RMB Yuan had weakened/strengthened by 10% against the JPY with all other variables held constant, post-tax profit for the year would have been RMB 60,779,000 (2013: RMB 70,000) higher/lower.

3.1 FINANCIAL RISK FACTORS(CONTINUED)

a) Market risk(continued)

(ii) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in 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 25 and 33) as at 31 December 2014. 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 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 other comprehensive income RMB'000
2014			
Equity investments:			
Shenzhen – Available-for-sale	2,360	-	89
Shanghai – Available-for-sale	1,031,100	-	39,039
– At fair value through profit or loss	40,705	1,528	-
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	-

(iii) 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.

3.1 FINANCIAL RISK FACTORS(CONTINUED)

a) Market risk (continued)

(iii) Interest rate risk (continued)

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	159,104	-	101,783
1 to 5 years	-	20,000	258,579
More than 5 years	-	-	148,371
Total	159,104	20,000	508,733
Effective interest rate (% per annum)	0.50-2.6	0.00	3.53-9.50

	2013		
	At fair value Through profit or loss RMB'000	Held-to-maturity RMB'000	Available-for-sale RMB'000
Within 1 year	144,654	11,403	291,783
1 to 5 years	-	-	205,245
More than 5 years	-	-	178,888
Total	144,654	11,403	675,916
Effective interest rate (% per annum)	0.60-2.60	5.43	3.53-8.50

3.1 FINANCIAL RISK FACTORS(CONTINUED)

a) Market risk (continued)

(iii) Interest rate risk (continued)

Other financial assets

Group	2014		
	Loans receivables RMB'000	Discounted bills receivables RMB'000	Time deposits RMB'000
Within 1 year	5,578,479	185,741	18,293,655
Effective interest rate (% per annum)	5.04-6.30	4.08-5.2	0.35-4.75

	2013		
	Loans receivables RMB'000	Discounted bills receivables RMB'000	Time deposits RMB'000
Within 1 year	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

Financial liabilities

Group	2014	
	Interest-bearing bank and other borrowings RMB'000	Customer deposits* RMB'000
Within 1 year	708,537	4,271,030
Effective interest rate (% per annum)	2.3-3.65	0.50-3.75

	2013	
	Interest-bearing bank and other borrowings RMB'000	Customer deposits RMB'000
Within 1 year	972,172	1,762,404
Effective interest rate (% per annum)	1.70- 6.35	0.50-3.50

* Customer deposits represent the deposits placed in the Shanghai Electric Group Finance Co.,Ltd. ("Finance Company").

3.1 FINANCIAL RISK FACTORS(CONTINUED)

a) Market risk (continued)

(iii) Interest rate risk (continued)

Other financial assets

Company	2014	
	Loans receivable RMB'000	Time deposits RMB'000
Within 1 year	875,000	9,811,140
1 to 5 years	620,000	-
Total	1,495,000	9,811,140
Effective interest rate (% per annum)	5.04-6.00	2.35-2.75

	2013	
	Loans receivable RMB'000	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)	5.04-6.00	2.86-3.30

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 other comprehensive income RMB'000
2014			
RMB	15	2,580	(1,448)
RMB	(15)	(2,580)	1,448
USD	15	(138)	-
USD	(15)	138	-
2013			
RMB	15	9,149	(824)
RMB	(15)	(9,149)	824
USD	15	(823)	-
USD	(15)	823	-

3.1 FINANCIAL RISK FACTORS(CONTINUED)

(b) 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 47 to the consolidated financial statements.

The carrying amount of the trade receivables included in the consolidated balance sheet 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 13.3% (2013: 13.2%) of the Group's trade receivables as at 31 December 2014.

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 29 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.

(c) 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.

3.1 FINANCIAL RISK FACTORS(CONTINUED)

(c) Liquidity risk (continued)

Group	2014					
	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	23,435,705	2,155,007	1,346,880	-	-	26,937,592
Bills payable	-	2,049,478	2,848,576	-	-	4,898,054
Financial liabilities included in other payables and accruals	3,831,497	360,537	223,635	-	-	4,415,669
Customer deposits	3,897,360	61,948	359,543	-	-	4,318,851
Interest-bearing bank and other borrowings	-	535,945	4,896,329	865,314	56,145	6,353,733
Financial liabilities included in other non-current liabilities	-	-	-	347,945	-	347,945
Bonds	-	24,726	74,177	2,170,269	-	2,269,172
Derivative financial instruments	-	-	3,819	-	-	3,819
	31,164,562	5,187,641	9,752,959	3,383,528	56,145	49,544,835

	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	-	-	-	216,981	-	216,981
Bonds	-	24,697	74,089	2,264,971	-	2,363,757
Derivative financial instruments	-	1,268	7,108	-	-	8,376
	27,277,771	4,515,091	7,436,215	2,803,519	61,246	42,093,842

3.1 FINANCIAL RISK FACTORS(CONTINUED)

(c) Liquidity risk (continued)

Company	2014					
	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	22,989,984	-	-	-	-	22,989,984
Bills payable	-	2,000	371,874		-	373,874
Financial liabilities included in other payables and accruals	724,209	2,843	5,593	-	-	732,645
Interest-bearing bank and other borrowings	-	453,688	626,958	-	-	1,080,646
Derivative financial instruments	-	-	2,114	-	-	2,114
Bonds	-	24,726	74,177	2,170,269	-	2,269,172
Financial guarantee contracts	-	-	3,115,240	1,849,200	-	4,964,440
	23,714,193	483,257	4,195,956	4,019,469	-	32,412,875

	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	-	24,697	74,089	2,264,971	-	2,363,757
Financial guarantee contracts	-	-	430,000	1,429,970	-	1,859,970
	23,062,820	946,434	546,771	3,695,408	-	28,251,433

3.2 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.

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 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is debt divided by total equity plus debt. Debt includes interestbearing bank and other borrowings and bonds.

The gearing ratios as at the end of the reporting periods were as follows:

	2014 RMB'000	2013 RMB'000
Interest-bearing bank and other borrowings	**5,862,307**	3,982,173
Bonds	**1,993,201**	1,990,910
Debt	**7,855,508**	5,973,083
Total equity	**45,425,068**	42,708,568
Total equity and net debt	**53,280,576**	48,681,651
Gearing ratio	**14.7%**	12.3%

3.3 FAIR VALUE ESTIMATION

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Financial liabilities				
Non-current portion of interest-bearing bank and other borrowings	**853,644**	217,661	**820,340**	211,587
Bonds	**1,993,201**	1,990,910	**2,000,000**	2,000,000
	2,846,845	2,208,571	**2,820,340**	2,211,587

3.3 FAIR VALUE ESTIMATION (CONTINUED)

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.

The Group enters into derivative financial instruments with various 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 2014, 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.

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(a) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

(i) Financial assets measured at fair value:

Group	As at 31 December 2014 Fair value measurement using			
	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments:				
Equity investments	1,033,460	-	-	1,033,460
Debt investments	-	508,733	-	508,733
Investment funds	1,735,408	-	-	1,735,408
Investment products	-	1,237,498	-	1,237,498
Investments at fair value through profit or loss:				
Equity investments	40,705	-	-	40,705
Debt investments	159,105	-	-	159,105
Investment funds	88,125	-	-	88,125
Derivative financial instruments	-	624,797	-	624,797
	3,056,803	2,371,028	-	5,427,831

	As at 31 December 2013 Fair value measurement using			
	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments:				
Equity investments	690,344	-	-	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
	3,227,988	1,406,623	-	4,634,611

3.3 FAIR VALUE ESTIMATION (CONTINUED)

(ii) Financial liabilities measured at fair values:

Group	As at 31 December 2014 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	-	3,819	-	3,819

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

(iii) Liabilities for which fair value are disclosed:

Group	As at 31 December 2014 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	-	853,644	-	853,644
Bonds	1,993,201	-	-	1,993,201

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated 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 2014 was RMB148,073,000 (2013:RMB148,073,000). More details are given in Note 19 to the financial statements.

(b) 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 cashgenerating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) 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 2014 was RMB 2,683,479,000(2013: RMB 2,116,923,000). The amount of unrecognised tax losses and deductible temporary differences at 31 December 2014 was RMB 6,924,104,000 (2013: RMB 6,943,458,000). Further details are contained in Note 26 to the financial statements.

(d) 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.

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) 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.

(f) 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 consolidated income statement. More details are given in Note 25 and 33 to the financial statements.

(g) 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 2014 was RMB3,542,898,000 (2013: RMB3,272,208,000). More details are given in Note 41 to the financial statements.

(h) 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.

(i) 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.

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(j) 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. 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 6 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 consolidated income statement in the period in which the change is made and in subsequent periods. Such an impact could potentially be significant.

(k) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(l) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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 as at 31 December 2014. Those subsidiaries provided income tax and recognised the deferred tax assets and liabilities at tax rate of 15%.

4.2 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.

4.2 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 Industry Co., 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 47.39% equity interest. The remaining 52.61% 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.

5. SEGMENT INFORMATION

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

The details of operating segments are as follows:

(a) the new energy 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.

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.

5. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014	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	7,082,233	25,233,711	25,178,733	17,603,248	1,625,466	61,125	-	76,784,516
Intersegment sales	668,438	3,459,994	840,333	536,628	822,601	-	(6,327,994)	-
Total revenue	7,750,671	28,693,705	26,019,066	18,139,876	2,448,067	61,125	(6,327,994)	76,784,516
Operating profit/ (loss)	(317,202)	1,324,094	1,749,398	2,030,720	(45,836)	520,093	(59,149)	5,202,118
Finance costs								(296,481)
Share of profits and losses of:								
Joint ventures								944
Associates								532,073
Profit before tax								5,438,654
Income tax expense								(895,235)
Profit for the year								4,543,419
Assets and liabilities								
Segment assets	16,794,224	56,084,102	35,171,156	59,528,414	3,373,229	13,817,967	(41,218,528)	143,550,564
Segment liabilities	10,668,511	39,579,362	23,146,062	49,131,994	2,119,754	7,239,378	(33,759,565)	98,125,496
Other segment information:								
Capital expenditure	473,137	624,392	731,733	42,531	81,945	8,279	(8,876)	1,953,141
Depreciation and amortization	397,739	874,621	478,439	21,262	37,010	69,665	(1,254)	1,877,482
Other non-cash expenses	576,903	286,655	140,916	515,349	1,978	-	-	1,521,801

5. 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	5,503,520	27,163,189	24,530,767	19,844,902	1,677,983	74,161	-	78,794,522
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
Associates								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	15,317,861	54,624,011	35,008,539	51,198,346	2,722,258	10,186,313	(39,764,614)	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
Other segment information:								
Capital expenditure	478,461	580,149	779,342	22,257	39,659	98,852	(15,036)	1,983,684
Depreciation and amortization	266,265	786,479	394,380	10,192	40,093	67,976	(1,252)	1,564,133
Other non-cash expenses	171,194	957,317	155,415	(130,964)	32,122	-	37,702	1,222,786

5. SEGMENT INFORMATION (CONTINUED)

(1) Geographical information

(a) Revenue from external customers

	2014 RMB'000	2013 RMB'000
Mainland China	**66,230,233**	65,589,683
Other countries/jurisdictions	**10,554,283**	13,204,839
	76,784,516	78,794,522

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

(b) Non-current assets

	2014 RMB'000	2013 RMB'000
Mainland China	**24,010,786**	22,009,105
Other countries/jurisdictions	**264,169**	289,561
	24,274,955	22,298,666

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

6. REVENUE

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

An analysis of revenue is as follows:

	2014 RMB'000	2013 RMB'000
Revenue		
Turnover		
Sale of goods	**58,624,858**	58,332,162
Construction contracts	**10,903,219**	14,997,826
Rendering of services	**4,997,084**	3,560,514
	74,525,161	76,890,502
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	**652,382**	617,356
Finance lease income	**380,659**	276,939
Rental income under operating leases	**106,742**	126,874
Finance Company:		
Interest income on loans receivable and discounted bills receivable	**403,339**	250,098
Interest income from banks and other financial institutions	**356,778**	317,066
Others	**359,455**	315,687
	2,259,355	1,904,020
	76,784,516	78,794,522

7. OTHER INCOME AND GAINS, NET

	2014 RMB'000	2013 RMB'000
Other income		
Interest income on bank balances and time deposits	264,333	306,268
Interest income on debt investments	31,840	19,929
Dividend income from equity investments and investment funds	77,221	77,135
Subsidy income	748,701	760,423
	1,122,095	1,163,755
Other gains, net		
Gain on disposal of property, plant and equipment	135,888	12,806
Losses on disposal of other intangible assets	(74)	(141)
Gain on disposal of land use rights	20,858	124,823
Losses on disposal of subsidiaries	-	(227,797)
Losses on disposal of associates	-	(9)
Gain on disposal of joint venture	-	15,502
Gain on bargain purchases	-	52,161
Investments at fair value through profit or loss:		
Unrealised fair value gains-net	58,631	7,243
Realised fair value gains, net	79,326	597
Derivative financial instruments -transactions not qualifying as hedges:		
Unrealised fair value gains, net	68,095	2,301
Realised gains on available-for-sale investments (transfer from equity)	206,158	151,337
Exchange losses, net	(8,683)	(28,383)
Debt restructure gain-net	206	194,404
Compensation for the construction	(459,450)	(189,810)
Others	148,771	192,198
	249,726	307,232
Other income and other gains, net	1,371,821	1,470,987

8. EXPENSE BY NATURE

	2014 RMB'000	2013 RMB'000
Raw materials and consumables used	32,811,198	34,472,976
Cost of purchased machinery and services	27,281,417	27,512,205
Employee benefit expense (Note 9)	6,821,346	7,126,702
Depreciation and amortisation (Note 19 and Note 23)	1,877,482	1,720,142
Commissions and brokerage fees	926,613	854,483
Operating lease expenses	208,711	313,848
Asset impairment charge	1,001,028	1,257,215
Utility expense	422,200	375,573
Office expenses	438,985	450,077
Transportation cost and packaging fee	264,624	303,132
Technique commission expenses	14,850	287,040
Other expense	885,765	866,797
Total cost of sales, distribution expenses and administrative expenses	72,954,219	75,540,190

9. EMPLOYEE BENEFIT EXPENSE

	Notes	2014 RMB'000	2013 RMB'000
Staff costs (including directors' and supervisors' remuneration)	10		
Wages and salaries		5,059,138	5,574,947
Defined contribution pension scheme		671,838	630,135
Supplementary pension		173,152	100,390
Early retirement benefits and staff severance costs		210,761	113,310
Medical benefits costs		417,503	382,874
Housing fund		283,418	319,897
Cash housing subsidy costs		5,536	5,149
		6,821,346	7,126,702

9. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(i) Defined contribution pension schemes

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% (2013: 21.0%) 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 Supplementary Pension Benefits are paid by SE Corporation through the Company.

(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 upon terminating the employment of employees before the expiry date of employment contracts or making an offer in order to encourage voluntary redundancy.

Based on the directors' estimation, the Group's obligations to the early retirement benefits and staff severance until the qualified employees are eligible for the government-regulated pension scheme amounted to approximately RMB141,430,000 as at 31 December 2014 (2013: RMB106,538,000). 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 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.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments 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:

	2014 RMB'000	2013 RMB'000
Directors		
Fees	563	750
Other emoluments:		
Salaries, bonuses and allowances received from the Group	2,873	2,794
Pension scheme contributed by the Group	43	40
Other social benefit schemes contributed by the Group	49	49
	3,528	3,633
Chief executive		
Fees	-	-
Other emoluments:		
Salaries, bonuses and allowances received from the Group	341	341
Pension scheme contributed by the Group	14	13
Other social benefit schemes contributed by the Group	17	16
	372	370
	3,900	4,003

(a) Independent non-executive directors

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

	2014 RMB'000	2013 RMB'000
Mr. Zhu Sendi	-	250
Dr. Cheung Wai Bun	-	250
Dr. Lui Sun Wing	250	250
Mr. Jian Xunming	208	-
Mr. Chu Junhao	104	-
	562	750

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (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.

	2014				
	Fees RMB'000	Salaries, bonues and allowances received from the Group RMB'000	Pension scheme contributed by the Group RMB'000	Other social benefit scheme contributed by the Group RMB'000	Total RMB'000
Executive directors					
Mr. Zheng Jianhua	-	1,106	14	17	1,137
Mr. Yu Yingui	-	856	14	17	887
	-	1,962	28	34	2,024
Supervisor					
Mr. Xie Tonglun	-	341	14	17	372
	-	2,303	42	51	2,396

	2013				
	Fees RMB'000	Salaries, bonues and allowances received from the Group RMB'000	Pension scheme contributed by the Group RMB'000	Other social benefit scheme contributed by the Group RMB'000	Total RMB'000
Executive directors					
Mr. Huang Dinan	-	956	13	16	985
Mr. Zheng Jianhua	-	1,076	13	16	1,105
Mr. Yu Yingui	-	762	13	16	791
	-	2,794	39	48	2,881
Supervisor					
Mr. Xie Tonglun	-	341	13	16	370
	-	3,135	52	64	3,251

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.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

(c) Five highest paid employees

No director (2013: nil) was included in the five highest paid employees during the year. Details of the remuneration for the year of the five (2013: five) highest paid employees who are neither a director nor a supervisor of the Company, are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, bonuses and allowances received from the Group	**21,237**	16,138
Pension scheme contributed by the Group	**-**	-
Other social benefit schemes contributed by the Group	**-**	-
	21,237	16,138

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

	Number of employees	
	2014	2013
HK$1,000,001 - HK$2,000,000	**2**	-
HK$2,000,001 - HK$3,000,000	**1**	2
HK$3,00,001 - HK$5,000,000	**1**	2
HK$5,000,001 - HK$10,000,000	**1**	1
	5	5

11. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank loans, other loans and bonds wholly repayable within five years	**294,020**	251,343
Interest on bank loans and other loans wholly repayable beyond five years	**2,461**	2,808
	296,481	254,151

12. INCOME TAX EXPENSE

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 2014 (2013: 25%) under the income tax rules and regulations of the PRC, except that:

12. INCOME TAX EXPENSE (CONTINUED)

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 as at 31 December 2014. Those subsidiaries provided income tax and recognised 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.

	2014 RMB'000	2013 RMB'000
Group		
Current tax		
Charge for the year	1,880,242	1,274,358
Overprovision in prior years	(74,427)	(10,966)
Deferred tax (Note 26)	(910,579)	(190,788)
Total tax charge for the year	895,235	1,072,604

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:

	2014 RMB'000	%	2013 RMB'000	%
Profit before tax	5,438,654		5,282,719	
Tax at the statutory tax rate	1,359,664	25.0	1,284,849	24.3
Lower tax rates for specific districts or concessions	(328,479)	(6.0)	(267,662)	(5.1)
Adjustments in respect of current tax of previous periods	(74,427)	(1.4)	(10,966)	(0.2)
Profits and losses attributable to joint ventures and associates	(132,879)	(2.4)	(180,486)	(3.4)
Income not subject to tax	(21,609)	(0.4)	(34,737)	(0.7)
Expenses not deductible for tax	71,944	1.3	85,586	1.6
Tax incentives on eligible expenditures	(66,905)	(1.2)	(27,170)	(0.5)
Utilization of unrecognized tax losses and deductible temporary differences	(106,547)	(2.0)	(201,327)	(3.8)
Tax losses and deductible temporary differences are not recognised	195,218	3.6	502,456	9.5
Enterprise income tax refund	-	-	(70,118)	(1.3)
Others	(745)	-	(7,821)	(0.1)
	895,235	16.5	1,072,604	20.3

13. EARINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDINGS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 12,823,626,660 (2013: 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:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**2,510,564**	2,393,242
Number of 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

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of RMB 3,022,430,000(2013: RMB3,296,085,000) which has been dealt with in the financial statements of the Company (Note 45(b)).

15. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Proposed final 2014– RMB5.873 cents per ordinary share (2013: RMB7.465cents)	**753,132**	957,284

On 27 June 2014, the Company's 2013 annual general meeting approved the proposed final 2013 dividend of an aggregate amount of RMB957,284,000, based on total of 12,823,626,660 shares and a cash dividend of RMB7.465 cents per share (tax inclusive). The dividend was distributed on 22 Aug 2014.

On 17 March 2015, the board of directors of the Company resolved to recommend to the shareholders of the Company a final dividend of RMB5.873 cents per share (tax inclusive), totalling RMB753,132,000 for the year ended 31 December 2014.

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 RMB753,132,000for the year ended 31 December 2014 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.

16. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY

Group	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and others RMB'000	Construction in progress RMB'000	Total RMB'000
At cost:						
At 1 January 2014	8,510,881	13,715,609	577,214	1,217,112	1,218,572	25,239,388
Additions	266,475	362,845	21,622	59,668	1,000,322	1,710,932
Disposals	(1,220,591)	(326,806)	(31,661)	(73,428)	(37,108)	(1,689,594)
Transfers	336,781	481,432	9,973	87,225	(915,411)	-
Transferred to other intangible assets (Note 18&20)	-	-	-	-	(106,618)	(106,618)
At 31 December 2014	7,893,546	14,233,080	577,148	1,290,577	1,159,757	25,154,108
Accumulated depreciation and impairment:						
At 1 January 2014	2,711,632	6,185,800	387,913	826,705	622	10,112,672
Depreciation for the year (Note 8)	350,501	1,078,244	43,622	124,750	-	1,597,117
Deduction of impairment due to the disposals	(535)	(2,931)	-	-	-	(3,466)
Deduction of depreciation due to the disposals	(287,338)	(245,738)	(28,250)	(57,359)	-	(618,685)
At 31 December 2014	2,774,260	7,015,375	403,285	894,096	622	11,087,638
Net carrying amount:						
At 31 December 2014	5,119,286	7,217,705	173,863	396,481	1,159,135	14,066,470

16. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY (CONTINUED)

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 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	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	(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 20)	-	-	-	-	(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 for the year (Note 8)	318,677	902,585	47,895	129,429	-	1,398,586
Business combination	9,016	37,791	4,320	13,198	-	64,325
Impairment charges	-	6,069	-	-	-	6,069
Disposals	(28,870)	(241,204)	(28,846)	(62,975)	-	(361,895)
Disposal of subsidiaries	(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

The sites of the freehold land, with a total cost of RMB67,335,000 (2013: RMB67,335,000) are in Japan, USA and UK.

As at 31 December 2014, certain buildings and machinery with net carrying amount of RMB1,338,267,000 (31 December 2013: RMB426,952,000) were pledged to secure certain bank loans granted to the Group (Note 40).

As at 31 December 2014, the Group has not obtained the real estate certificates for buildings with a net carrying amount of RMB 453,894,000.

Lease rentals expense relating to the lease of machinery and property amounting to RMB208,711,000 (2013: RMB313,848,000) are included in the consolidated income statement (Note 8).

During the year, no borrowing costs (2013: nil) was capitalized by the Group.

16. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY (CONTINUED)

Company	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and others RMB'000	Construction in progress RMB'000	Total RMB'000
At cost:						
At 1 January 2014	863,017	178,965	9,543	68,967	90,043	1,210,535
Additions	-	8,412	-	8,217	23,743	40,372
Transfers	-	16,061	-	-	(16,061)	-
Disposals	(31,987)	(2,634)	(377)	(5,430)	(11,083)	(51,511)
At 31 December 2014	831,030	200,804	9,166	71,754	86,642	1,199,396
Accumulated depreciation:						
At 1 January 2014	189,565	68,442	5,581	60,359	-	323,947
Depreciation for the year	42,189	31,816	1,425	4,106	-	79,536
Disposals	(31,987)	(2,411)	(313)	(5,333)	-	(40,044)
At 31 December 2014	199,767	97,847	6,693	59,132	-	363,439
Net carrying amount:						
At 31 December 2014	631,263	102,957	2,473	12,622	86,642	835,957

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Equipment, tools and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 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 20)	-	-	-	-	(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 for 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

17. INVESTMENT PROPERTIES – GROUP AND COMPANY

Group	2014 RMB'000	2013 RMB'000
At cost:		
At 1 January	220,135	219,289
Addition	5,072	846
At 31 December	225,207	220,135
Accumulated depreciation:		
At 1 January	79,934	74,253
Depreciation for the year (note 8)	7,630	5,681
At 31 December	87,564	79,934
Net carrying amount:		
At 31 December	137,643	140,201

As at 31 Decemeber 2014, the Group had no unprovided contractual obligations for future repairs and maintance (2013: Nil). The Group's investment properties are situated in mainland China and are held under the following lease terms:

	2014 RMB'000	2013 RMB'000
Medium term leases (less than 50 years but not less than 10 years)	111,264	111,529
Short term leases (less than 10 years)	26,379	28,672
	137,643	140,201

Company	2014 RMB'000	2013 RMB'000
At cost:		
At 1 January and 31 December	54,033	54,033
Accumulated depreciation:		
At 1 January	6,967	4,645
Depreciation for the year	2,466	2,322
At 31 December	9,433	6,967
Net carrying amount		
At 31 December	44,600	47,066

17. INVESTMENT PROPERTIES – GROUP AND COMPANY (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Medium term leases (less than 50 years but not less than 10 years)	44,600	47,066

18. PREPAID LAND LEASE PAYMENTS – GROUP AND COMPANY

As at 31 December 2014, no land use right of the Group was pledged to secure certain bank loans granted to the Group (2013: Nil).

Group	2014 RMB'000	2013 RMB'000
At cost:		
At 1 January	1,972,613	1,988,078
Transferred from construction in progress (Note 16)	105,954	-
Additions	55,969	41,223
Acquisition of subsidiaries	-	55,697
Disposals	(65,521)	(62,151)
Disposal of subsidiaries	-	(50,234)
At 31 December	2,069,015	1,972,613
Accumulated amotisation		
At 1 January	347,784	308,610
Amortisation for the year (note 8)	41,755	45,249
Disposals	(5,106)	(6,075)
At 31 December	384,433	347,784
Net carrying amount:		
At 31 December	1,684,582	1,624,829

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

	2014 RMB'000	2013 RMB'000
At cost, outside Hong Kong held on		
Leases of over 50 years	80,923	72,634
Leases of between 10 to 50 years	1,988,092	1,899,979
	2,069,015	1,972,613

18. PREPAID LAND LEASE PAYMENTS – GROUP AND COMPANY (CONTINUED)

Company

	2014 RMB'000	2013 RMB'000
At cost:		
At 1 January and 31 December	249,505	249,505
Accumulated amotisation:		
At 1 January	27,069	21,666
Amortisation for the year	5,399	5,403
At 31 December	32,468	27,069
Net carrying amount:		
At 31 December	217,037	222,436

The Company's leasehold land is situated in mainland China and is held under leases term between 10 to 50 years.

19. GOODWILL – GROUP

	2014 RMB'000	2013 RMB'000
At cost:		
At 1 January and 31 December	365,616	365,616
Accumulated impairment:		
At 1 January	217,543	198,097
Impairment during the year (note 8)	-	19,446
At 31 December	217,543	217,543
Net carrying amount:		
At 31 December	148,073	148,073

19. GOODWILL – GROUP (CONTINUED)

Impairment testing of goodwill

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

Cash-generating unit	Segment	2014 RMB'000	2013 RMB'000
Printing and packing machinery	Industrial equipment	**12,483**	12,483
Transmission and distribution equipment	High efficiency and clean energy	**135,590**	135,590
		148,073	148,073

The recoverable amounts of the above cash-generating units have been determined based on their value in use. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions in 2014 and 2013 are as follows.

	2014	2013
Growth rate used to extrapolate cash flows beyond five-year period	**3%**	3%
Gross margin	**19%-24%**	19%-24%
Discount rate applied	**12%-14%**	12%-14%

Assumptions were used in the value in use calculations of the above cash-generating units for 31 December 2014 and 2013. 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.

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.

20. INTANGIBLE ASSETS – GROUP AND COMPANY

Group	Patents and licences RMB'000	Technology know-how RMB'000	Concession RMB'000	Others RMB'000	Total RMB'000
At cost:					
At 1 January 2014	763,387	544,096	420,467	231,774	1,959,724
Additions	37,366	587	618	38,840	77,411
Transferred from construction in progress (Note 16)	-	-	-	664	664
Disposals	(2,727)	(13,856)	(8,084)	(7,313)	(31,980)
At 31 December 2014	798,026	530,827	413,001	263,965	2,005,819
Accumulated amortisation and impairment:					
At 1 January 2014	452,106	348,063	85,206	83,850	969,225
Amortisation for the year (Note 8)	42,896	32,337	17,018	33,355	125,606
Disposals	(1,715)	(1,898)	(174)	(514)	(4,301)
At 31 December 2014	493,287	378,502	102,050	116,691	1,090,530
Net carrying amount:					
At 31 December 2014	304,739	152,325	310,951	147,274	915,289

Group	Patents and licences RMB'000	Technology know-how RMB'000	Concession RMB'000	Others RMB'000	Total RMB'000
At cost:					
At 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 16)	-	-	-	7,729	7,729
Business combination	15,678	-	-	568	16,246
Disposals	-	-	(5,312)	(2,013)	(7,325)
Disposal of subsidiaries	(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:					
At 1 January 2013	421,718	311,002	67,789	59,771	860,280
Amortisation for the year (Note 8)	43,459	29,771	17,417	23,970	114,617
Business combination	-	-	-	21	21
Impairment (Note 8)	-	7,290	-	1,624	8,914
Disposal of subsidiaries	(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

Amortisation of RMB79,539,000 (2013: RMB96,598,000) and RMB46,067,000 (2013: RMB18,019,000) is included in the 'administrative expense' and 'cost of sales', respectively, in the consolidated income statement.

20. INTANGIBLE ASSETS – GROUP AND COMPANY (CONTINUED)

Company	Patents and licences RMB'000	Others RMB'000	Total RMB'000
At cost:			
At 1 January 2014	3,348	122,162	125,510
Additions	-	17,020	17,020
Disposals	-	(2,644)	(2,644)
At 31 December 2014	3,348	136,538	139,886
Accumulated amortisation:			
At 1 January 2014	2,148	29,621	31,769
Amortisation for the year	335	17,926	18,261
At 31 December 2014	2,483	47,547	50,030
Net carrying amount:			
At 31 December 2014	865	88,991	89,856

	Patents and licences RMB'000	Others RMB'000	Total RMB'000
At cost:			
At 1 January 2013	3,348	95,682	99,030
Additions	-	25,194	25,194
Transferred from construction in progress (note 16)	-	3,299	3,299
Disposals	-	(2,013)	(2,013)
At 31 December 2013	3,348	122,162	125,510
Accumulated amortisation:			
At 1 January 2013	1,813	18,248	20,061
Amortisation for the year	335	11,373	11,708
At 31 December 2013	2,148	29,621	31,769
Net carrying amount:			
At 31 December 2013	1,200	92,541	93,741

21. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	**16,481,570**	14,780,706
Listed investment in Mainland China, at cost	**1,470,074**	1,470,074
Impairment of unlisted investments	**(149,571)**	(149,571)
	17,802,073	16,101,209
Market value of listed shares	**9,144,121**	8,534,678

The Company has a subsidiary, Shanghai Mechanical & Electrical Industry Co., Ltd. ("Shanghai Mechanical & Electrical"), which is listed on the Shanghai Stock Exchange, with a carrying amount of RMB1,470,074,000(2013: RMB1,470,074,000). As at 31 December 2014, the fair market value of the listed shares of the subsidiary held by the Company amounted to RMB9,144,121,000 (2013: RMB8,534,678,000).

The movement of impairment is as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	**149,571**	108,155
Addition	**-**	41,416
Disposal	**-**	-
At 31 December	**149,571**	149,571

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operation	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	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	RMB 241,818	100%	-	Production and sale of turbine generators and spare parts
Shanghai Boiler Works, Ltd. 上海鍋爐廠有限公司	PRC	RMB 207,483	100%	-	Sale of power station boilers, industry boilers and power station equipment

21. INVESTMENTS IN SUBSIDIARIES - COMPANY (CONTINUED)

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

Company name	Place of incorporation/ registration and operation	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Electric Power Generation Equipment Co., Ltd. # 上海電氣電站設備有限公司	PRC	USD 264,792	-	60%	Design, manufacture and sale of power generation equipment and auxiliary products
Shanghai Electric Wind Power Equipment Co., Ltd. 上海電氣風電設備有限公司	PRC	RMB 1,028,000	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	RMB 50,000	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	RMB 1,973,210	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	RMB 2,092,000	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	RMB 620,000	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	RMB 1,500,000	73.38%	6.24%	Provision of financial services
Shanghai Electric International Economic and trade Ltd. 上海電氣國際經濟貿易有限公司	PRC	RMB 350,000	100%	-	Import and export of products
Shanghai Mechanical & Electrical Industry Co., Ltd. ^ 上海機電股份有限公司	PRC	RMB 1,022,740	47.37%	0.02%	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	RMB 351,340	-	47.39%	Production and sale of refrigeration and air-conditioning equipment provision of technical services and equipment construction services

21. INVESTMENTS IN SUBSIDIARIES - COMPANY (CONTINUED)

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

Company name	Place of incorporation/ registration and operation	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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	RMB 632,863	-	47.39%	Production and sale of printing and packaging equipment, spare parts and raw materials
Shanghai Mitsubishi Elevator Co., Ltd. # * 上海三菱電梯有限公司	PRC	USD 155,269	-	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	RMB 172,480	-	47.39%	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	RMB 251,243	-	47.39%	Sale of pressurised pumps and related equipment
Goss International Corporation* 美國高斯國際有限公司*	USA	USD 1.00	-	47.39%	Production and sale of printing equipment
Shanghai Machine Tool Works Ltd. 上海機床廠有限公司	PRC	RMB 698,733	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	RMB 2,000,000	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	EUR 104,006	51%	-	Design, research and development and sales wind power equipment and spareparts
Shanghai Electric Leasing Co., Ltd. 上海電氣租賃有限公司	PRC	RMB 500,000	100%	-	Provision of finance leases
Shanghai Electric Newage Co., Ltd. 上海電氣新時代有限公司	HK	RMB 50,000	100%	-	Investment and financing business
Shanghai Electric Hong Kong Co., Ltd. 上海電氣香港有限公司	HK	RMB 547,674	91.6%	-	Sales of machinery and electronic products and related services business, import and export trade business, trade business, investment business.

21. INVESTMENTS IN SUBSIDIARIES - COMPANY (CONTINUED)

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

Sino-foreign equity joint ventures

^ SMEI is 47.39% 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 4.

* 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.

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

	2014 RMB'000	2013 RMB'000
Percentage of equity interest held by non-controlling interests:		
SMEI	52.61%	52.65%
SETD	50%	50%

	2014 RMB'000	2013 RMB'000
Profit for the year allocated to non-controlling interests:		
SMEI	946,871	1,280,284
SETD	230,191	230,464
Dividends paid to non-controlling interests of:		
SMEI	821,896	669,925
SETD	91,589	50,000
Accumulated balances of non-controlling interests at the reporting dates:		
SMEI	5,659,068	5,342,112
SETD	1,898,007	1,678,130

21. INVESTMENTS IN SUBSIDIARIES - COMPANY (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
SMEI		
Revenue	20,778,933	19,769,379
Total expenses	(18,979,141)	(18,077,626)
Profit for the year	1,799,792	1,691,753
Total comprehensive income	1,812,470	1,666,198
Current assets	24,651,133	22,230,426
Non-current assets	5,117,962	4,890,034
Current liabilities	18,970,967	18,266,618
Non-current liabilities	2,186,223	787,007
Net cash flows from operating activities	2,011,963	1,758,893
Net cash flows used in investing activities	10,238	(38,766)
Net cash flows used in financing activities	(1,073,855)	(2,356,343)
Effect of changes in exchange rate on cash	(15,696)	(18,590)
Net increase/ (decrease) in cash and cash equivalents	932,650	(654,806)

	2014 RMB'000	2013 RMB'000
SETD		
Revenue	8,895,237	7,685,268
Total expenses	(8,434,856)	(7,318,994)
Profit for the year	460,381	366,274
Total comprehensive income for the year	460,142	366,274
Current assets	6,258,653	5,369,416
Non-current assets	1,110,647	1,155,963
Current liabilities	4,125,951	3,615,061
Non-current liabilities	76,925	116,516
Net cash flows from operating activities	173,312	454,156
Net cash flows from/(used in) investing activities	50,220	(90,055)
Net cash flows used in financing activities	(51,937)	(292,420)
Effect of changes in exchange rate on cash	(35)	(772)
Net increase in cash and cash equivalents	171,560	70,909

22. INVESTMENTS IN JOINT VENTURES

	2014 RMB'000	2013 RMB'000
At 31 December	3,040,806	6,270

Set out below is the joint venture of the Group as at 31 December 2014, which, in the opinion of the directors, are material to the Group. The joint venture listed below has share capital consisting of solely of ordinary shares, which is held directly by the Group.

Company name	Place of incorporation/ registration and operation	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ansaldo Energia S.p.A ("AEN")	Italy	EUR100,000	40%	-	Provide service in respect of power plants equipment and related parts and manufacturing business of gas turbines

On 8 May 2014, Shanghai Electric Hong Kong Co., Ltd. ("Shanghai Electric Hong Kong"), a wholly-owned subsidiary of the Company entered into a share purchase agreement with Fondo Strategico Italiano S.p.A.("FSI") to acquire 40% equity interest of AEN with a cash consideration of EUR400,000,000 (the "Transaction"). The Transaction was completed on 4 December 2014. Upon the completetion of the Transaction, Shanghai Electric Hong Kong became a 40% equity interest shareholder of AEN.

As at 31 December 2014, accoding to the article of association, the Group jointly controls the operation of AEN with FSI and the investment of AEN is stated as a joint venture in the consolidated financial statements.

AEN is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

In addition, the functional currency of AEN is Euro while the presentation currency of the Group is RMB. The investment in AEN is exposed to the foreign exchange risk. In order to mitigate the foreign exchange risk, the Group uses EUR400,000,000(equivalent to RMB2,982,240,000) of short-term borrowing as hedging instrument. Formal document had been made to describe the above hedging relations between hedging instrument and hedged item, as well as risk management objectives and hedging strategies. Meanwhile, The Group performed validity tests and the result showed the above hedging was highly effective this year. Therefore, the RMB42,720,000 of net decline in investment to AEN was hedged by exchange gains on the EUR400,000,000 of short-term borrowing and the net amount has been recognized in the consolidated other comprehensive income.

22. INVESTMENTS IN JOINT VENTURES(CONTINUED)

Summarised financial information for joint venture

Set out below are the summarised financial information for AEN which are accounted for using the equity method.

Summarised consolidated balance sheet

	31 December 2014 RMB'000
Current	
Assets	8,742,153
Liabilities	(10,205,934)
Non-current	
Assets	11,077,792
Liabilities	(5,841,478)
Net assets	3,772,533

Summarised consolidated statement of comprehensive income

	2014 RMB'000
Revenue	10,185,211
Profit or loss before tax	238,863
Income tax expense	(193,521)
Post-tax profit	45,342
Other comprehensive income	(598,533)
Total comprehensive income	(553,191)
Dividends received from joint venture	-

The information above reflects the amounts presented in the financial statements of the joint ventures for the year ended 31 Decemeber 2014, adjusted for differences in accounting policies between the Group and the joint ventures, and not SEG's share of those amounts.

22. INVESTMENTS IN JOINT VENTURES(CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

Summarised financial information	2014 RMB'000
Opening net assets at acquisition day	3,879,333
Profit for the period	-
Other comprehensive income	(106,800)
Closing net assets	3,772,533
Interest in Joint Venture @40%	1,509,013
Goodwill	1,473,227
Carrying value	2,982,240

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

	2014 RMB'000	2013 RMB'000
Share of the joint ventures' profit for the year	944	4,088
Share of the joint ventures' other comprehensive income	-	-
Share of the joint ventures' total comprehensive income	944	4,088
Aggregate carrying amount of the Group's investments in the joint ventures (excluding impairment)	58,566	6,270

23. INVESTMENTS IN ASSOCIATES

Group	2014 RMB'000	2013 RMB'000
Investments, at cost:		
Share of net assets	3,791,884	3,864,105
Goodwill on acquisition	-	21,282
Impairment	-	(3,443)
	3,791,884	3,881,944
Share of associates' results in the consolidated income statement	532,073	807,463

23. INVESTMENTS IN ASSOCIATES(CONTINUED)

Company

	2014 RMB'000	2013 RMB'000
Investments, at cost:	**1,886,062**	1,797,094
Impairment	**-**	-
	1,886,062	1,797,094

Set out below are the associates of the Group as at 31 December 2014, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Company name	Place of incorporation/ registration and operation	Registered capital (in'000)	Percentage of equity attributable to the Company 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	RMB 676,041	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	EUR 32,000	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	RMB 20,000	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	USD 11,000	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	USD 14,560	20%	-	Production and sale of circuit breakers, thermal overload relays, contactors and industrial control components

23. INVESTMENTS IN ASSOCIATES(CONTINUED)

Company name	Place of incorporation/ registration and operation	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Siemens Shanghai Switchgear Ltd. # 上海西門子開關有限公司 #	PRC	EUR 15,300	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	USD 18,344	-	35%	Production and sale of mutual inductors
Trench High Voltage Products Co., Ltd. , Shenyang # 傳奇電氣(瀋陽)有限公司 #	PRC	RMB 112,634	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	USD 13,100	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	USD 50,180	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	EUR 20,000	25%	25%	Production and sale of oil-immersed power transformers
Yileng Carrier Air Conditioning Equipment Co., Ltd. # * 上海一冷開利空調設備有限公司 # *	PRC	RMB 372,343	-	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	USD 8,000	-	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	USD 53,000	-	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	JPY 329,412	-	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	RMB 20,000	-	9.47%	Design, manufacture and sale of auto radiator fans, blowers and micromotors

23. INVESTMENTS IN ASSOCIATES(CONTINUED)

Company name	Place of incorporation/ registration and operation	Registered capital (in'000)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Nabtesco Hydraulic Co., Ltd. # * 上海納博特斯克液壓有限公司#*	PRC	USD 14,500	-	14.20%	Production and sale of hydraulic travelling motors and swing motors
Shanghai Ri Yong-JEA Gate Electric Co., Ltd. # * 上海日用-友捷汽車電氣有限公司#*	PRC	USD 17,000	-	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	DEM 10,500	-	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. * ("Shanghai Jintai") 上海金泰工程機械有限公司*	PRC	RMB 832,239	-	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	EUR 60,828	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.

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.

23. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised financial information for associates

Set out below are the summarised financial information for five significant associates including Shanghai Jintai Engineering Machinery Co., Ltd. ("Shanghai Jintai"),Yileng Carrier Air Conditioning Equipment Co., Ltd. ("Yileng Carrier"), Mitsubishi Electric Shanghai Mechanical &Electrical Elevator Co., Ltd. ("Mitsubishi Electirc"), Shanghai Ri Yong-JEA Gate Electric Co., Ltd. ("Shanghai Ri Yong-JEA") and Shanghai Rail Traffic Equipment Development Co., Ltd. ("Shanghai Rail") which are accounted for using the equity method.

Summarised balance sheet and statement of comprehensive income

	Shanghai Jintai 2014 RMB'000	Yileng Carrier 2014 RMB'000	Mitsubishi Electric 2014 RMB'000	Shanghai Ri Yong-JEA 2014 RMB'000	Shanghai Rail 2014 RMB'000
Current					
Assets	667,452	2,156,675	1,122,313	604,018	1,651,503
Liabilities	(226,004)	(902,626)	(830,358)	(294,654)	(958,588)
Non-current					
Assets	584,310	211,981	572,923	187,509	350,650
Liabilities	(45,082)	-	(10,723)	(9,568)	(4,262)
Net assets	980,676	1,466,030	854,155	487,305	1,039,303
Revenue	752,755	3,218,388	2,858,615	1,451,990	948,067
Profit or loss from continuing operations	75,492	593,709	185,073	148,296	46,673
Post-tax profit from continuing operations	69,235	446,638	156,816	125,086	39,070
Other comprehensive income	-	-	-	-	-
Total comprehensive income	69,235	446,638	156,816	125,086	39,070
Dividends received from associates	21,045	-	-	29,813	-

The information above reflects the amounts presented in the financial statements of the associates (and not SEG's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

23. INVESTMENTS IN ASSOCIATES(CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

	Shanghai Jintai 2014 RMB'000	Yileng Carrier 2014 RMB'000	Mitsubishi Electric 2014 RMB'000	Shanghai Ri Yong-JEA 2014 RMB'000	Shanghai Rail 2014 RMB'000
Openning net asset 1 January	911,441	1,019,392	697,339	362,219	1,000,233
Profit for the period	69,235	446,638	156,816	125,086	39,070
Other comprehensive income	-	-	-	-	-
Closing net assets	980,676	1,466,030	854,155	487,305	1,039,303
Share of associates	49%	30%	40%	40%	34%
Interest in associates	480,531	439,809	341,662	194,922	353,363
Goodwill	-	-	-	-	-
Carrying value	480,531	439,809	341,662	194,922	353,363

24. LOANS AND LEASE RECEIVABLES – GROUP AND COMPANY

Group	2014			2013		
	Gross RMB'000	Provision RMB'000	Net RMB'000	Gross RMB'000	Provision RMB'000	Net RMB'000
Loans to the ultimate holding company	4,895,017	(122,375)	4,772,642	3,550,000	(35,500)	3,514,500
Loans to SEC group companies*	531,500	(13,288)	518,212	743,000	(9,480)	733,520
Loans to associates	50,000	(1,250)	48,750	50,000	(500)	49,500
Loans to other related parties	25,000	(625)	24,375	33,000	(330)	32,670
Loans to a third party	220,000	(5,500)	214,500	-	-	-
	5,721,517	(143,038)	5,578,479	4,376,000	(45,810)	4,330,190
Lease receivables	6,591,514			4,482,153		
Less: unearned finance income	(1,034,016)			(785,024)		
Net lease receivables	5,557,498	(208,384)	5,349,114	3,697,129	(175,370)	3,521,759
	11,279,015	(351,422)	10,927,593	8,073,129	(221,180)	7,851,949
Portion classified as current assets	7,106,180	(247,101)	6,859,079	5,610,711	(169,565)	5,441,146
Non-current portion	4,172,835	(104,321)	4,068,514	2,462,418	(51,615)	2,410,803

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

24. LOANS AND LEASE RECEIVABLES – GROUP AND COMPANY (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 will be transferred to the lessee.

Loans to a third party are entered into with the Finance Company under the export credit arrangments. Those loans are of 3 years term and with a interest rate of 5.7%.

The movement in the provision for impairment of loans and lease receivables are as follows.

	2014		2013	
	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	45,810	175,370	17,916	135,292
Impairment losses recognised (note 8)	97,228	33,014	27,894	40,078
At 31 December	143,038	208,384	45,810	175,370

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

	2014 RMB'000	2013 RMB'000
Credit loans receivable	5,165,017	3,600,000
Guaranteed loans receivable	556,500	776,000
	5,721,517	4,376,000

As at 31 December 2014, none (2013: 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% (2013: 5.04% to 6.00%).

The aging 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:

	2014		2013	
	Lease receivables RMB'000	Net lease receivables RMB'000	Lease receivables RMB'000	Net lease receivables RMB'000
Within 1 year	3,219,800	2,723,898	2,899,196	2,329,426
Over 1 year but within 5 years	3,368,947	2,832,697	1,579,913	1,365,249
Over 5 years	2,767	903	3,044	2,454
	6,591,514	5,557,498	4,482,153	3,697,129

24. LOANS AND LEASE RECEIVABLES – GROUP AND COMPANY (CONTINUED)

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

	2014		2013	
	Lease receivables RMB'000	Net lease receivables RMB'000	Lease receivables RMB'000	Net lease receivables RMB'000
Within 1 year	**2,041,877**	**1,703,106**	1,494,993	1,234,711
Over 1 year but within 5 years	**3,984,960**	**3,334,268**	2,318,896	1,861,829
Over 5 years	**564,677**	**520,124**	668,264	600,589
	6,591,514	**5,557,498**	4,482,153	3,697,129

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 1") to transfer certain lease receivables to banks. Under the Arrangement 1, 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 1 that have not been settled as at 31 December 2014 amounted to RMB5,108,000 (2013: RMB18,033,000).

Company

	2014			2013		
	Gross RMB'000	Provision RMB'000	Net RMB'000	Gross RMB'000	Provision RMB'000	Net RMB'000
Loans to subsidiaries	**1,495,000**	**-**	**1,495,000**	2,245,000	-	2,245,000
Portion classified as current assets	**875,000**	**-**	**875,000**	1,545,000	-	1,545,000
Non-current portion	**620,000**	**-**	**620,000**	700,000	-	700,000

As at 31 December 2014, the above loans represent the entrusted loans provided by the Company to subsidiaries.

Annual interest rates of loans for cunrrent and non-current assets are 5.04%-6.00% and 5.04% respectively.

25. OTHER INVESTMENTS (NON-CURRENT) – GROUP AND COMPANY

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments:				
- Available-for-sale (unlisted), at cost	37,986	40,046	24,925	12,925
- Impairment	(9,507)	(10,947)	-	-
	28,479	29,099	24,925	12,925
- Available-for-sale (listed), at fair value	829,188	556,124	571,075	373,031
	857,667	585,223	596,000	385,956
Debt investments:				
- Available-for-sale (unlisted), at fair value	324,670	284,578	-	-
- Available-for-sale (listed), at fair value	82,280	99,555	-	-
- Others (unlisted), at amortised cost	20,000	-	20,000	-
	426,950	384,133	20,000	-
	1,284,617	969,356	616,000	385,956

As at 31 December 2014, no listed available-for-sale equity investments were restricted for trading over certain periods (31 December 2013: Nil).

During the year, the increase in fair value of the Group's non-current available-for-sale investments recognised in other comprehensive income amounted to RMB533,051,000 (2013: decrease in fair value of RMB16,149,000). In addition, upon the disposal of certain non-current available-for-sale investments during the year, a cumulative gain of RMB90,646,000 (2013: RMB31, 818,000) was transferred from equity and recognised in the consolidated income statement for the year 2014.

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

As at 31 December 2014, certain unlisted available-for-sale equity investments with a carrying amount of RMB28,479,000 (2013: RMB29,099,000) 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.

26. DEFERRED TAX – GROUP AND COMPANY

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	1,933,154	1,471,770	290,408	295,687
– Deferred tax asset to be recovered within 12 months	831,065	702,132	200,545	215,298
	2,764,219	2,173,902	490,953	510,985
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	(144,287)	(151,168)	-	-
– Deferred tax liability to be recovered within 12 months	(327,796)	(517,481)	(80,055)	(19,428)
	(472,083)	(668,649)	(80,055)	(19,428)

Group

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

Deferred tax assets

	2014						
	Losses available for offsetting against future taxable profits RMB'000	Impairment of assets and provisions RMB'000	Unrealised loss on investments RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2014	118,626	1,375,801	5,094	543,367	76,392	54,622	2,173,902
Deferred tax credited / (charged) to the consolidated income statement during the year (note 12)	(5,782)	466,135	(19,748)	113,599	(9,591)	30,521	575,134
Deferred tax charged to equity during the year	-	-	15,183	-	-	-	15,183
Gross deferred tax assets at 31 December 2014	112,844	1,841,936	529	656,966	66,801	85,143	2,764,219
Offset against deferred tax liabilities*							(80,740)
Net deferred tax assets at 31 December 2014							2,683,479

26. DEFERRED TAX – GROUP AND COMPANY (CONTINUED)

Deferred tax liabilities

	2014					
	Revaluation of properties RMB'000	Fair value adjustment arising form acquisition of subsidiaries RMB'000	Unrealised gain on investments RMB'000	Unrealised profit RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2014	(151,168)	(78,430)	(60,290)	(284,687)	(94,074)	(668,649)
Deferred tax credited/(charged) to the consolidated income statement during the year (note 12)	6,881	2,586	30,220	284,687	11,072	335,446
Deferred tax credited to equity during the year	-	-	(138,880)	-	-	(138,880)
Gross deferred tax liabilities at 31 December 2014	(144,287)	(75,844)	(168,950)	-	(83,002)	(472,083)
Offset against deferred tax assets*						80,740
Net deferred tax liabilitites at 31 December 2014						(391,343)

Deferred tax assets

	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 expenses RMB'000	Unrealised profit 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 consolidated income statement during the year (note 12)	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	-	-	-	1,411	-	-	1,411
Disposal of subsidiaries	(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

26. DEFERRED TAX – GROUP AND COMPANY (CONTINUED)

Deferred tax liabilities

	2013					
	Revaluation of properties RMB'000	Fair value adjustment arising form acquisition of subsidiaries RMB'000	Unrealised gain on investments RMB'000	Unrealised profit 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 consolidated income statement during the year (note 12)	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	-	(4,956)	-	-	(1,923)	(6,879)
Disposal of subsidiaries	-	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)

Company

Deferred tax assets

	2014				2013			
	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	295,684	210,207	5,094	510,985	261,041	249,014	48,458	558,513
Deferred tax credited /(charged) to the income statement during the year	(9,276)	(6,191)	-	(15,467)	34,643	(38,807)	-	(4,164)
Deferred tax (charged)/ credited to equity during the year	-	-	(4,565)	(4,565)	-	-	(43,364)	(43,364)
Gross deferred tax assets at 31 December	286,408	204,016	529	490,953	295,684	210,207	5,094	510,985
Offset against deferred tax liabilities*				(80,055)				(19,428)
Net deferred tax assets at 31 December				410,898				491,557

26. DEFERRED TAX – GROUP AND COMPANY (CONTINUED)

Deferred tax liabilities

	2014			2013		
	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	(2,150)	(17,278)	(19,428)	(21,950)	(23,642)	(45,592)
Deferred tax credited to the income statement during the year	-	(343)	(343)	-	-	-
Deferred tax credited/(charged) to equity during the year	(76,600)	16,316	(60,284)	19,800	6,364	26,164
Gross deferred tax liabilities at 31 December	(78,750)	(1,305)	(80,055)	(2,150)	(17,278)	(19,428)
Offset against deferred tax assets*			80,055			19,428
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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Tax losses	3,900,786	4,036,381	-	-
Deductible temporary differences	3,023,318	2,907,077	159	41,416
	6,924,104	6,943,458	159	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.

Unrecognised deferred tax assets due from the annual deductible loss:

	2014 RMB'000	2013 RMB'000
2014	-	80,229
2015	157,825	87,381
2016	153,778	218,312
2017	247,492	880,377
2018	1,023,511	1,660,141
2019 and after	2,318,180	1,109,941
	3,900,786	4,036,381

27. INVENTORIES – GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Raw materials	**5,035,963**	5,047,874	**50,426**	47,275
Work in progress	**12,059,650**	11,193,580	**122,358**	37,467
Finished goods	**8,722,471**	6,209,373	**-**	-
	25,818,084	22,450,827	**172,784**	84,742
Less: provision for impairment	**(1,745,057)**	(1,806,023)	**(6,635)**	(6,214)
	24,073,027	20,644,804	**166,149**	78,528

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB32,811,198,000 (2013: RMB34,472,976,000), which included inventory write-down of RMB814,675,000 (2013: RMB632,023,000).

28. CONSTRUCTION CONTRACTS – GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Contract costs incurred plus recognised profits less losses	**14,576,840**	22,433,127	**894,220**	12,627,450
Less: progress billings	**(12,464,864)**	(20,927,414)	**(803,703)**	(12,448,475)
Gross amount due from contract customers	**2,111,976**	1,505,713	**90,517**	178,975

As at 31 December 2014, 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 RMB3,637,465,000 (2013: RMB4,967,405,000) and RMB2,859,907,000 (2013: RMB2,441,151,000), respectively.

29. TRADE RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables	**30,506,336**	29,618,062	**16,312,451**	16,890,446
Less: provision for impairment	**(4,450,559)**	(4,349,682)	**(296,610)**	(778,077)
	26,055,777	25,268,380	**16,015,841**	16,112,369

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.

29. TRADE RECEIVABLES – GROUP AND COMPANY (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 2") to transfer certain trade receivables to banks. Under the Arrangement 2, 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 2 that have not been settled as at 31 December 2014 amounted to RMB508,094,000 (2013: RMB806,722,000) (Note 40).

The aging 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Not due	**17,730,784**	17,411,100	**11,932,753**	11,606,178
Within 3 months past due	**3,443,210**	2,210,641	**1,502,413**	560,639
Over 3 months but within 6 months past due	**1,318,811**	2,012,003	**459,021**	1,207,499
Over 6 months but within 1 year past due	**1,662,242**	1,844,327	**884,633**	983,169
Over 1 year but within 2 years past due	**1,297,115**	1,380,238	**920,116**	962,976
Over 2 years but within 3 years past due	**515,059**	386,405	**206,823**	469,494
Over 3 years past due	**88,556**	23,666	**110,082**	322,414
	26,055,777	25,268,380	**16,015,841**	16,112,369

The aging 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 3 months	**14,782,676**	11,573,938	**7,966,109**	5,760,333
Over 3 months but within 6 months	**1,989,406**	1,700,780	**850,350**	489,812
Over 6 months but within 1 year	**2,570,297**	3,862,732	**934,924**	2,406,810
Over 1 year but within 2 years	**3,796,175**	4,159,038	**3,234,150**	3,392,726
Over 2 years but within 3 years	**1,605,358**	2,581,588	**1,593,055**	2,090,194
Over 3 years	**1,311,865**	1,390,304	**1,437,253**	1,972,494
	26,055,777	25,268,380	**16,015,841**	16,112,369

29. TRADE RECEIVABLES – GROUP AND COMPANY (CONTINUED)

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	**4,349,682**	4,112,568	**778,077**	786,841
Impairment losses recognised (Note 8)	**600,412**	656,864	**-**	224,126
Acquisition of subsidiaries	**-**	3,382	**-**	-
Disposal of subsidiaries	**-**	(78,988)	**-**	-
Amount written off as uncollectible	**(14,633)**	(11,647)	**-**	-
Impairment losses reversed (Note 8)	**(484,902)**	(332,443)	**(481,467)**	(232,890)
Others	**-**	(54)	**-**	-
	4,450,559	4,349,682	**296,610**	778,077

The creation and release of provision for impaired receivables have been included in 'administrtive expenses' in the consolidated income statement (Note 8).

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	**15,134,737**	17,364,574	**10,189,033**	11,146,031
Less than 3 months past due	**2,544,454**	1,888,091	**1,256,499**	380,539
3 to 6 months past due	**640,671**	726,778	**323,410**	295,235
Over 6 months past due	**1,099,074**	130,992	**496,065**	-
	19,418,936	20,110,435	**12,265,007**	11,821,805

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.

29. TRADE RECEIVABLES – GROUP AND COMPANY (CONTINUED)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
The ultimate holding company	53,307	75,563	-	-
Subsidiaries	-	-	497,277	483,808
Associates	24,760	47,999	-	-
SEC group companies	76,049	117,572	-	-
Other related companies	281,239	897,418	261,975	817,910
	435,355	1,138,552	759,252	1,301,718

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

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
EUR	206,960	461,263
USD	3,374,396	3,844,230

30. DISCOUNTED BILLS RECEIVABLE - GROUP

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

	2014 RMB'000	2013 RMB'000
Within 3 months	131,423	494,693
Over 3 months but within 6 months	59,081	59,758
	190,504	554,451
Less: Provision for discounted bills receivable	(4,763)	(5,749)
	185,741	548,702

30. DISCOUNTED BILLS RECEIVABLE - GROUP (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
At 1 January	5,749	9,054
Impairment losses reversed (note 8)	(986)	(3,305)
	4,763	5,749

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

	2014 RMB'000	2013 RMB'000
Associates	38,989	14,890
SEC group companies	88,886	496,003
Other related companies	8,963	-
	136,838	510,893

The annual interest rates of discounting services provided to related parties ranged from 4.11% to 7.59% for the year ended 31 December 2014 (2013: 5.15% to 7.38%)

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

	2014 RMB'000	2013 RMB'000
Associates	34,805	5,931
SEC group companies	2,551	41,718
	37,356	47,649

Discounted bills receivable relate to bills discounted by SEC group companies and the associates of the Group at the 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.

31. BILLS RECEIVABLE – GROUP AND COMPANY

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 3 months	2,444,894	2,353,572	129,573	72,457
Over 3 months but within 6 months	3,005,492	2,104,585	547,740	145,276
Over 6 months but within 1 year	939,737	410,763	124,887	216,330
	6,390,123	4,868,920	802,200	434,063

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Subsidiaries	-	-	-	15,000
Associates	27,919	11,125	-	-
SEC group companies	87,716	135,672	-	-
	115,635	146,797	-	15,000

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 2014 was an amount of RMB298,312,000 (2013: RMB553,250,000) related to bills receivable discounted by the Group companies with Finance Company and nil (2013: RMB15,000,000) related to bills receivable discounted by the Group companies with outside financial institutions (note 40). The balance was thus recorded as bills receivable in the Group's consolidated statement of financial position as at 31 December 2014.

32. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Prepayments	7,445,608	7,944,310	2,658,086	2,952,168
Deposits and other receivables	1,413,680	1,222,638	887,950	336,575
Prepaid land lease payments (note 18)	-	43,352	-	5,403
Dividend receivables	25,784	72,358	296,449	184,800
Other current assets	537,502	411,476	-	-
Due from subsidiaries	-	-	11,413,762	10,713,658
Due from the ultimate holding company	4,338	88,555	-	-
Due from associates	283,836	139,185	63,655	96,097
Due from SEC group companies	97,865	158,839	91,134	73,490
Due from other related companies	429,034	773,436	-	-
	10,237,647	10,854,149	15,411,036	14,362,191
Less: Provision for deposits and other receivables	(72,928)	(47,041)	(1,408)	(850)
	10,164,719	10,807,108	15,409,628	14,361,341

32. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY (CONTINUED)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	**47,041**	47,449	**850**	895
Impairment losses recognised (note 8)	**25,887**	2,409	**558**	-
Amount written off as uncollectible	**-**	(1,416)	**-**	-
Impairment losses reversed (note 8)	**-**	(1,401)	**-**	(45)
At 31 December	**72,928**	47,041	**1,408**	850

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

33. INVESTMENT (CURRENT) – GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Equity investments:				
- At fair value through profit or loss (listed)	40,705	251	-	-
- Available-for-sale (listed), at fair value	204,272	45,247	-	-
- Available-for-sale (unlisted), at fair value	-	88,973	-	90,059
	244,977	134,471	-	90,059
Debt investments:				
- At fair value through profit or loss (listed)	159,105	144,654	-	-
- Available-for-sale (unlisted), at fair value	101,783	291,783	-	-
- Held-to-maturity (unlisted), at amortised cost	-	11,403	-	-
	260,888	447,840	-	-
Investment funds:				
- At fair value through profit or loss (listed)	88,125	51,918	-	-
- Available-for-sale (unlisted), at fair value	1,735,408	2,340,821	-	-
	1,823,533	2,392,739	-	-
Investment products:				
- Available-for-sale, at fair value	1,237,498	659,498	-	-
Reverse repurchase agreements	1,213,500	2,589,780	-	-
	4,780,396	6,224,328	-	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 RMB405,700,000 (2013: increase in fair value of RMB210,543,000). In addition, upon the disposal of certain current available-for-sale investments during the year, a cumulative gain of RMB111, 512,000(2013: a cumulative gain of RMB119, 519,000) was transferred from equity and recognised in the consolidated income statement.

33. INVESTMENT (CURRENT) – GROUP AND COMPANY (CONTINUED)

As at 31 December 2014, no listed available-for-sale equity investments was restricted for trading over certain periods of less than one year (2013: RMB45,247,000).

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND COMPANY

Group

	2014		2013	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Convertible debenture arrangements	619,041	-	-	-
Forward currency contracts - cash flow hedges	4,632	(3,819)	69,108	(8,376)
Forward currency contracts - non-hedging	1,124	-	2,101	-
	624,797	(3,819)	71,209	(8,376)
Portion classified as non-current	-	-	(20,625)	-
Current portion	624,797	(3,819)	50,584	(8,376)

As at 31 December 2014, financial assets at fair value through profit or loss were primarily an arrangement of convertible debenture arrangements. On 22 August 2014, the Company's subsidiary Shanghai Electric Hong Kong entered an convertible debenture arrangements with a Hong Kong listing company Rising Development Holding Ltd and subscribed its convertible bonds amounting to HKD700,000,000. As at 31 December 2014, such convertible bonds had not been transfer into equity. The above arrangement constitutes a mixed financial instrument with embedded derivatives, which was directly designated as a financial asset at fair value through profit or loss by the Group. Its fair value was HKD784,719,000, equivalent to RMB619,041,000, which was evaluated by Dongzhou Asset Evaluation Company on 31 December 2014 and major parameters used in the valuation included expected return and fluctuation on shares.

Company

	2014		2013	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward currency contracts - cash flow hedges	3,844	(2,114)	69,108	(8,376)
Portion classified as non-current	-	-	(20,625)	-
Current portion	3,844	(2,114)	48,483	(8,376)

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.

34. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP AND COMPANY (CONTINUED)

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 loss of RMB43,821,000 (net of tax effect) was included in the hedging reserve as follows:

	2014 RMB'000	2013 RMB'000
Total fair value (losses)/gains included in the hedging reserve	(59,004)	256,506
Deferred tax impact on fair value change	15,183	(64,126)
Reclassified from other comprehensive income and recognised in the consolidated income statement	-	(96,506)
Deferred tax on reclassifications to profit or loss	-	24,126
Net gains/(losses) on cash flow hedges	(43,821)	120,000

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. Decreases in the fair value of non-hedging financial derivatives amounting to RMB68,096,000 (2013: increases in the fair value of RMB2,301,000).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2014 are recognised in the consolidated income statement in the period or periods during which the hedged forecast transaction affects the consolidated income statement. This is generally within 12 months from the end of the reporting period unless the gain or loss is included in the initial amount recognised for the purchase of fixed assets, in which case recognition is over the lifetime of the asset (five to ten years).

35. DUE FROM CENTRAL BANK, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash and bank balances	**7,447,817**	10,366,777	**6,611,037**	7,617,663
Time deposits	**18,293,655**	11,656,608	**9,811,140**	7,334,535
	25,741,472	22,023,385	**16,422,177**	14,952,198
Less: Restricted deposits	**(628,005)**	(614,629)	**-**	-
Cash and cash equivalents	**25,113,467**	21,408,756	**16,422,177**	14,952,198
Due from the Central Bank	**4,244,973**	4,087,577	**-**	-
Total	**29,358,440**	25,496,333	**16,422,177**	14,952,198

As at 31 December 2014, RMB628,005,000 (2013: RMB614,629,000) were held as held at bank as reserve for issuance letter of credit deposit, bank acceptance deposit and letter of guarantee deposit.

As at 31 December 2014, non-restricted time deposits with original maturity over theree months when acquired amounted to RMB 6,097,090,000 (31 December 2013: RMB5,232,884,000) is included in cash and cash equivalents. The transactions related to those non-restricted time deposits are stated as investing activities in the consolidated statement of cash flows.

35. DUE FROM CENTRAL BANK, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS – GROUP AND COMPANY (CONTINUED)

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

	2014		2013	
	In'000	RMB'000	In'000	RMB'000
Cash and bank balances:				
United States dollars ("USD")	170,092	1,040,794	269,297	1,641,898
Euro ("EUR")	24,747	184,502	16,899	142,276
Japan yen ("JPY")	9,401,993	482,990	1,414,621	81,732
Indian rupee ("INR")	403,468	38,982	52,799	5,196
Hong Kong dollars ("HKD")	18,611	14,682	35,785	28,129
Vietnam dong ("VND")	1,691,597	498	168,891,659	54,620
Indonesian rupiah ("IDR")	-	-	49,535,326	24,777
Sri Lanka rupee ("LKR")	-	-	75,929	3,540
Malaysian Ringgit ("MYR")	41,914	73,874	-	-
Other	22,577	18,538	11,578	9,650
Time deposits:				
USD	57,547	352,128	150,500	917,583
JPY	4,530,495	232,736	2,600,000	150,205
INR	-	-	385,000	37,923
HKD	-	-	20,235	16,083
Other	761	4,307	1,300	7,056

Company

	2014		2013	
	In'000	RMB'000	In'000	RMB'000
Cash and bank balances:				
USD	54,045	330,702	6,887	41,990
EUR	10,658	79,463	574	4,835
VND	-	-	134,695,770	44,285
IDR	-	-	49,535,326	24,777
Other	-	-	37,830	6,134
Time deposits:				
USD	60,000	367,140	150,000	914,535

35. DUE FROM CENTRAL BANK, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS – GROUP AND COMPANY (CONTINUED)

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 2014 comprised deposit of RMB4,140,741,806 (2013: RMB4,016,616,000) and USD17,034,000 (equivalent to RMB104,231,046) (2013: USD11,639,000, equivalent to RMB70,961,000) with the Central Bank, including a statutory reserve of 14.5% and 5% (2013: 15% and 5%) for RMB and foreign currency, respectively, on customer deposit held by Finance Company.

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 RMB15,072,712,000 (2013: RMB13,239,524,000) which were deposited with Finance Company according to the prevailing market conditions.

36. TRADE PAYABLE – GROUP AND COMPANY

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 3 months	**17,057,835**	14,915,112	**12,479,577**	9,213,989
Over 3 months but within 6 months	**3,557,033**	3,187,148	**2,103,679**	1,014,019
Over 6 months but within 1 year	**2,755,782**	3,067,758	**2,655,665**	3,261,201
Over 1 year but within 2 years	**2,196,139**	1,944,389	**2,929,872**	4,273,532
Over 2 years but within 3 years	**901,156**	1,503,348	**2,147,090**	3,380,025
Over 3 years	**469,647**	481,219	**674,101**	1,231,589
	26,937,592	25,098,974	**22,989,984**	22,374,355

36. TRADE PAYABLE – GROUP AND COMPANY (CONTINUED)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Subsidiaries	-	-	13,202,578	13,773,799
The ultimate holding company	551	-	-	-
Joint ventures	-	77	-	-
Associates	197,202	432,692	29,808	53,146
SEC group companies	687,563	778,561	395,906	443,489
Other related companies	123,111	146,088	1,284	-
	1,008,427	1,357,418	13,629,576	14,270,434

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.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
USD	245,708	351,919
JPY	102,322	254,418
EUR	72,856	154,293

37. BILLS PAYABLE – GROUP AND COMPANY

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 3 months	2,049,478	1,663,068	179,728	920,463
Over 3 months but within 6 months	2,373,344	2,328,139	194,146	28,777
Over 6 months but within 1 year	475,232	153,266	-	-
	4,898,054	4,144,473	373,874	949,240

37. BILLS PAYABLE – GROUP AND COMPANY (CONTINUED)

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Subsidiaries	-	-	313,955	528,541
Associates	47,207	100,258	-	-
SEC group companies	142,509	146,563	-	-
Other related companies	100	1,164	-	-
	189,816	247,985	313,955	528,541

Bills payable are non-interest-bearing.

38. OTHER PAYABLES AND ACCRUALS – GROUP AND COMPANY

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	35,781,372	31,755,865	15,457,514	15,346,301
Other payables	3,332,681	3,612,463	690,016	652,974
Government grants	591,845	449,950	20,745	53,654
Dividend payable to non-controlling shareholders	223,635	210,242	5,593	6,333
Accruals	4,570,381	4,466,004	116,880	119,984
Payroll payable	2,182,115	2,263,049	227,183	340,205
Due to subsidiaries	-	-	71,827	295,076
Due to the ultimate holding company	176,826	47,666	-	-
Due to associates	103,036	115,334	31	15
Due to SEC group companies	5,507	67,507	-	-
Due to other related companies	306,543	224,826	-	-
	47,273,941	43,212,906	16,589,789	16,814,542

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

On 24 December 2014, the Company's Board of Directors discussed and approved the co-R&D agreement entered between the Company's wholly-owned subsidiary SHMP and SE Corporation. As of 31 December 2014, SHMP has received the advance payment of RMB140,000,000 from SE Corporation under the agreement.

39. CUSTOMER DEPOSITS - GROUP

	2014 RMB'000	2013 RMB'000
Deposits from the ultimate holding company	902,629	147,609
Deposits from associates	62,259	67,526
Deposits from SEC group companies	3,217,519	1,464,337
Deposits from other related companies	87,754	7
Deposits from non-related parties	869	82,925
	4,271,030	1,762,404
Repayable:		
On demand	3,897,330	1,406,704
Within 3 months	50,000	117,000
Over 3 months but within 1 year	323,700	238,700
	4,271,030	1,762,404

The annual interest rates of customer deposits provided to related parties range from 0.35% to 3.75% (2013: 0.35% to 3.75%).

40. BORROWINGS – GROUP AND COMPANY

Group

	2014			2013		
	Effective Interest rate(%)	Maturity	RMB'000	Effective Interest rate(%)	Maturity	RMB'000
Current bank loans						
- Unsecured	1.58-6.16	2015	4,109,929	3.1-6.6	2014	1,357,880
- Secured	5.32-6.6	2015	383,000	3.7-6.6	2014	229,300
- Trade receivables factoroing	5.05-5.6	2015	400,000	4.7-6.44	2014	537,000
- Bills receivable discounted	-	-	-	8.00	2014	15,000
Current portion of long-term bank loan						
- Unsecured	5.84	2015	58,492	-	-	-
- Unsecured	5.53	2015	11,823	-	-	-
- Trade receivables factoring	6.03	2015	5,108	6.03	2014	10,501
- Secured	LIBOR+3.65	2015	33,654	-	-	-
- Unsecured	2.55	2015	455	-	-	-
- Unsecured	6.23	2015	6,202	2.55-6.23	2014	2,484
- Unsecured	-	-	-	3M LIBOR+1.40	2014	731,628
- Unsecured	-	-	-	1.7	2014	640,174
- Unsecured	-	-	-	-	-	186,600
- Unsecured	-	-	-	6.03	2014	18,945
- Secured	-	-	-	-	2014	35,000
			5,008,663			3,764,512
Non-current bank loans						
- Unsecured	5.53	2016	62,818	5.53	2016	76,950
- Unsecured	5.35	2016	37,153	-	-	-
- Unsecured	5.84	2016	39,283	5.84	2016	90,080
- Unsecured	6.23	2021	39,507	6.23	2021	45,068
- Unsecured	3M HIBOR +2.3	2016	552,209	-	-	-
- Unsecured	-	-	-	2.55	2015	455
- Secured	LIBOR+3.65	2018	122,674	-	-	-
- Trade receivables factoring	-	-	-	6.03	2015	5,108
			853,644			217,661
			5,862,307			3,982,173

40. BORROWINGS – GROUP AND COMPANY (CONTINUED)

	2014 RMB'000	2013 RMB'000
Analysed into:		
Bank loans repayable		
within one year or demand	5,008,663	3,764,512
in the second year	691,463	5,563
in the third to fifth years inclusive	122,674	167,030
Beyond five years	39,507	45,068
	5,862,307	3,982,173

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

	2014		2013	
	Original Currency in '000	RMB equivalent RMB'000	Original Currency in '000	RMB equivalent RMB'000
Foreign currency borrowing balances				
USD	36,645	224,231	232,725	1,418,901
JPY	84,000	4,318	-	-
EUR	400,000	2,982,240	-	-
MYR	33,250	58,600	-	-
HKD	700,000	552,209	-	-

As at 31 December 2014, 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 RMB1,338,267,000 (31 December 2013: building with net carrying amount RMB426,952,000) (Notes 16).

As at 31 December 2014, accounts receivable with a net carrying amount of approximately RMB508,094,000 (31 December 2013: RMB806,722,000) were factored with recourse to obtain certain bank facilities of RMB400,000,000 (31 December 2013: RMB537,000,000) (Note 29).

As at 31 December 2014, in order to mitigate the foreign exchange risk, the Group uses EUR400,000,000(equivalent to RMB2,982,240,000) of short-term borrowing which is the investment in AEN (Note (22)) as hedging instrument.

40. BORROWINGS – GROUP AND COMPANY (CONTINUED)

Company

	2014			2013		
	Effective Interest rate(%)	Maturity	RMB'000	Effective Interest rate(%)	Maturity	RMB'000
Current bank loans						
- Unsecured	5.04	2015	450,000	-	-	-
- Unsecured	5.40	2015	400,000	-	-	-
- Unsecured	5.04	2015	200,000	-	-	-
Current portion of long-term bank loans						
- Unsecured	2.55	2015	455	2.55	2014	455
			1,050,455			455
Non-current bank loans						
- Unsecured	-	-	-	2.55	2015	455
			-			455

	2014 RMB'000	2013 RMB'000
Analysed into:		
Bank loans repayable		
within one year or demand	1,050,455	455
in the second year	-	455
	1,050,455	910

40. BORROWINGS – GROUP AND COMPANY (CONTINUED)

Group

	Carrying amount		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Floating rate bank loans	674,883	-	645,388	-
Fixed rate bank loans	178,761	217,661	174,952	211,587
	853,644	217,661	820,340	211,587

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.6% -6.15% (2013: 6.15%-6.55%) and are within level 2 of the fair value hierarchy.

Company

	Carrying amount		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Fixed rate bank loans	-	455	-	421

41. PROVISIONS – GROUP AND COMPANY

Group

	Product warranty RMB'000	Onerous contracts and legal provision RMB'000	Early retirement benefits and staff severance costs RMB'000	Late delivery RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	932,404	1,896,082	106,538	49,000	288,184	3,272,208
Additional provisions	596,010	1,592,193	118,184	-	39,370	2,345,757
Reversal during the year	(73,468)	(622,819)	-	(9,485)	-	(705,772)
Amounts utilised during the year	(491,673)	(530,725)	(83,291)	-	(263,606)	(1,369,295)
At 31 December 2014	963,273	2,334,731	141,431	39,515	63,948	3,542,898
Less: current portion repayable within 12 months	(963,273)	(2,334,731)	(64,092)	(39,515)	(63,948)	(3,465,559)
Non-current portion	-	-	77,339	-	-	77,339

41. PROVISIONS – GROUP AND COMPANY (CONTINUED)

Company

	Product warranty RMB'000	Onerous contracts and legal provision RMB'000	Late delivery RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	27,436	311,368	2,000	5,621	346,425
Additional provisions	4,081	514,239	-	18,510	536,830
Reversal during the year	-	(12,249)	(2,000)	-	(14,249)
Amounts utilised during the year	-	(20,855)	-	-	(20,855)
At 31 December 2014	31,517	792,503	-	24,131	848,151
Less: current portion	(31,517)	(792,503)	-	(24,131)	(848,151)
Non-current portion	-	-	-	-	-

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 2014. 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.

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.

41. PROVISIONS – GROUP AND COMPANY (CONTINUED)

Late delivery (continued)

As at 31 December 2014, certain provisions made for the following lawsuits are included in the balances:

(1) In 2013, 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, 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 into consideration of the arbitration progress and best estimations of possible liabilities related to this dispute.

On 14 January 2014, the Company received a partial award from Singapore International Arbitration Centre. The counter-claims lodged by the Company against Indonesia Company based on certain terms of the Engineering Contract were dismissed and 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). On 3 April 2014, the Company submitted the application for revocation of the law suit to Singapore High Court, which was rejected on 3 October 2014.

According to the latest information, after consulting the external legal consul, the Company increased the provision accrued this year.

42. BONDS – GROUP AND COMPANY

The Company was approved by the China Securities Regulatory Commission ("CSRC") (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 were 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.

43. OTHER NON-CURRENT LIABILITIES – GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Relocation compensation	527,514	478,595	-	-
Defined benefit obligations	33,848	34,369	-	-
Finance lease deposits	335,671	187,270	-	-
Non-interest-bearing loans	-	136,258	-	-
R&D Subsidies	68,526	43,831	39,146	14,710
Others	120,654	99,573	-	-
Due to SEC group companies	750	750	-	-
Due to associates	-	12,280	-	-
	1,086,963	992,926	39,146	14,710

43. OTHER NON-CURRENT LIABILITIES – GROUP AND COMPANY (CONTINUED)

Defined benefit plan

The Group operates an unfunded defined benefit plan for part of its overseas employees. The Group's defined the 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.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 31 December 2014 by Mercer LLC., using the projected unit credit actuarial valuation method.

44. SHARE CAPITAL – COMPANY

Shares	2014 RMB'000	2013 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 2013, 31 December 2013, 1 January 2014 and 31 December 2014	12,823,627	12,823,627	3,606,286	16,429,913

45. RESERVES – GROUP AND COMPANY

(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 2014, the Company's reserves available for distribution, calculated in accordance with the relevant regulations, amounted to RMB9,113,719,000 (2013: RMB7,482,871,000), out of which a dividend totalling RMB753,132,000 for the year has been proposed on 17 March 2015 (Note 15).

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.

(b) Company

	Note	Capital reserve RMB'000	Surplus reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 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	15	-	-	(957,284)	(957,284)
As at 31 December 2013 and 1 January 2014		3,545,701	1,526,001	6,908,990	11,980,692
Total comprehensive income for the year		238,261	-	3,022,430	3,260,691
Appropriation of statutory surplus reserves		-	287,569	(287,569)	-
Proposed 2014 final dividend	15	-	-	(753,132)	(753,132)
As at 31 December 2014		3,783,962	1,813,570	8,890,719	14,488,251

The capital reserve account balance as at 31 December 2014 included the Company's share premium of RMB3,606,286,000 (2013: RMB3,606,286,000) (Note 44).

46. CASH FLOWS FROM OPERATING ACTIVITIES – GROUP

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before tax		5,438,654	5,282,719
Adjustments for:			
Finance Company:			
Interest income from banks and other financial institutions		(356,778)	(317,066)
Interest income on loans receivable and discounted bills receivable		(403,339)	(250,098)
Finance lease income		(380,659)	(276,939)
Interest income on non-restricted time deposits with original maturity of over three months when acquired		(133,127)	(114,581)
Interest income on debt investments		(31,840)	(19,929)
Dividend income from equity investments and investment funds		(77,221)	(77,135)
Gains on disposal of items of property, plant and equipment, net		(135,888)	(12,806)
Losses on disposal of other intangible assets, net		74	141
Gains on disposal of land use rights		(20,858)	(124,823)
Losses on disposal of subsidiaries		-	227,797
Gains on disposal of joint venture		-	(15,502)
Losses on disposal of associates		-	9
Investments at fair value through profit or loss:			
Unrealised fair value gains, net		(58,631)	(7,243)
Realised fair value gains, net		(79,326)	(597)
Derivative financial instruments - transactions not qualifying as hedges:			
Unrealised fair value gains, net		(68,095)	(2,301)
Realised gains on available-for-sale investments (transferred from equity)		(206,158)	(151,337)
Other gains		(206)	(194,404)
Finance Company:			
Interest expense due to banks and other financial institutions		15,621	8,543
Interest expense on customer deposits		35,972	39,361
Depreciation of property, plant and equipment		1,597,117	1,398,586
Depreciation of investment properties		7,630	5,681
Amortisation of prepaid land lease payments		41,755	45,249
Amortisation of intangible assets		125,606	114,617
Depreciation of other non current assets		100,792	91,684
Early retirement benefits and staff severance costs		210,761	113,310
Write-down of inventories to net realisable value		729,754	829,247
		912,956	1,309,464

46. CASH FLOWS FROM OPERATING ACTIVITIES – GROUP

	Notes	Year ended 31 December	
		2014	2013
		RMB'000	RMB'000
Cash flows from operating activities (continued)			
Share of profits of joint ventures		(944)	(4,088)
Share of profits of associates		(532,073)	(807,463)
Impairment of trade receivables and other receivables		141,398	325,429
Impairment of loans receivable		97,228	27,894
Impairment of lease receivables		33,014	40,078
Reversal of impairment of discounted bills receivable		(986)	(3,305)
Impairment of items of property, plant and equipment		-	6,069
Impairment of goodwill		-	19,446
Impairment of investment in associates		-	3,443
Impairment of other intangible assets		-	8,914
Provision for product warranty		522,542	551,180
Provision for onerous contracts		969,374	686,451
Reversal of provision for late delivery		(9,485)	(23,000)
Other provisions		39,370	288,930
Finance costs		296,481	254,151
Gains on bargain purchases		-	(52,161)
Exchange losses, net		12,639	162,113
		1,568,558	1,484,081
(Increase)/decrease in inventories		(4,157,977)	271,591
Increase in construction contracts		(606,263)	(29,282)
Increase in trade receivables and other receivables		(1,828,404)	(4,930,310)
Increase in other non-current assets		(68,220)	(998,100)
Increase in trade payables, bills payable, other payables and accruals		5,764,954	7,302,671
Utilisation of product warranty provision and other provisions		(1,251,111)	(969,639)
Cash generated from operations		5,773,147	8,723,195

47. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES – GROUP AND COMPANY

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Guarantees given to banks in connection with facilities granted to:				
- Subsidiaries	-	-	4,964,440	1,859,970
- Associates	90,561	90,234	-	-
	90,561	90,234	4,964,440	1,859,970
Guarantees given to banks in connection with facilities utilised by:				
- Subsidiaries	-	-	4,912,283	1,516,917
- Associates	87,624	90,234	-	-
	87,624	90,234	4,912,283	1,516,917
Non-financial guarantee letters issued by Finance Company on behalf of:				
- Associates	7,935	6,174	-	-

(a) As of 31 December 2014, non-financial guarantees issued by financial institutions for contracts awarded to the Group amounted to RMB20,468,752,000 (2013: RMB23,170,416,000).

(b) As of 31 December 2014, contingent liabilities amounted to RMB117,393,000 relating to pending lawsuits and arbitration (2013: RMB17,850,000).

48. LEASING – GROUP AND COMPANY

(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 2014, 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within one year	53,273	70,599	-	7,715
In the second to fifth years, inclusive	131,599	144,800	-	-
After five years	37,759	88,252	-	-
	222,631	303,651	-	7,715

48. LEASING – GROUP AND COMPANY (CONTIUNED)

(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 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within one year	104,320	108,183	684	8,702
In the second to fifth years, inclusive	246,131	234,037	2,734	3,620
After five years	43,421	104,915	23,506	-
	393,872	447,135	26,924	12,322

49. COMMITMENTS – GROUP AND COMPANY

As at 31 December 2014, the Group and the Company had the following capital commitments:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Contracted, but not provided for:				
In respect of the acquisition of				
- Land and buildings	34,023	112,678	-	-
- Plant and machinery	899,398	806,806	-	-
- Intangible assets	-	82,505	-	-
In respect of capital contribution to				
- Subsidiaries	-	-	360,000	165,885
- Associate	72,000	185,492	72,000	185,492
	1,005,421	1,187,481	432,000	351,377
Authorised, but not contracted for:				
In respect of the acquisition of				
- Land and buildings	-	1,293	-	-
- Plant and machinery	173,903	366,332	-	-
	173,903	367,625	-	-
	1,179,324	1,555,106	432,000	351,377

50. RELATED PARTY TRANSACTIONS – GROUP

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.

50. RELATED PARTY TRANSACTIONS – GROUP (CONTIUNED)

(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:

	2014 RMB'000	2013 RMB'000
Purchase of materials from:		
Associates	3,270,802	3,396,800
SEC group companies	719,667	831,167
Other related companies	1,099,817	2,104,140
	5,090,286	6,332,107
Sales of goods to:		
The ultimate holding company	-	16,653
Associates	77,641	278,425
SEC group companies	174,570	268,197
Other related companies	261,358	346,760
	513,569	910,035
Construction contracts from:		
Other related companies	238,953	2,727,023
Sale of scrap and spare parts to:		
Associates	15,651	13,583
Purchases of services from:		
The ultimate holding company	606	-
Associates	254	55
SEC group companies	6,490	37,199
Other related companies	78,531	78,292
	85,881	115,546
Provision of services to:		
The ultimate holding company	1,500	4,200
Associates	64,215	53,456
SEC group companies	22,673	21,995
Other related companies	98	1,024
	88,486	80,675
Purchases of equipment from:		
Associates	-	367
SEC group companies	3,261	-
Other related companies	-	55,610
	3,261	55,977
Disposal of property, plant and equipment to:		
The ultimate holding company	863,046	-

50. RELATED PARTY TRANSACTIONS – GROUP (CONTINUED)

(1) (continued)

	Note	2014 RMB'000	2013 RMB'000
Rental income from:	(i)		
Associates		34,732	19,596
SEC group companies		-	-
Other related companies		1,769	-
		36,501	19,596
Rental fee to:	(i)		
The ultimate holding company		21,866	18,954
SEC group companies		823	4,040
		22,689	22,994

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

During the year ended 31 December 2014, 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 RMB103,154,000 (2013: RMB671,554,000) were recognised during the year. In addition, purchases of RMB1,498,000 (2013: RMB12,232,000) and an agent fee of RMB200,000 (2013: RMB16,470,000) were incurred through SE Corporation during the year.

SMEI acquired 100% equity of Goss International Corporation ("Goss International") from SE Corporation in 2012 and entered into a 3 year profit compensation agreement with SE Coporation for the period from 2012 to 2014. As the performance result of Goss International in 2014 did not meet forecasted profit, SE Corporation is expected to compensate SMEI.

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

As at 31 December 2014, SE Corporation provided the financial guarantee to a long-term loan of USD 225,000,000 by Finance Company to Goss International. The guarantee will be released at the second anniversary after the maturity of the long-term loan.

50. RELATED PARTY TRANSACTIONS – GROUP (CONTINUED)

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

As at 31 December 2014, the Group has provided corporate guarantees in connection with facilities totalling USD14,800,000 (31 December 2013: USD14,800,000) to related parties, out of which USD14,800,000 (31 December 2013: USD14,800,000) has been utilised; and Finance Company has issued non-financial guarantee letters on behalf of related parties totalling RMB7,935,000 (31 December 2013: RMB6,174,000).

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

	2014 RMB'000	2013 RMB'000
Interest expenses for customer deposits:		
The ultimate holding company	2,488	1,702
Associates	510	702
SEC group companies	33,921	14,461
Other related companies	1,633	-
	38,552	16,865
Interest income for loans and bills discounted:		
The ultimate holding company	154,349	59,368
Associates	7,915	5,170
SEC group companies	47,170	65,323
Other related companies	2,901	981
	212,335	130,842

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

(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 24, 29, 30, 31, 32, 36, 37, 38, 39 and 43, 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.

50. RELATED PARTY TRANSACTIONS – GROUP (CONTINUED)

(6) Compensation of key management personnel of the Group:

	2014 RMB'000	2013 RMB'000
Fees	563	750
Salaries, bonuses and allowances received from the Group	8,568	8,075
Pension scheme contributed by the Group	149	119
Other social benefit schemes contributed by the Group	213	145
	9,493	9,089

Further details of directors' and supervisors' emoluments are included in Note 10 to the Consolidated Financial Statements.

51. FINANCIAL INSTRUMENTS BY CATYGORY– GROUP AND COMPANY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Group

Financial assets

	2014					
	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	-	-	-	5,578,479	-	5,578,479
Lease receivables	-	-	-	5,349,114	-	5,349,114
Equity investments	40,705	-	-	-	1,061,939	1,102,644
Debt investments	159,105	-	-	-	508,733	667,838
Investment products	-	-	-	-	1,237,498	1,237,498
Reverse repurchase agreements	-	-	-	1,213,500	-	1,213,500
Trade receivables	-	-	-	26,055,777	-	26,055,777
Discounted bills receivable	-	-	-	185,741	-	185,741
Bills receivable	-	-	-	6,390,123	-	6,390,123
Financial assets included in prepayments, deposits and other receivables	-	-	-	1,573,344	-	1,573,344
Investment funds	88,125	-	-	-	1,735,408	1,823,533
Derivative financial instruments	1,124	623,673	-	-	-	624,797
Due from the Central Bank	-	-	-	4,244,973	-	4,244,973
Restricted deposits	-	-	-	628,005	-	628,005
Cash and cash equivalents	-	-	-	25,113,467	-	25,113,467
	289,059	623,673	-	76,332,523	4,543,578	81,788,833

51. FINANCIAL INSTRUMENTS BY CATYGORY– GROUP AND COMPANY (CONTINUED)

Financial liabilities

	2014			
	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	-	-	26,937,592	26,937,592
Bills payable	-	-	4,898,054	4,898,054
Financial liabilities included in other payables and accruals	-	-	4,415,669	4,415,669
Customer deposits	-	-	4,271,030	4,271,030
Interest-bearing bank and other borrowings	-	5,862,307	-	5,862,307
Financial liabilities included in other non-current liabilities	-	-	347,945	347,945
Bonds	-	-	1,993,201	1,993,201
Derivative financial instruments	-	3,819	-	3,819
	-	5,866,126	42,863,491	48,729,617

	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

51. FINANCIAL INSTRUMENTS BY CATYGORY– GROUP AND COMPANY (CONTINUED)

Financial liabilities

	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

Company

Financial assets

	2014					
	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	-	-	-	1,495,000	-	1,495,000
Equity investments	-	-	-	-	596,000	596,000
Debt investments	-	-	-	-	-	-
Trade receivables	-	-	-	16,015,841	-	16,015,841
Bills receivable	-	-	-	802,200	-	802,200
Financial assets included in prepayments, deposits and other receivables	-	-	-	1,222,834	-	1,222,834
Derivative financial instruments	-	3,844	-	-	-	3,844
Cash and cash equivalents	-	-	-	16,422,177	-	16,422,177
	-	3,844	-	35,958,052	596,000	36,557,896

51. FINANCIAL INSTRUMENTS BY CATYGORY– GROUP AND COMPANY (CONTINUED)

Financial liabilities

	2014		
	Derivative financial instruments designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	-	22,989,984	22,989,984
Bills payable	-	373,874	373,874
Financial liabilities included in other payables and accruals	-	732,645	732,645
Interest-bearing bank and other borrowings	-	1,050,455	1,050,455
Bonds	-	1,993,201	1,993,201
Derivative financial instruments	2,114	-	2,114
	2,114	27,140,159	27,142,273

	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	-	-	-	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

51. FINANCIAL INSTRUMENTS BY CATYGORY– GROUP AND COMPANY (CONTINUED)

Financial liabilities

	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

52. EVENTS AFTER THE REPORTING PERIOD

(a) Details of the final 2014 dividend proposal are contained in Note 15 to the financial statements.

(b) On 28 January 2015, the Company issued a total of 60,000,000 A share convertible corporate bonds with a nominal value of RMB100 each (the "Electric Convertible Bonds"), for a nominal value of RMB6 billion after obtaining the approval from China Securities Regulatory Commission.

53. APPROVAL OF THE FINANCIAL STATEMENT

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 March 2015.