

2020 ANNUAL REPORT

Shanghai Electric Group Company Limited
(A joint stock limited company incorporated in the People's Republic of China with limited liability)





Performance Highlights



Revenue for 2020 was
¥ 137,285 million
an increase of
7.67%
year-on-year



Profit attributable to owners of the
Company for 2020 was
¥ 3,758 million
an increase of
7.34%
year-on-year



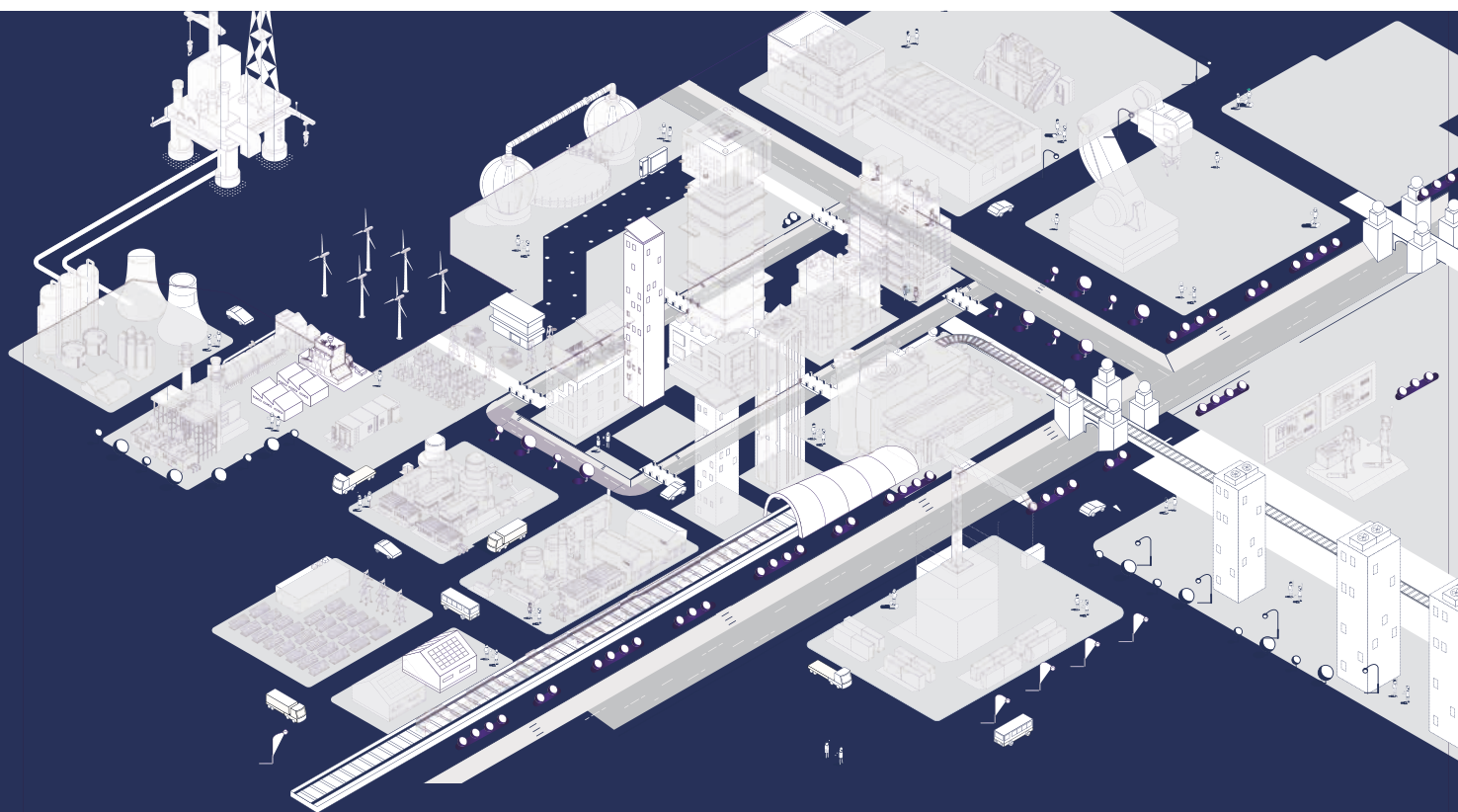
Basic earnings per share of the Company for 2020 were
¥ 0.25 yuan
an increase of
8.70%
year-on-year



New orders for 2020 amounted to
¥ 185.55 billion
an increase of
8.70%
year-on-year



The Board proposed to declare
a final dividend of
¥ 7.178
cents per share for 2020



Contents



03	/ Chairman's Statement	42	/ Report of the Directors
08	/ Corporate Profile	64	/ Significant Events
10	/ Five-year Financial Summary	77	/ Independent Auditor's Report
11	/ Key Accounting Data and Financial Indicators	92	/ Consolidated and Company Balance Sheets
12	/ Share Capital Structure	96	/ Consolidated and Company Income Statements
13	/ Disclosure of Interests	98	/ Consolidated and Company Cash Flow Statements
16	/ Directors, Supervisors, Senior Management and Staff	99	/ Consolidated Statement of Changes in Shareholders' Equity
32	/ Corporate Governance Report	101	/ Company Statement of Changes in Shareholders' Equity
41	/ Summary of General Meetings	103	/ Notes to the Financial Statements

Chairman's Statement



Chairman and CEO Zheng Jianhua

In 2020, as affected by the COVID-19 pandemic, the global economy suffered an accelerated recession, and the external environment became even more severe, with almost all industries and enterprises facing the coldest winter ever. Under the leadership of the CPC Central Committee, China actively exerted itself to the resumption of work and production, recovered the normal operation of society in an orderly manner, and outshined others in the global sluggish economy, achieving economic growth for the year. Throughout the year 2020, facing the challenge of the pandemic, Shanghai Electric continued to implement the "three steps forward" development strategy. While actively supporting the national strategies, it deepened the adjustment of industrial structure, vigorously developed the emerging industries, promoted the changes in growth driving forces, and strived to overcome the difficulties brought about by the pandemic, thus, making steady progress on the road to become a world-class enterprise.

During the reporting period, the Company achieved the total revenue of RMB137,285 million, representing a year-on-year

increase of 7.67%; and the profit attributable to owners of the Company of RMB3,758 million, representing a year-on-year increase of 7.34%.

In the recent three years, while realizing an annual average growth of 19.95% in total revenue, the Company also concentrated on laying a solid foundation for its long-term development, further optimizing its business structure, and invested heavily in emerging sectors such as new energy, advanced manufacturing and cloudification (industrial internet). As a representative enterprise of China manufacturing, the Company will continue to serve as the pillar of China with the new image of transformation. During the reporting period, the Company obtained new orders in the amount of RMB185.55 billion, representing a year-on-year increase of 8.7%. Among the new orders of the Company, orders for energy equipment accounted for 40.8% (of which wind power, nuclear power, energy storage and coal power accounted for 15.7 percentage points, 4.0 percentage points, 1.6 percentage points and 7.5 percentage points, respectively), industrial equipment accounted for 24.7% (of which elevators accounted for 11.9 percentage points), and integrated services accounted for 34.5% (of which energy engineering and services accounted for 25.1 percentage points) of the new orders. As at the end of the reporting period, our orders on hand amounted to RMB276.09 billion, representing an increase of 14.7% from the end of the preceding year. Among our orders on hand by the end of the reporting period, orders for energy equipment accounted for 48.2% (of which wind power, nuclear power, energy storage and coal power accounted for 12.9 percentage points, 7.9 percentage points, 0.6 percentage point and 20.3 percentage points, respectively), industrial equipment accounted for 4.4% (of which elevators accounted for 0.8 percentage point), and integrated services accounted for 47.5% (of which energy engineering and services accounted for 41.3 percentage points) of the orders on hand.

During the reporting period, the principal operation of the Company includes:

Initial achievements in the reform of institutional mechanisms

Shanghai Electric actively responded to the national call to implement the reform policy of state-owned enterprises, actively adjusted the incentive and distribution mechanism for the employees of its subsidiaries, and tried various models of performance appraisal and incentive methods, which greatly motivated the enthusiasm of the management and employees of the subsidiaries to optimize and strengthen the industry, facilitated the cultivation and incubation of new technologies and industries of the Company, and enhanced the market competitiveness of the Company. During the reporting period, we completed the mixed-ownership reform of Shanghai Renmin Electrical Apparatus Works and Shanghai Centrifuge Institute Co., Ltd., which promoted the innovation of the internal management mechanism of enterprises. During the reporting period, phased achievements were made in the spin-off and listing of our subsidiary, Shanghai Electric Wind Power Group Co., Ltd. ("SEWP") on the Science and Technology Innovation Board, which has successfully passed the listing approval of the Listing Committee of the Science and Technology Innovation Board of the Shanghai Stock Exchange.

Integrated development of product technology and new generation of information technology

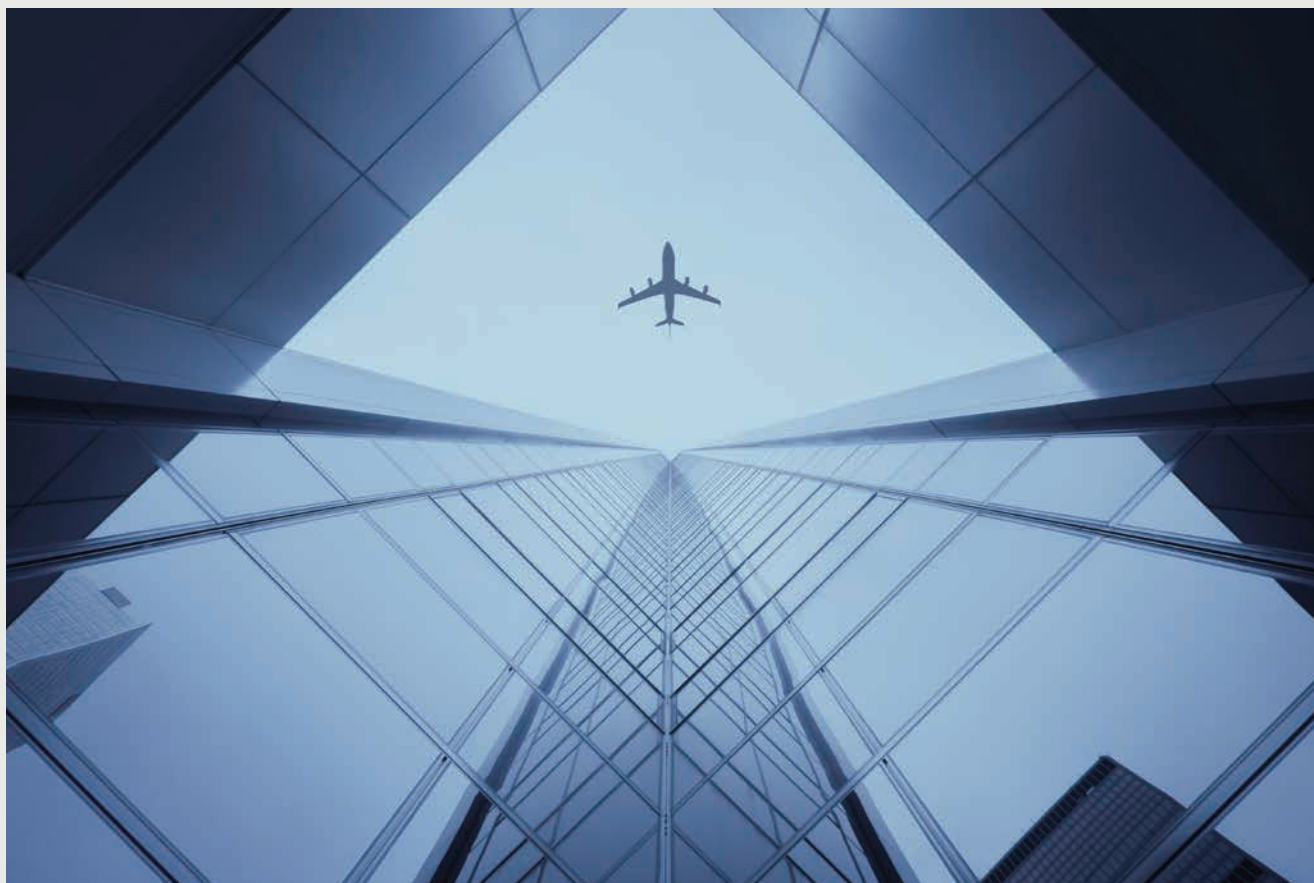
In active response to the changes in the energy, the Company proactively promoted energy transformation, and continued to promote comprehensive energy services of "wind, solar, hydro, thermal and storage integration" and "source, grid, load and energy storage integration", so as to drive the consumption of new energies, ensure national energy security, and achieve green and sustainable development. The smart wind farm digitalized products realized functions such as wind resource assessment, wind farm construction, equipment optimization design, smart operation and maintenance of wind farms, and post assessment of wind farms, providing users with digitized and intelligent technological solutions; and the gas turbine intelligent service products provided partial load optimization and transformation of the Jingneng

Shangzhuang Thermal Power Plant (京能上莊熱電廠), and the combined cycle efficiency of the unit is expected to improve by 0.19 percentage point; and the smart operation and maintenance products of coal-fired power plant provided health and full life cycle management services in relation to equipment performance and health for the equipment of Guohua Taicang Power Plant (國華太倉電廠). For the hydrogen energy business, a cooperative agreement on the source-network-load-storage integration and hydrogen fuel cell heavy truck demonstration project to be developed in Ordos, Inner Mongolia was entered into. In addition, the Company and Shanghai SenseTime Smart Technology Co., Ltd. (上海商湯智能科技有限公司) jointly developed the technology and products of "Artificial Intelligence + Industry", promoting the commercialization of application scenarios; the Company successfully launched the First Industrial App Competition, and selected 80 works with technical innovation and commercial potential, providing technical reserves for the future development of the Company.

Further increase in investment in scientific research, and innovation achievements emerged at a faster pace

During the reporting period, taking the smart energy project in Shantou as an opportunity, the Company successfully launched the first wind turbine "black-start" (that is, if the wind turbine generation system is completely shut down due to failures, the wind turbine can be re-started by means of its own power generation and energy storage system, thereby restoring the normal operation of the power generation system, rather than relying on external grid power supply) with a capacity of 8MW, forming a complete technological capability for smart energy solution in China; successfully developed the high-capacity and high-speed electronic-driven system, breaking the international monopoly; the Company participated in the contracting and manufacturing of reactor internals of the first global reactor of "Hualong One (華龍一號)" - the success of the first grid connection of Unit 5 of Fuqing Nuclear Power (福清核電), marking that China has broken the monopoly of foreign nuclear power technology and officially

Chairman's Statement



joined the ranks of advanced countries in the field of nuclear power technology.

New breakthroughs made in the smart solutions

During the reporting period, the lithium battery smart plant of Shanghai Electric Guoxuan Nantong (電氣國軒南通) was officially put into operation; the smart energy project in Minhang Industrial Zone of the integration of "wind-solar energy storage, power charging and control" was officially put into operation; and the storage project of Qinghai Golmud Power Grid Side was formally put into operation. We successively undertook the comprehensive operation and maintenance project of Line Five of Shanghai Rail Transit, achieving the first set performance of three professional integrated maintenance of vehicles, traffic signals and power supply; undertook the mechanical and electrical integration contracting project for Makati metro in Philippines, achieving the first set performance of overseas market; undertook the "unified management through one network" smart city project in Yangpu district, Shanghai, promoting the in-depth

integration of urban construction, government governance and people's livelihood services.

The construction of industrial internet platform entering a new stage

During the reporting period, we steadily pushed forward the construction of "SEunicloud" industrial internet platform, added 26,865 new devices with the corresponding assets value of RMB24.7 billion. We developed and integrated 15 industry applications such as equipment networking, fault diagnosis, remote operation and maintenance and energy planning, with the business carrying capacity at the group level, and at the same time, preliminarily formed 8 industry solutions such as wind power smart operation and maintenance, thermal power remote operation and maintenance, machine tool operation and maintenance, energy storage battery and distributed energy. The "SEunicloud" platform won the "Zhan Lu Award (湛盧獎)" Industrial Engine Award at the 2020 World Artificial Intelligence Conference - Global Industrial Intelligence Summit, the achievement award of 2020 Industrial Internet Innovation



(Implementation) (2020年工業互聯網創新（實踐）成果獎), and was selected in "Recommendation List of 2020 Shanghai Industrial Internet Platform and Professional Service Provider (《2020年度上海市工業互聯網平臺和專業服務商推薦目錄》)" by Shanghai Economic and Information Technology Commission. During the reporting period, "SEunicloud" started to empower the external enterprises, and successively entered into cooperation agreements with Bishan District Government in Chongqing and Xuchang Municipal Government in Henan for cooperating and jointly building an industrial internet-empowered center and providing digital transformation services. During the pandemic, the platform solved the procurement and supply problems for various enterprises, effectively alleviating the shortage of raw materials for enterprises. The platform has also built a brand-new system for the construction and engineering industry, providing a series of smart services such as ordering, production scheduling, monitoring and quality inspection.

E-commerce for manufacturing industry ushering in a new model

During the reporting period, the Group's e-commerce for

manufacturing industry ushered a new model. Our smart supply chain services formed 1 platform-level product, 3 system-level products and 3 solution-level products, including an intelligent procurement platform, sourcing and bidding management and procurement e-mall. The final bid for over 9,600 online biddings and purchases amounted to RMB6.2 billion. Over 40 suppliers settled in the procurement mall. The online sales of spare parts and long-term maintenance services for power station service e-commerce amounted to RMB145 million, representing a year-on-year increase of 116%. 60,000 industrial fasteners were purchased online by e-commerce, achieving online sales of RMB170 million.

The integrated layout in Yangtze River Delta progressing in an orderly manner

During the reporting period, we took the initiative to align with the national strategy of "integrated development of Yangtze River Delta," and continued to expand our presence in Yangtze River Delta on the basis of the establishment of Nantong Central Research Institute. With the four functional positioning of "corporate headquarter, R&D center, information center and service center," the Company maximises the integration

Chairman's Statement

of relevant internal R&D institutions. In 2020, Shanghai Electric Nantong Energy Storage Base reached target capacity and would be built as a leading enterprise in the energy storage battery field in China. Under the guidance of Shanghai Municipal Commission of Economy and Informatization, three provincial departments of industry and information technology as well as economy and information technology departments of Jiangsu, Zhejiang and Anhui, Shanghai Electric cooperated with Shanghai Intelligent Manufacturing Industry Association (上海市智能製造產業協會) and leading intelligent manufacturing enterprises in Yangtze River Delta to jointly establish Shanghai Yangtze River Delta Intelligent Manufacturing Industry Promotion Center (Preparatory Plan) (上海長三角智能製造產業促進中心 (籌)), which created new advantages of "Made in Shanghai". Our Hai'an Hazardous Waste Treatment Center (海安危廢處置中心), Nantong Base Phase I Intelligent Manufacturing Project, Taizhou Matechstone Green Assembled Building Base (泰州研矽綠色裝配式建築基地), Chaohu Energy Storage Flow Battery Incubation Project (巢湖儲能液流電池孵化項目) and Yancheng City Smart Energy Big Data Platform and other projects also intensively entered the project construction period in 2020, contributing the technology and intelligence of Shanghai Electric to the integrated development of Yangtze River Delta.

Responsibility of state-owned enterprises highlighted in anti-pandemic works

During the reporting period, Shanghai Electric actively undertook its social responsibility for the pandemic prevention as well as work resumption. Upon the outbreak of COVID-19 pandemic, we immediately set up a pandemic prevention and control leading group to deploy pandemic prevention and control work according to different situations. The Company organized all Party members, cadres and employees to voluntarily donate RMB8.8 million in total; assisted a number of enterprises in Shanghai in resuming the use of old mask production lines, developed automatic mask production lines, and accumulatively delivered 621 mask production lines to all regions in China; donated nearly 100,000 masks and various anti-pandemic supplies to overseas partners. In addition, with the assistance and guidance of the relevant departments of

the Shanghai Municipal Government, we proactively liaised with airlines to raise charter flights, and completed the round-trip chartered flights for three overseas projects, helped the construction of overseas projects affected by the pandemic and made best efforts to minimize the negative impact of the pandemic on the Company's business.

Looking forward, we will adhere to the strategy orientation, problem orientation and result orientation, implement the "three steps forward" development philosophy of the Group, and maintain a high degree of organic unity among national, corporate, staff and investor interests. The Company will strive for development by taking it as an important embodiment of its core values to strive for glory for the country, to build a career for the nation, to seek prosperity for the people and to create value for the society. We will exert ourselves to build Shanghai Electric into an international, market-oriented and modernised enterprise group as well as a new aircraft carrier with high-end equipment. We will celebrate the 100th anniversary of the founding of the Communist Party of China with better performance.

Lastly, I would like to take this opportunity to express my gratitude to our shareholders for their support to and care for the Group over the past year. I would also like to thank our directors, supervisors, management and staff for their efforts and dedication over the past year.

Let's join hands and work hard together to achieve a new record of brilliant results!

Zheng Jianhua

Chairman and CEO
Shanghai, the PRC,
26 March 2021

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

Contact Person and Contact Details

	Secretary to the Board
Name	Fu Rong
Correspondence address	No. 110 Sichuan Middle Road, Huangpu District, 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. 110 Sichuan Middle Road, Huangpu District, Shanghai (zip code: 200002)
Company website	http://www.shanghai-electric.com
Company email	service@shanghai-electric.com

Corporate Profile

Information Disclosure and Place for Inspection of Annual Report of the Company

Company's designated newspapers for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times
The Company's annual reports available at	Office of 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 the Company's Shares

Class 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 domestic auditors appointed by the Company	11/F PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
Legal advisers appointed by the Company as to PRC laws:	Grandall Law Firm (Shanghai)
Legal advisers appointed by the Company as to Hong Kong laws and U.S. laws:	Clifford Chance

Five-year Financial Summary

Unit: million Currency: RMB

	2016 (Restated)	2017	2018	2019	2020 (Note)
Revenue and Profit					
Revenue	88,507	79,544	101,158	127,509	137,285
Profit before tax	5,925	5,365	6,008	7,263	6,346
Tax	(1,283)	(522)	(677)	(1,279)	(1,080)
Profit for the year	4,642	4,843	5,331	5,984	5,266
Attributable to:					
Owners of the Company	2,355	2,627	2,980	3,720	3,758
Non-controlling interests	2,287	2,216	2,351	2,264	1,508
Dividend		1,354	905		1,127
Earnings per share attributable to ordinary equity holders of the Company					
Basic Profit for the year (cents)	17.14	18.72	20.24	24.95	24.77
Assets and Liabilities					
Non-current assets	48,927	54,989	66,794	81,323	87,457
Current assets	137,674	144,357	151,728	199,201	227,946
Current liabilities	(106,375)	(111,320)	(119,623)	(164,061)	(183,492)
Net current assets	31,299	33,037	32,105	35,140	44,454
Total assets less current liabilities	80,226	88,026	98,899	116,463	131,911
Non-current liabilities	(17,807)	(17,304)	(25,262)	(24,873)	(25,061)
Net assets	62,419	70,722	73,637	91,589	106,849
Equity attributable to owners of the Company	47,900	55,537	57,290	63,346	66,401
Non-controlling interests	14,519	15,185	16,347	28,243	40,448

Note: As approved at its 2019 annual general meeting, the Company will prepare only one set of financial statements in accordance with the PRC Accounting Standards for Business Enterprises from 2020 onwards. In the above table, the financial summary for the years 2016 to 2019 represents the data in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (comparative figures for the year 2016 have been restated in accordance with the reporting requirements for business combination under common control), and the financial summary for the year 2020 represents the data in the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises.

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	2020	2019	Year-on-year increase/decrease (%)
Total assets	315,402,734	280,523,589	12.43
Net assets attributable to shareholders of the parent company	66,400,834	63,345,856	4.82
Net assets per share attributable to shareholders of the parent company (RMB/share)	4.38	4.25	3.06
Revenue	137,285,056	127,508,964	7.67
Operating profit	6,063,037	6,927,857	(12.48)
Profit before tax	6,346,439	7,091,771	(10.51)
Net profit attributable to owners of the Company	3,758,175	3,501,037	7.34
Basic earnings per share (RMB/share)	0.25	0.23	8.70
Weighted average return on net assets (%)	5.79	5.79	-
Net cash flows generated from operating activities	4,696,198	10,505,138	(55.30)
Net cash flows per share generated from operating activities (RMB/share)	0.31	0.70	(55.71)

Note: For details about the annual report prepared under the PRC GAAP, please refer to the website designated by the China Securities Regulatory Commission at <http://www.sse.com.cn>.



Share Capital Structure

As at 31 December 2020	Number of shares	Approximate percentage of issued share capital
A shares	12,256,870,901	80.74%
H shares	2,924,482,000	19.26%
Total	15,181,352,901	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 2020 as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Hong Kong ("SFO") and as to the knowledge of the Company:

Name of Substantial Shareholder	Class of shares	Capacity	Note	Number of shares	Nature of Interest	Approximate percentage of shareholding in the relevant class of shares (%)	Approximate percentage of shareholding in the total issued share capital of the Company (%)
State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government	A	Interest of controlled corporation	1	8,779,180,465	Long position	71.63	57.83
	H	Interest of controlled corporation	1	313,642,000	Long position	10.72	2.07
Shanghai Electric (Group) Corporation	A	Beneficial owner	1	8,467,326,071	Long position	69.08	55.77
	H	Beneficial owner	1	280,708,000	Long position	9.60	1.85
	H	Interest of controlled corporation	1,2	32,934,000	Long position	1.13	0.22
Shenergy Group Company Limited	A	Beneficial owner	1	311,854,394	Long position	2.54	2.05
Sarasin & Partners LLP	H	Investment manager		189,238,000	Long position	6.47	1.25

Notes

- (1) Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) and Shenergy (Group) Company Limited (申能(集團)有限公司) were wholly owned by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會) and accordingly, their interests in the A shares and H shares of the Company were deemed to be the interests of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.
- (2) Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) through its wholly-owned subsidiary, Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司), held H shares of the Company.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the shares or underlying shares of the Company as at 31 December 2020 required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Directors', supervisors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 December 2020, the interests and short positions of the directors, supervisors and chief executives of the Company (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules")) of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules were as follows:

Name of director	Class of shares	Capacity	No. of shares	Nature of interests	Approximate percentage of the relevant class of shares (%)	Approximate percentage of the total share capital of the Company (%)
Huang Ou	A	Beneficial owner	765,000	Long position	0.006	0.005

Save as disclosed above, as at 31 December 2020, none of the directors, supervisors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations as recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.





Directors, Supervisors, Senior Management and Staff

Interests in shares and remuneration of current Directors, Supervisors and Senior Management as well as Directors, Supervisors and Senior Management resigned during the reporting period

Name	Position	Gender	Age	Current term of office commencing on	Current 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	Changes in the number of shares for the year	Reason for the change	Total payable remuneration received from the Company during the reporting period (RMB in ten thousand) (before tax)
Zheng Jianhua	Chairman of the Board and Chief Executive Officer	Male	60	18 September 2018	17 September 2021					109.13
Huang Ou	Executive Director and President	Male	49	18 September 2018	17 September 2021	765,000	765,000	0		147.99
Zhu Zhaokai	Executive Director	Male	52	18 September 2018	17 September 2021					83.78
Zhu Bin	Executive Director	Male	59	18 September 2018	17 September 2021					94.87
Yao Minfang	Non-executive Director	Female	53	18 September 2018	17 September 2021					
Li An	Non-executive Director	Female	59	18 September 2018	17 September 2021					
Xi Juntong	Independent Non-executive Director	Male	57	18 September 2018	17 September 2021					25.00
Xu Jianxin	Independent Non-executive Director	Male	65	14 November 2019	17 September 2021					25.00
Liu Yunhong	Independent Non-executive Director	Male	44	25 November 2020	17 September 2021					4.17
Zhou Guoxiong	Chairman of the Supervisory Committee	Male	63	18 September 2018	17 September 2021					
Hua Xingsheng	Vice Chairman of the Supervisory Committee	Male	60	18 September 2018	17 September 2021					63.69
Han Quanzhi	Supervisor	Male	56	18 September 2018	17 September 2021					
Zhang Yan	Supervisor (employee representative)	Female	45	20 May 2019	17 September 2021					113.14
Yuan Shengzhou	Supervisor (employee representative)	Male	55	20 May 2019	17 September 2021					88.61

Name	Position	Gender	Age	Current term of office commencing on	Current 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	Changes in the number of shares for the year	Reason for the change	Total payable remuneration received from the Company during the reporting period (RMB in ten thousand) (before tax)
Dong Jianhua	Vice president	Male	55	18 September 2018	17 September 2021	594,000	594,000	0		138.15
Chen Ganjin	Vice president	Male	52	18 September 2018	17 September 2021	594,000	594,000	0		112.90
Gu Zhiqiang	Vice president	Male	56	18 September 2018	17 September 2021	594,000	594,000	0		125.68
Jin Xiaolong	Vice president	Male	53	18 September 2018	17 September 2021	594,000	594,000	0		108.99
Yang Hong	Vice president	Female	48	30 September 2020	17 September 2021	342,000	342,000	0		26.13
Hu Kang	Chief Financial Officer	Male	57	18 September 2018	17 September 2021	594,000	594,000	0		115.90
Tong Liping	Chief Legal Officer	Female	49	18 September 2018	17 September 2021	396,000	396,000	0		161.18
Fu Rong	Secretary to the Board	Female	50	18 September 2018	17 September 2021	396,000	396,000	0		135.97
Zhang Mingjie	Chief Investment Officer	Male	57	18 September 2018	17 September 2021	396,000	396,000	0		147.85
Chu Junhao	Independent Non-executive Director (resigned)	Male	75	18 September 2018	24 November 2020					22.92
Zhang Ke	Vice president (resigned)	Male	60	18 September 2018	29 September 2020					87.31
Total	/	/	/	/	/	5,265,000	5,265,000	0	/	1,938.36

Major work experience

Zheng Jianhua

Mr. Zheng currently serves as the secretary of CPC Party Committee, the chairman of the board and the chief executive officer of the Company. He is also the chairman of the board of directors of Shanghai Electric (Group) Corporation. Mr. Zheng Jianhua has over 30 years of experience in equipment manufacturing business. Mr. Zheng was formerly the president of Shanghai Turbine Generator Co., Ltd., the general manager of Shanghai Electric Group Shanghai Electric Machinery Co., Ltd., the president of Shanghai Electric Power Generation Group, the chairman of the board of directors of Shanghai Electric Power Generation Equipment Co., Ltd., the vice president of Shanghai Electric (Group) Corporation, an executive director and the president of Shanghai Electric Group Company Limited, and the vice chairman of Shanghai Electric (Group) Corporation. Mr. Zheng Jianhua has obtained a master's degree in business administration from China Europe International Business School. He is a professor-level senior economist.

Huang Ou

Mr. Huang currently serves as a Director, the president and the deputy secretary of CPC Party Committee of the Company and the chairman of the board of directors (legal representative) of Shanghai Electric Enterprise Service Co., Ltd. (上海電氣集團企業服務有限公司). Mr. Huang has extensive experience in the power generation equipment manufacturing industry. He formerly served as the president of Shanghai Turbine Co., Ltd. from 2004 to 2006, the vice president of Shanghai Electric Power Generation Equipment Co., Ltd. from 2007 to 2009, the executive vice president of Shanghai Electric Power Generation Group from 2006 to 2013, the chief technology officer of Shanghai Electric Group Company Limited from 2011 to 2015, the vice president of Shanghai Electric Group Company Limited from 2015 to 2016 and the deputy director of Shanghai Municipal Commission of Economy and Informatization from 2016 to 2018. Mr. Huang Ou graduated from Shanghai Jiao Tong University with a master's degree in engineering and is a senior engineer of professorial level.

Zhu Zhaokai

Mr. Zhu currently serves as a Director and the deputy secretary of CPC Party Committee. Mr. Zhu Zhaokai has extensive experience in the power generation equipment manufacturing industry. He served as the deputy secretary of CPC Party Committee and secretary of Commission for Discipline Inspection of the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. and Shanghai Turbine Works Co., Ltd. from 2001 to 2009, and the secretary of CPC Party Committee and an executive director of the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. and Shanghai Turbine Works Co., Ltd. from 2009 to 2011. He served as head of the human resources department of Shanghai Electric (Group) Corporation from 2011 to 2018 and the secretary of CPC Party Committee of Shanghai Electric Power Generation Group from 2013 to 2018. Mr. Zhu graduated from Hefei University of Technology with a bachelor's degree in engineering and from Shanghai Jiao Tong University with a master's degree in business administration. He is a senior economist.

Directors, Supervisors, Senior Management and Staff**Zhu Bin**

Mr. Zhu currently serves as a Director and the chairman of labor union of the Company, the chairman of Shanghai Mechanical and Electrical Union, and a director of Shanghai Electric (Group) Corporation. Mr. Zhu has extensive experience in the power generation equipment manufacturing industry. Since he joined the group in 1983, Mr. Zhu successively served as the assistant to president and the vice president of Shanghai Turbine Works Co., Ltd., an executive director, the general manager and the deputy secretary of CPC Party Committee of Shanghai Power Station Auxiliary Equipment Works., Ltd., the vice chairman, the president and the deputy secretary of CPC Party Committee of Shanghai Power Equipment Co., Ltd., the executive vice president of Shanghai Electric Power Generation Group, the vice chairman and president of Shanghai Electric Power Generation Equipment Co., Ltd., and the assistant to president and chief operation officer of Shanghai Electric Group Company Limited. Mr. Zhu graduated from Xi'an Jiao Tong University with a master's degree in business administration. He is a senior engineer.

Yao Minfang

Ms. Yao currently serves as a non-executive Director of the Company. Ms. Li served as the deputy chief economist and director of the Technical Innovation Center of Shenergy Group Company Limited., secretary of the Party Committee and chairman of Shanghai LNG Company Ltd.. Ms. Yao was the principal and then deputy manager of the investment department of Shenergy Company Limited from 2000 to 2006. She has been the deputy manager and then the manager of the investment department, a deputy chief engineer of Shenergy (Group) Co., Ltd. from September 2006, a director of Shenergy Company Limited. Ms. Yao graduated from the dynamics department of the University of Shanghai for Science and Technology with a master's degree and is a senior engineer of professorial level.

Li An

Ms. Li currently serves as a non-executive Director of the Company, the vice president and a director of Shanghai Guosheng Group Company Limited (上海國盛(集團)有限公司), and a director of Shanghai Tunnel Engineering Co. Ltd. (上海隧道工程股份有限公司) and Shanghai Pharmaceuticals Holding Co., Ltd. and Shanghai Lingang Economic Development (Group) Co., Ltd.. Ms. Li served as the director of the Property Rights Division and the Center of Property Rights of Shanghai Municipal State owned Assets Supervision and Administration Commission from November 2009 to August 2014. She was the vice president of Shanghai Guosheng Group Company Limited from August 2014 to January 2017, and has served as the vice president and director of Shanghai Guosheng Group Company Limited since January 2017. Ms. Li holds a Bachelor's Degree in Engineering and is an engineer.

Xi Juntong

Dr. Xi is a professor of Mechanical Manufacture and Automation and at the State Key Laboratory of Mechanical System and Vibration and a doctoral supervisor of Shanghai Jiao Tong University. He currently serves as an independent non-executive Director of the Company, the acting dean of Shanghai Intelligent Manufacturing Institute (上海智能製造研究院), independent director of Shanghai Hi-tech Control System Co., Ltd., independent director of Shanghai Friendess Electronics Technology Co., Ltd., general manager of Shanghai Jiaotong University-Lingang Group Intelligent Manufacturing Innovation Technology Co., Ltd. (上海交大臨港智能製造創新科技有限公司), general manager of Shanghai Smart Manufacturing R&D and Transformation Functional Platform (上海市智能製造研發與轉化功能型平臺). Dr. Xi is primarily engaged in research in the fields of digital manufacturing and intelligent manufacturing technologies. He was honored with 6 awards including the second prize of the National Science and Technology Progress Award and the scientific and technological progress and technological invention awards of Shanghai. His major concurrent academic posts mainly include deputy director of the Special Committee of Manufacturing Automation of Chinese Mechanical Engineering Society, a member of the Special Committee of Additive Manufacturing of Chinese Mechanical Engineering Society, an executive member of China Intelligent Manufacturing Industry Innovation Alliance (中國智能製造產業技術創新聯盟), the vice president of Shanghai Mechanical Engineering Society (上海機械工程學會), and the secretary general of Shanghai Intelligent Manufacturing Industry Innovation Alliance (上海智能製造產業技術創新聯盟).

Xu Jianxin

Dr. Xu currently serves as an independent non-executive Director of the Company, the senior vice president of Shanghai Purest Investment Management Co., Ltd. and an independent director of Shanghai Shunho New Materials Technology Co., Ltd. From February 1982 to November 1997, Mr. XU served as a lecturer and associate professor of accounting at Shanghai University of Finance and Economics. From November 1997 to December 2014, he served as the deputy chief accountant, director, chief financial officer, and chief economist of Orient International (Holding) Co., Ltd. Since January 2015, he has served as the senior vice president of Shanghai Purest Investment Management Co., Ltd. Dr. XU graduated from Shanghai University of Finance and Economics with a doctorate. He is a professor-level senior accountant and a Chinese certified public accountant.

Liu Yunhong

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

Directors, Supervisors, Senior Management and Staff

Zhou Guoxiong

Mr. Zhou currently serves as the chairman of the supervisory committee of the Company and the chairman of the supervisory committee of Shanghai Tunnel Engineering Co., Ltd. (上海隧道工程股份有限公司). Before joining the Company, Mr. Zhou served as member of the standing committee under Shanghai Huangpu District Party Committee, head of Shanghai Public Security Bureau Huangpu Branch, deputy secretary of the party committee and deputy director general of Shanghai Public Security Bureau, secretary of the Party Committee of Shanghai Putuo District, party secretary of Working Committee of Economy and Informatisation of Shanghai Municipality (上海市經濟和信息化工作委員會), the chairman of the supervisory committee of Shanghai Urban Construction (Group) Co., Ltd. (上海城建(集團)公司) and the chairman of the supervisory committee of Shanghai Electric (Group) Corporation. Mr. Zhou holds a doctorate degree in management and is a distinguished professor, a researcher and a master's supervisor.

Hua Xingsheng

Mr. Hua currently serves as the deputy chairman of the supervisory committee of the Company and secretary of the commission for discipline inspection of the Company, the supervisor of Shanghai Supervisory Committee in Shanghai Electric Group Co., Ltd. Mr. Hua has extensive experience in automotive industry. He has served as Secretary of Youth League Committee of SAIC Motor, deputy head of SAIC Forging Plant (上海汽車鍛造總廠), head of the president office of SAIC Motor, secretary of the party committee and deputy general manager of SAIC Sales Co., Ltd. (上海汽車工業銷售總公司), chairman of SAIC Materials Co., Ltd. (上海汽車工業物資公司), secretary of the party committee of Shanghai Huizhong Automobile Manufacturing Co., Ltd., propaganda department manager of the party committee of SAIC Motor and secretary of the commission for discipline inspection and the deputy chairman of the supervisory committee of Shanghai Electric (Group) Corporation. Mr. Hua has a master's degree in management engineering and an EMBA and is a senior economist and a senior business operator (高級經營師).

Han Quanzhi

Mr. Han currently serves as a supervisor of the Company. He has successively served as a salesman and chief salesman of engineering and construction department of Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd., a deputy manager, the assistant to general manager, deputy general manager, deputy director and director of general office, director of foreign affairs office, deputy general manager of the project management department of the real estate branch and a member of CPC Party Committee and deputy general manager of Shanghai Land Minhong (Group) Co., Ltd. Mr. Han graduated from the Department of Architectural Engineering of Shanghai Institute of Urban Construction, majoring in industrial and civilian construction. Mr. Han is an engineer.

Zhang Yan

Ms. Zhang currently serves as an employee representative of the supervisory committee, the head of the risk management department and the internal audit department of the Company, the chairman of the supervisory committee office of Suzhou Thvow Technology Co., Ltd., the chairman of the supervisory committee of Shanghai Prime Machinery Co., Ltd. and Shanghai Electric Wind Power Group Co., Ltd., the chairman of the supervisory committee of Tianjin Steel Pipe Manufacturing Co., Ltd.(天津鋼管製造有限公司), a supervisor of Shanghai Electric Transmission and Distribution Group Co., Ltd. and the chairman of the supervisory committee of Shanghai Electric Group Finance Co., Ltd. Ms. Zhang served as the deputy director of general office of Shanghai Electric Development Co., Ltd., the assistant of the head and then deputy head of investment management department of Shanghai Electric Asset Management Co., Ltd., the deputy head of financial budget department of Shanghai Electric (Group) Corporation, the deputy director of secretary office of board of directors, the executive deputy director of risk management department and head of the office of the supervisory committee of Shanghai Electric Group Co., Ltd. Ms. Zhang obtained an EMBA degree.

Yuan Shengzhou

Mr. Yuan currently serves as an employee representative of the supervisory committee, the vice chairman of labor union of the Company and the vice chairman of labor union of Shanghai Mechanical and Electrical Union. Mr. Yuan served as the secretary of the Youth League Committee, the director of general office and the deputy secretary of CPC Party Committee, the secretary of the commission for discipline inspection, the chairman of labor union, the chairman of supervisory committee office, the secretary of CPC Party Committee, and an executive director (legal representative) of Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd., the deputy secretary of CPC Party Committee and the vice president of Shanghai Electric Environmental Protection Group, and a supervisor of the supervisory committee of Shanghai Electric (Group) Corporation. Mr. Yuan obtained a master's degree and is a senior political affairs specialist.

Dong Jianhua

Mr. Dong is currently a vice president of the Company, a director of Shanghai Electric (Group) Corporation and the chairman of the board of directors of Shanghai Highly (Group) Co., Ltd. He was formerly the vice president and chief financial officer of Shanghai Electric (Group) Corporation and chairman of the supervisory committee of the Company. Mr. Dong has extensive experience in corporate internal audit and supervision. Prior to joining the parent group of the Company, Mr. Dong was the assistant to the head and the deputy head of Infrastructure Office of Shanghai Municipal Audit Bureau, the deputy head and head of the Fixed Assets Investment and Audit Office, as well as the head of the 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 professor-level senior economist.

Directors, Supervisors, Senior Management and Staff**Chen Ganjin**

Mr. Chen is currently a vice president of the Company. He has extensive experience in corporate management and was formerly the secretary of CPC Party Committee and chairman of Shanghai Boiler Works, Ltd., the general manager of Shanghai Diesel Engine Co., Ltd., the secretary of CPC Party Committee and general manager of Shanghai Rail Traffic Equipment Development Co., Ltd., the president of Shanghai Electric Heavy Industry Group, the chairman of Shanghai Heavy Machinery Plant Co., Ltd., the vice president and chief operation officer of Shanghai Electric Group Company Limited, and the secretary of CPC Party Committee and general manager of Shanghai Zhangjiang (Group) Company Limited. Mr. Chen Ganjin graduated from Xi'an Jiaotong University with a bachelor's degree in Engineering, majoring in thermal energy and power engineering of power stations. Mr. Chen obtained a master's degree in business administration from China Europe International Business School and a master's degree in professional accounting from The Chinese University of Hong Kong.

Gu Zhiqiang

Mr. Gu is currently a vice president of the Company, the secretary of CPC Party Committee of Shanghai Electric Environmental Protection Group, an executive director and the secretary of CPC Party Committee of Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd. He served as the assistant to the general manager and deputy general manager of SEC Power Generation Environment Protection Engineering Co., Ltd., representative of Shanghai Electric (Group) Corporation in Europe, head of the environmental protection department of Shanghai Electric Group Company Limited, the chairman and general manager of Shanghai Electric (Anhui) Investment Co., Ltd. Mr. Gu graduated from Shanghai Jiao Tong University with a bachelor's degree in engineering and obtained an EMBA degree from Shanghai National Accounting Institute and Arizona State University, United States of America. Mr. Gu is a senior engineer.

Jin Xiaolong

Mr. Jin is currently a vice president of the Company, and the chairman of the board of directors and the secretary of CPC Party Committee of Shanghai Electric Wind Power Group Co., Ltd. He served as the operation manager of Maxon Combustion Equipment (Shanghai) Co., Ltd (麥克森燃燒設備(上海)有限公司), the secretary of CPC Party Committee and deputy general manager of Shanghai Faiverley Transport Co., Ltd., the secretary of CPC Party Committee and deputy general manager of Lingang Factory of Shanghai Electric Power Generation, the vice president of Shanghai Electric Power Generation Group, an executive director and the general manager of Shanghai Electric Wind Power Equipment Co., Ltd, the vice chairman and general manager of Shanghai Electric Wind Energy Co., Ltd. and Siemens Wind Power Turbines (Shanghai) Co., Ltd. Mr. Jin Xiaolong graduated from Harbin Institute of Technology with a bachelor's degree in engineering and obtained a master's degree in business administration from Webster University. Mr. Jin is a professor-level senior economist.

Yang Hong

Ms. Yang currently serves as the vice president of the Company and the chairman of the board of directors of Shanghai Automation Instrumentation Co., Ltd. (上海自動化儀錶有限公司). Ms. Yang used to serve as the chief engineer, the head of Technology Department, the director of the Design Institute and the secretary to the CPC Party Branch of the turbine factory, the general manager and deputy secretary to the CPC Party Committee of the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd (上海電氣電站設備有限公司上海汽輪機廠) and Shanghai Turbine Works Co., Ltd (上海汽輪機廠有限公司) and the vice president of Shanghai Electric Power Generation Group (上海電氣電站集團) and Shanghai Electric Power Generation Equipment Co., Ltd (上海電氣電站設備有限公司). Ms. Yang Hong graduated from Xi'an Jiaotong University. Ms. Yang Hong holds a master degree in engineering and is a senior engineer at a professor level.

Hu Kang

Mr. Hu is currently the chief financial officer of the Company and a director of Shanghai Electric Enterprise Service Co., Ltd. (上海電氣集團企業服務有限公司). Mr. Hu formerly served as the 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, the chairman of the board and general manager of Shanghai Shangling Electric Company Ltd., the general manager of the second management department of Shanghai Electric Assets Management Company Limited, a director and general manager of Shanghai Prime Machinery Company Limited, the chairman of the board of supervisors of Shanghai Mechanical & Electrical Industry Co., Ltd., the president and deputy secretary of the CPC Party Committee of Shanghai Electric Finance Group, and the assistant to the president, head of the internal audit department, head of the assets finance department and chief financial officer of the Company. Mr. Hu obtained an EMBA degree from Shanghai Jiao Tong University and a master's degree in professional accounting from the Chinese University of Hong Kong. He is a senior accountant and is a professor-level senior economist.

Tong Liping

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

Directors, Supervisors, Senior Management and Staff

Fu Rong

Ms. Fu is currently the secretary to the Board, and secretariat director of the Board of the Company. She formerly successively assumed the role of the securities affairs representative of Shanghai Power Transmission and Distribution Co., Ltd., the marketing director of the low-voltage product division of ABB (China) Investment Ltd., the board secretary and head of the securities department of Shanghai Electric Devices Company Limited, the board secretary and head of the securities department of Shanghai Power Transmission and Distribution Co., Ltd., and the head of the human resources department, head of the investor relations department and head of the general office of the Company. Ms. Fu Rong holds a master's degree in business administration and is an economist. She is a Fellow of the Hong Kong Institute of Chartered Secretaries.

Zhang Mingjie

Mr. Zhang is currently the chief investment officer of the Company, the director of industry development department and the dean of the central research institute of the Company, the chairman of the board of directors of Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司), a director of Shanghai Prime Machinery Company Limited, the chairman of the board of directors (legal representative) and the secretary of CPC Party Committee of Tianjin Steel Pipe Manufacturing Co., Ltd. (天津鋼管製造有限公司). He successively served as the deputy director, executive deputy director and acting director of Shanghai Voltage Regulator Factory (上海電壓調整器廠), deputy chief engineer, the assistant to the general manager and deputy general manager of Shanghai Electric Co., Ltd. (上海電器股份有限公司), the deputy general manager of Shanghai Electric Industry Co., Ltd. (上海電器工業有限公司), the director and deputy secretary of CPC Party Committee of Shanghai Huatong Switch Factory (上海華通開關廠), the secretary of CPC Party Committee and deputy general manager of Shanghai Power Transmission and Distribution Co., Ltd. (上海輸配電股份有限公司), the director of wind power department of Shanghai Electric (Group) Corporation, and the vice chairman of the board of directors of Shanghai Highly (Group) Co., Ltd. Mr. Zhang Mingjie graduated from Shanghai Jiao Tong University, and he has a bachelor's degree in engineering and a master's degree in business administration and is a senior engineer of professorial level.



Employment status with shareholder entities

Name	Name of shareholder entities	Position in shareholder entities	Term of office commencing on	Term of office ending on
Zheng Jianhua	Shanghai Electric (Group) Corporation	Chairman of the board of directors	2017-8	to present
Zhu Bin	Shanghai Electric (Group) Corporation	Director	2018-9	to present
Zhang Yan	Tianjin Steel Pipe Manufacturing Co., Ltd.	Chairman of the supervisory committee	2019-11	to present
Dong Jianhua	Shanghai Electric (Group) Corporation	Director	2018-8	to present
Dong Jianhua	Shanghai Highly (Group) Co., Ltd.	Chairman of the board of directors	2017-12-12	2023-8-30
Yang Hong	Shanghai Automation Instrumentation Co., Ltd.	Chairman of the board of directors	2020-10	to present
Zhang Mingjie	Tianjin Steel Pipe Manufacturing Co., Ltd.	Secretary of CPC Party Committee	2020-10	to present
Zhang Mingjie	Tianjin Steel Pipe Manufacturing Co., Ltd.	Chairman of the board of directors (legal representative)	2020-12	to present
Yao Minfang	Shenergy Group Company Limited	Deputy chief economist	2020-3	to present
Yao Minfang	Shenergy Group Company Limited	Director of Science and Technology Innovation Center	2017-11	to present
Li An	Shanghai Guosheng Group Company Limited (上海國盛(集團)有限公司)	Vice President	2014-8	to present
Li An	Shanghai Guosheng Group Company Limited (上海國盛(集團)有限公司)	Director	2017-1	to present



Directors, Supervisors, Senior Management and Staff

Employments with other companies or organizations

Name	Name of company/organization	Position held	Term of office commencing on	Term of office ending on
Yao Minfang	Shanghai LNG Company Ltd.	Secretary of the Party Committee and chairman	2020-3	to present
Li An	Shanghai Tunnel Engineering Co. Ltd. (上海隧道工程股份有限公司)	Director	2015-10-19	to present
Li An	Shanghai Pharmaceuticals Holding Co., Ltd.	Director	2016-6-28	to present
Li An	Shanghai Lingang Economic Development (Group) Co., Ltd.	Director	2017-3-29	to present
Xi Juntong	Shanghai Jiao Tong University	Professor of Mechanical Manufacture and Automation and at the State Key Laboratory of Mechanical System and Vibration and Doctoral Supervisor	2003-4	to present
Xi Juntong	Shanghai Intelligent Manufacturing Institute(上海智能製造研究院)	Acting dean	2015-12	to present
Xi Juntong	Shanghai Jiaotong University-Lingang Group Intelligent Manufacturing Innovation Technology Co., Ltd.	General manager	2016-10	to present
Xi Juntong	Shanghai Hi-tech Control System Co., Ltd.	Independent director	2018-5-21	to present
Xi Juntong	Shanghai Friendess Electronics Technology Co., Ltd.	Independent director	2018-7-4	2021-7-3
Xi Juntong	Shanghai Smart Manufacturing R&D and Transformation Functional Platform (上海市智能製造研發與轉化功能型平臺)	General manager	2020-5	to present
Xu Jianxin	Shanghai Purest Investment Management Co., Ltd.	Senior vice president	2015-1	to present
Xu Jianxin	Bank of Shanghai Co., Ltd.	Independent director	2015-9	2021-3
Xu Jianxin	Shanghai Shunho New Materials Technology Co., Ltd.	Independent director	2015-6-30	2021-6-30
Liu Yunhong	the Institute of International M&A and Investment of Renmin University of China	deputy head	2016-5	to present
Liu Yunhong	Foresea Life Insurance (Shanghai) Research Institute	Head	2019-6	to present
Liu Yunhong	Sinolink Securities Co., Ltd. (國金證券股份有限公司)	Independent director	2020-9-28	2022-5-30
Liu Yunhong	Everbright Securities Co., Ltd. (光大證券股份有限公司)	Independent director	2020-12-15	2023-12-14
Liu Yunhong	Bank of Guiyang Co., Ltd. (貴陽銀行股份有限公司)	Independent director	2018-2	to present
Zhou Guoxiong	Shanghai Tunnel Engineering Co., Ltd. (上海隧道工程股份有限公司)	Chairman of the supervisory committee	2018-12-28	2021-12-27

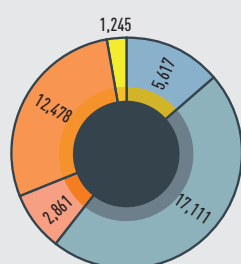


Remunerations of Directors, Supervisors and Senior Management

Procedures for determining the remunerations of Directors, Supervisors and senior management	The remunerations of our Directors and Supervisors (non-employee representatives) are determined in 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 performance appraisal in respect of the completion of annual operation plan.
Remunerations paid to Directors, Supervisors and senior management	Remunerations were paid to the Directors, Supervisors and senior management of the Company based on their respective entitlement.
Total actual remunerations received by all Directors, Supervisors and senior management up to the end of reporting period	RMB19,383.6 thousand

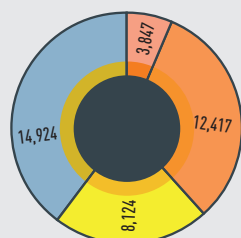
Directors, Supervisors, Senior Management and Staff

Statistical Chart of Functional classification



- Production personnel
- Sales personnel
- Technical personnel
- Financial personnel
- Administration personnel

Statistical Chart of Education Level



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

Changes in Directors, Supervisors and senior management of the Company during the reporting period and up to the date of this report

Name	Position	Change	Reason for the change
Liu Yunhong	Independent Non-executive Director	Elected	Elected at general meeting
Yang Hong	Vice present	Appointed	Work requirements
Chu Junhao	Independent Non-executive Director	Resigned	Length of service
Zhang Ke	Vice present	Resigned	Age concern

Employees of the Company and Principal Subsidiaries

Staff

Number of current employees of the Company	268
Number of current employees of the major subsidiaries	39,044
Total number of current employees	39,312
Number of retired employees for whom the Company and its major subsidiaries are responsible for the retirement benefits	482

Functional classification

Categories by function	Number of persons
Production personnel	17,111
Sales personnel	2,861
Technical personnel	12,478
Financial personnel	1,245
Administrative personnel	5,617
Total	39,312

Education Level

Categories by education level	Number of persons
Postgraduate and above	3,847
Undergraduate	14,924
Tertiary education	8,124
Secondary education and below	12,417
Total	39,312

Remuneration Policy

During the reporting period, the Company paid wages and salaries to its employees and made social insurance contributions for them in strict compliance with the relevant laws and regulations. There was no default in payment of wages or remuneration to employees or labour service workers. The Company set up a comprehensive system which synchronized the increase of employees' salaries with the improvement in labour productivity; thus, the level of wage increase of the Company and the wages adjustment of employees of various work positions can be determined reasonably. The Company insisted on the policy of "Dual Inclination, Dual Care" and implemented policies that tilted towards scientific and technological staff and the front-line technical workers while paying special care towards temporarily unemployed workers and those who are in financial difficulties.

Training Program

During the reporting period, the Company, following the strategy of the Group, adhered to the demand-oriented approach and proceeded with the establishment of training system and training base. It emphasized training for core employees, especially for leading cadres and strategically needed talent, and promoted staff training on a full coverage basis, so as to boost the business development of the Group and enhance the value of human capital.

Contracted Labour

Total remuneration paid to contracted labour	RMB76 million
--	---------------

Services Contracts of Directors and Supervisors

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

Directors' and Supervisors' Interest in Transactions, Arrangements or Contracts of Significance

During the year, none of the Directors, Supervisors or any of their respective associates had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

Permitted Indemnity Provision

The Company has maintained appropriate insurance coverage for Directors, Supervisors and senior management's liabilities in respect of potential legal actions against its Directors, Supervisors and senior management arising out of the business activities of the Company.

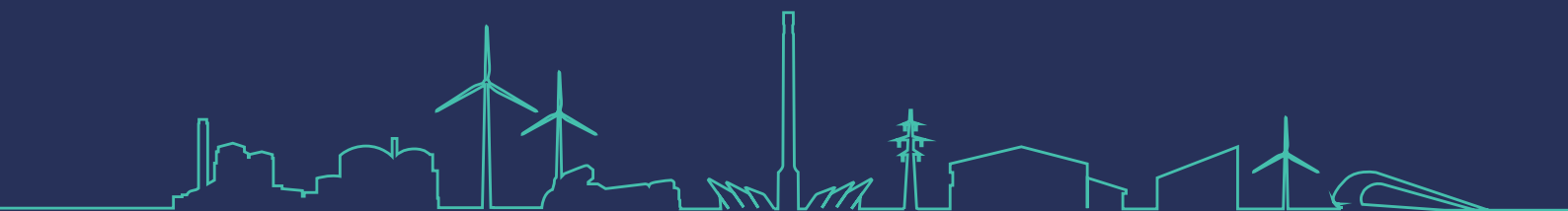
Directors, Supervisors, Senior Management and Staff

Share Incentive Scheme

On 22 January 2019, the Board considered and approved the Relevant Resolution in relation to the proposed adoption of Restricted A Share Incentive Scheme ("the Scheme"). The purpose of the Scheme is to establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the Directors, Senior and Middle Management and key technical (business) personnel of the Company, and align the interests of the Shareholders and the Company with those of the core team members of the Company so that all parties will make joint efforts for the Company's long-term development. On 6 May 2019, the resolution in respect of the proposed adoption of the Restricted A Shares Incentive Scheme was considered and approved at the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting. On 6 May 2019, upon consideration by the Board, the Company approved the grant of 136,500,000 restricted shares to 2,235 participants at the grant price of RMB3.03. As at 20 May 2019, the Company received subscription funds in an aggregate amount of RMB404,741,340.00 paid by 2,194 Participants for subscription of 133,578,000 Restricted Shares. All Participants made capital contribution in cash, including RMB133,578,000.00 included in the share capital and RMB271,163,340.00 transferred to the capital reserve. The Company completed the registration of Restricted Shares under the Restricted A Share Incentive Scheme of the Company with China Securities Depository and Clearing Co., Ltd. Shanghai Branch on 21 June 2019.

On 29 April 2020, the board of directors considered and approved relevant resolutions, pursuant to which, in accordance with the requirements under the Restricted Share Incentive Scheme, the Company intends to repurchase and cancel the 7,416,000 Restricted Shares which have been granted to 95 Participants but not yet unlocked, due to the fact that the personal circumstances of such 95 Participants under the Incentive Scheme have changed and therefore they are no longer within the scope of the incentive. On 29 June 2020, the Resolution on Repurchase and Cancellation of Partial Restricted Shares was considered and approved at the Company's 2019 annual general meeting, the First A Share Class Meeting in 2020 and the First H Share Class Meeting in 2020. Such Restricted Shares were deregistered with China Securities Depository and Clearing Corporation Limited, Shanghai Branch on 18 September 2020.

On 29 April 2020, the board of directors considered and approved relevant resolutions, due to the fact that the Company implemented its Annual Profit Distribution for 2018 in August 2019, and in accordance with the provisions of the Incentive Scheme, after the completion of registration of the Restricted Shares granted to Participants, in the event that, any capitalisation issue, bonus issue, dividend declaration, share sub-division, rights issue, creation of new shares or share consolidation, which may affect the total share capital or the price of the Shares of the Company, have been made, the Company shall make adjustment accordingly to the Grant Price of the Restricted Shares which have not yet been unlocked, therefore, the Repurchase Price under the Share Incentive Scheme has been adjusted from RMB3.03 per share to RMB2.96854 per share.



Corporate Governance Report

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

The Company will periodically review and update the existing practices to keep abreast of 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 of the Company as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Hong Kong Listing Rules. All Directors and Supervisors of the Company confirmed that they had complied with the requirements contained in the Model Code throughout the year 2020. The Company was not aware of any non-compliance with the Model Code by any of its employees.

Board of Directors

During the reporting period, the Board comprised nine Directors, including four executive Directors, namely Zheng Jianhua, Huang Ou, Zhu Zhaokai and Zhu Bin; two non-executive Directors, namely Yao Minfang and Li An; and three independent non-executive Directors, namely, Xi Juntong, Xu Jianxin, Liu Yunhong (appointed on 25 November 2020) and Chu Junhao (resigned on 25 November 2020). The number of independent non-executive Directors represents one-third of the total number of Directors.

Members of the Board 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 section headed "Directors, Supervisors, Senior Management and Staff" of this annual report.

The 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, the independent non-executive Directors attended the Board meetings in prudent, responsible, proactive and earnest manner. Fully leveraging on their experience and expertise, they made tremendous efforts in improving corporate governance and facilitating major

decision-making process, expressed fair and objective opinions on matters concerning significant events and connected transactions of the Company, enhanced the scientific development and standardization of the Board's decision-making process and safeguarded interests of the Company and its shareholders as a whole effectively.

Each of the independent non-executive Directors has confirmed his/her independence with the Company as required under Rule 3.13 of the Hong Kong Listing Rules annually. The Company has received the annual confirmations from such Directors and considered them independent in 2020.

Rights and duties of the Board and the management have been clearly 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 achieve business goals and development direction of the Group amidst the prevailing economic and market conditions. The management is responsible for daily operation and management. The management of the Company, under the leadership of the President, is responsible for implementing various resolutions made by the Board and organizing daily operation and management of the Company.

Every member of the Board has the right to access documents and relevant materials of the Board, to consult the Company Secretary and the Secretary to the Board on regulatory and compliance matters and to seek external professional advice when necessary. The Company Secretary and the Secretary to the Board advise all Directors on the requirements under the Hong Kong Listing Rules and other applicable provisions to ensure the Company's compliance with and maintenance of excellent corporate governance.

Apart from the working relationship in the Company, there was no financial, operational, familial or other material relationship among the Directors, Supervisors and senior management.

The Company attaches great importance to the continuous training of its Directors on various areas. During the reporting period, the Company has updated Directors on the latest regulations in aspects such as business, law and finance in order to enhance their professional knowledge on a continuous basis.

Corporate Governance Report



Attendance Record of Directors at Board meetings and general meetings

Name of Directors	Independent Non-executive Director	Attendance at Board meetings						Attendance at general meetings
		Required attendance in Board meetings during the year	Attendance in person	Attendance via other communication means	Attendance by proxy	Absence	Absence for two consecutive meetings in person	Attendance record at general meetings
Zheng Jianhua	No	19	19	18	0	0	No	3
Huang Ou	No	19	19	18	0	0	No	1
Zhu Zhaokai	No	19	19	18	0	0	No	1
Zhu Bin	No	19	19	18	0	0	No	1
Yao Minfang	No	19	19	18	0	0	No	1
Li An	No	19	19	18	0	0	No	0
Liu Yunhong	Yes	19	19	18	0	0	No	3
Xi Juntong	Yes	19	19	18	0	0	No	3
Xu Jianxin	Yes	2	2	2	0	0	No	0
Chu Junhao	Yes	17	17	16	0	0	No	2

Number of Board meetings convened during the year	19
Of which: number of on-site meetings	1
Number of meetings convened via other communication means	18
Number of on-site meetings assisted by other communication means	0



Corporate Governance Report

Corporate Governance Functions

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

During the reporting period, the Board is of the view that the Company has complied with the requirements of the code contained in Appendix 14 of the Hong Kong Listing Rules (the "Code"), except for the deviation from requirement of A.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer. Pursuant to code provision A.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the reporting period, Mr. Zheng Jianhua, the Chairman of the Board and the Chief Executive Officer of the Company, has been responsible for the overall strategy setting for the Company; and Mr. Huang Ou, an executive Director and the President of the Company, has been fully responsible for the daily operations and execution of the Company. The Company is of the view that segregation of duties and responsibilities between the Board and the management has been well maintained and there is no over-centralization of management power under such mechanism.

Audit Committee

The audit committee of the Company (the "Audit Committee")

is mainly responsible for reviewing and overseeing the risk management of the Company, financial reporting procedures and internal control system, reporting the results of such review and making recommendations to the Board, and overseeing as well as assessing the establishment of sound risk management system of the Company and the completeness and effectiveness of its implementation on a regular basis in accordance with the requirements in relation to corporate risk management under Code on Corporate Governance and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Audit Committee is also responsible for reviewing the quarterly, interim and annual financial statements, connected transactions, the appointment of and remuneration for auditors.

The Audit Committee currently comprises Dr. Xu Jianxin, Dr. Xi Juntong, Dr. Liu Yunhong (appointed on 25 November 2020), independent non-executive Directors, and Ms. Yao Minfang, a non-executive Director, and is chaired by Dr. Xu Jianxin, an independent non-executive Director. During the reporting period, Dr. Chu Junhao, a former member of the Audit Committee, resigned on 28 August 2020.

Thirteen meetings were held by the Audit Committee during the reporting period. At these meetings, the Audit Committee has reviewed and overseen the risk management of the Company, financial reporting procedures and internal control system, reported its results of review and made recommendations to the Board. The Audit Committee has also reviewed the quarterly, interim and annual financial reports of the Company, material connected transactions, continuing connected transactions and the appointment of and remuneration for auditors, and listened to the report on the 2020 internal audit plan of the Company given by the internal audit department and 2020 risk management plan of the Company given by the risk management department of the Company. On 25 March 2021, the Audit Committee reviewed and passed the 2020 risk management report of the Company.

The attendance record of committee members at the meetings of the Audit Committee during the reporting period

(actual attendance/required attendance at the meetings)

Name of Audit Committee Member	Actual attendance/ attendance required
Xu Jianxin (Chairman of the Committee)	13/13
Xi Juntong	13/13
Liu Yunhong	2/2
Yao Minfang	13/13
Chu Junhao (Former member)	7/7

Remuneration Committee

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

As at the end of the reporting period, the Remuneration Committee of the Company comprised Dr. Xi Juntong (appointed on 28 August 2020) and Dr. Xu Jianxin, and is chaired by Dr. Xi Juntong. During the reporting period, Dr. Chu Junhao, the former Chairman of the Remuneration Committee, resigned on 28 August 2020. Dr. Liu Yunhong was appointed on 21 January 2021 as a member of the remuneration committee.

Three meetings were held by the Remuneration Committee during the reporting period, at which the principal issue considered was the remuneration proposal for the Directors, Supervisors and the senior management of the Company during the reporting period and repurchase and cancellation of certain restricted A shares. According to clause 11(b) of the Terms of Reference for the Remuneration Committee of the Company, the Remuneration Committee has been delegated to determine the specific remuneration packages of all executive Directors and senior management.

The attendance record of committee members at the meetings of the Remuneration Committee during the reporting period

(actual attendance/required attendance at the meetings)

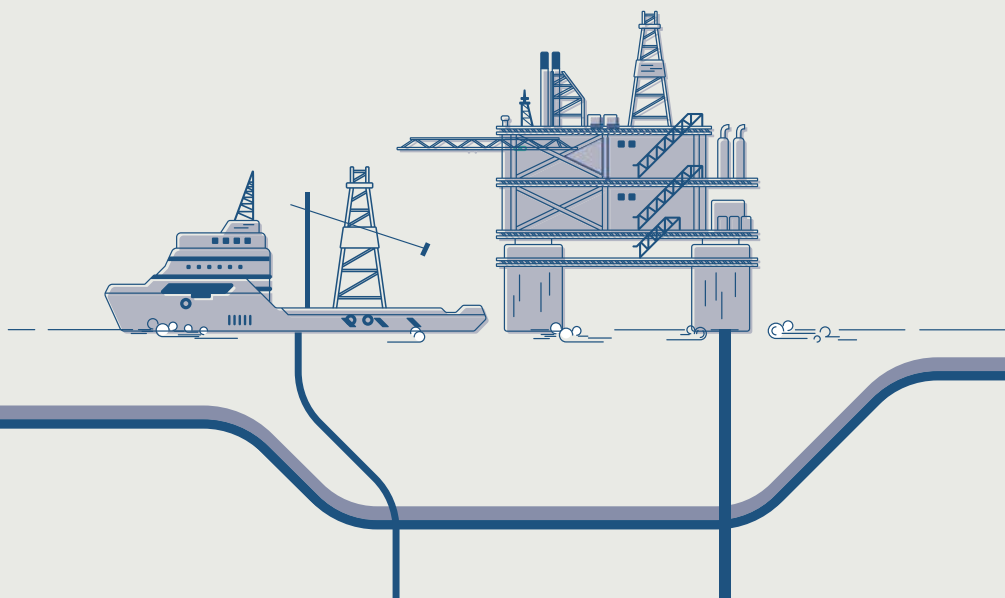
Name of Remuneration Committee Member	Actual attendance/ attendance required
Xi Juntong (Chairman of the Committee)	1/1
Xu Jianxin	3/3
Chu Junhao (Former Chairman)	2/2

Strategy Committee

The strategy committee under the Board of the Company (the "Strategy Committee") currently comprises Mr. Zheng Jianhua, Mr. Huang Ou, Dr. Xi Juntong and Dr. Xu Jianxin (appointed on 28 August 2020), and is chaired by Mr. Zheng Jianhua. During the reporting period, Dr. Chu Junhao, a former member of the Strategy Committee, resigned on 28 August 2020.

No meeting was held by the Strategy Committee of the Company during the reporting period.

Corporate Governance Report



Nomination Committee

The nomination committee under the Board of the Company (the "Nomination Committee") currently comprises Dr. Xi Juntong (appointed on 28 August 2020), Mr. Zhu Zhaokai and Dr. Xu Jianxin, and is chaired by Dr. Xi Juntong. During the reporting period, Dr. Chu Junhao, the former Chairman of the Nomination Committee, resigned on 28 August 2020.

The principal responsibilities of the Nomination Committee of the Company include reviewing and making recommendations to the Board and the general meeting of the Company on the selection of candidates as the Directors of the Company, the selection criteria and procedures.

The Company has formulated the "Board Diversity Policy of Shanghai Electric Group Company Limited", which includes the requirements of compliance with relevant laws, regulations and the Articles of Association by candidates for Directors of the Company to ensure the effective discussions at the Board and enable the Board to make scientific, prompt and careful decisions. The Nomination Committee will select the candidates for Directors based on objective criteria, which contain certain diversified factors, including but not limited to, gender, age, cultural and education background, locality, professional experience, skills, knowledge and terms of office of the candidates for Directors and other regulatory requirements; the degree of suitability of the professional background and skills of the candidates for Directors with the business features and future development requirements of the Company. One meeting was held by the Nomination Committee of the Company during the reporting period, at which candidate for independent non-executive Director of the Board were considered.

The Attendance Record of Committee Members at the Meeting of the Nomination Committee during the reporting period

(actual attendance/required attendance at the meeting)

Name of Nomination Committee Member	Actual attendance/ attendance required
Xi Juntong (Chairman of the Committee)	0/0
Zhu Zhaokai	1/1
Xu Jianxin	1/1
Chu Junhao (Former Chairman)	1/1

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 shall 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 2020, the Directors have selected and consistently applied suitable accounting policies, made judgments and estimates that are prudent and reasonable, and have prepared the financial report on a going concern basis. The Directors are 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 and its members as well as senior management to avoid abuse of power that may harm the legitimate interests of shareholders, the Company and staff of the Company. The size and composition of the Supervisory Committee of the Company comply with the requirements of the relevant laws and regulations in the PRC.

The attendance record of committee members at the meetings of the Supervisory Committee during the reporting period

(actual attendance/required attendance at the meetings)

Name of Supervisor	Actual attendance/ attendance required
Zhou Guoxiong	12/12
Hua Xingsheng	12/12
Han Quanzhi	12/12
Zhang Yan	12/12
Yuan Shengzhou	12/12



Corporate Governance Report

Senior Management

As at the date of this report, the Company has eleven senior management members in total, namely Zheng Jianhua, Huang Ou, Dong Jianhua, Chen Ganjin, Gu Zhiqiang, Jin Xiaolong, Yang Hong, Hu Kang, Tong Liping, Fu Rong and Zhang Mingjie. The details of their duties, biographical details and remuneration are set out in the section headed "Directors, Supervisors, Senior Management and Staff".

Risk Management and Internal Controls

According to the related requirements set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Hong Kong Listing Rules, the Company has established comprehensive risk management and internal control systems, including a system with a proper structure and organization and a system with relevant standards and relevant management principles for risk management and internal controls, to reach a full implementation for risk management and internal controls. The Company is of the view that such systems are effective and sufficient. The intention of the establishment of such a risk management and internal control system is to enhance the management and operation of the Company as far as scientific approach for decision making proper compliance with governing rules and regulations as well as its effectiveness are concerned. The system should also help to increase the risk control capability and ensure the continuous, stable and healthy development of all kinds of businesses of the Company. However, this is only a reasonable rather than an absolute guarantee against material untruthful representation or losses, as the intention is to manage instead of eliminating the risk of not achieving the business targets.

The Board acknowledges that it has the responsibility to examine the risk management and internal control systems of the Company and through the Audit Committee reviews the effectiveness of such systems at least once every year. The Board of the Company and the Audit Committee oversee and evaluate the completeness and effectiveness in relation to the design and implementation of the risk management and internal control systems, as well as review and approve the mid-to-long-term planning, annual audit plan as well as evaluation report on risk management and internal control evaluation report. The management of the Company is responsible for the establishment and improvement of the risk management and internal control systems of the Company, the review of working plans and annual report on risk management and internal controls. The risk management and internal control department of the Company is responsible for the design and establishment of the risk management and internal control systems, as well as annual organization of risks identification, evaluation and remedial measures and report, so as to promote execution of the internal controls and optimization of the system procedures; audit department of the Company is responsible for regular evaluations of the effectiveness of risk management and internal controls, as well as the appointment of accounting firms to conduct financial reporting internal control audit, so as to identify potential risks and internal control defects in a timely manner, ensure that the relevant operational departments and units implemented rectification measures and the effective operation of the risk management and internal controls system of the Company.

In respect of the identification, assessment, management procedures and business processes that are exposed to possible material risks, the Company has formulated all-inclusive control measures, such as management and internal control on key work flows including the preparation and disclosure of financial reports and processing and announcement of inside information. Regular internal control measures were established through specific procedures to prevent risks in key segments and reduce the impacts of risks. In terms of the disclosure of inside information, the Company has established standardized control procedures to collect, organize, validate, review and disclose information. The Company will ensure that the information is kept confidential before it is fully disclosed to the public. For information that is difficult to keep confidential, the Company will disclose it in a timely manner to protect the benefit of investors and stakeholders.

During the Reporting Period, the Company continued to optimize its risk management and internal control systems, and improved and implemented the risk assessment and response & reporting mechanism of the Company. In 2020, the Company revised and updated the "Internal Control Manual", adjusted and optimized its business authorization and approval management, re-identified and updated internal control risk points and control points, further improved internal control measures and requirements, which promoted the continuous optimization and improvement of the Company's systems, processes and key business links. In accordance with the prescribed standards and processes, on the one hand, the Company kept advancing comprehensive risk identification on a regular basis, conducted periodic risk assessments on its key business, to identify and reveal potential risks, and

conducted risk tracking, response, prevention and control, and reporting on a regular or irregular basis based on the actual situation of the Group; on the other hand, as response to the sudden outbreak of COVID-19 pandemic, the Company formulated a list of risks in the context of the pandemic the first time, and checked the extent to which COVID-19 affected Company's supply chain, sales end, capital flow, and pandemic prevention supplies; at the same time, the Company conducted special risk assessment in key areas of concern such as overseas business risks, capital security risks and new order quality risks, respectively, and took effective risk prevention and response measures in line with its business development needs in a timely manner, so as to ensure the normal operation and development of the Company.

The internal audit department oversees and evaluates the effectiveness of the implementation of the risk management and internal control system, prepares the plan for evaluation work, calls for qualified personnel with professional capability to form the evaluation team and conducts evaluation for the risk management and internal controls of the Company. It makes warnings and rectification suggestions on risks and internal control deficiencies identified, urges for remedial actions to cope with risks and to rectify system for deficiencies identified, prepares the risk management evaluation report and the internal control evaluation report and submits the reports to the Audit Committee, the Supervisory Board and the Board of the Company for consideration, so as to enhance the effectiveness of the risk management and internal controls of the Company on an ongoing basis.

The Company appoints accounting firms to conduct financial reporting internal control audit every year, so as to identify internal control deficiencies in a timely manner, urge the relevant operational departments and units to implement rectification measures and ensure the effective operation of the internal controls of the Company.

According to the relevant rules, the Company appointed PricewaterhouseCoopers Zhong Tian LLP to conduct an audit on the effectiveness of the internal controls in relation to financial reporting of the Company for 2020, for which an internal control audit report of internal control opinions for the financial report that has maintained effective in all major aspects was received.

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 Hong Kong Listing Rules, Mr. Li Chung Kwong Andrew participated in the relevant 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, site visits and reverse roadshows for investors from time to time. The team has also actively attended investors' forums 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 investor relations work to further enhance its transparency.

Other Matters

During the reporting period, the Company amended twice its Articles of Association, and such amendments were approved by way of a special resolution at the 2020 first extraordinary general meeting and the 2019 annual general meeting of the Company, respectively. For details of the amendments, please refer to the circulars of the general meetings dated 20 April 2020 and 11 June 2020, and the announcements on the voting results of the general meetings dated 7 May 2020 and 29 June 2020, respectively.

Summary of General Meetings

Session of the meeting	Date of meeting	Designed websites where resolution Published	Disclosure Date of resolution
2020 first extraordinary general meeting	7 May 2020	www.hkexnews.hk www.sse.com.cn	7 May 2020 8 May 2020
2019 annual general meeting, 2020 first A shareholders' class meeting, and 2020 first H shareholders' class meeting	29 June 2020	www.hkexnews.hk www.sse.com.cn	29 June 2020 30 June 2020
2020 second extraordinary general meeting	25 November 2020	www.hkexnews.hk www.sse.com.cn	25 November 2020 26 November 2020

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2020 on pages 92 to 102.

Principal Activities

The principal business of the Company focuses on three major segments, energy equipment, industrial equipment and integrated services. Details of the principal activities of the major subsidiaries of the Company are set out in note 7 to the financial statements. There were no significant changes in the principal activities of the Company during the year.

Business Review

During the reporting period, the Company achieved revenue of RMB137,285 million, representing an increase of 7.67%; and the net profit attributable to owners of the company amounted to RMB3,758 million, representing a year-on-year increase of 7.34%.

The earnings per share were RMB25 cents for 2020, representing a year-on-year increase of 8.70%. The average return on net assets was 5.79%, which maintained flat to the previous year. A final dividend of RMB7.178 cents per share was proposed for 2020, representing approximately 30% of the net profit attributable to owners of the Company for 2020.

During the reporting period, the energy equipment segment achieved revenue of RMB55,960 million, representing a year-on-year increase of 21.8%, which was mainly attributable to a faster growth of wind power business; during the reporting period, the gross profit ratio of the energy equipment segment reached 17%, representing a year-on-year decrease of 0.7 percentage points, primarily due to the lower gross profit ratio of wind power and coal-fired power equipment resulting from the change in the sales structure of wind power products caused by fierce competition of coal-fired power equipment business.

The industrial equipment segment achieved revenue of RMB42,177 million, representing a decrease of 9.1% as compared with the same period last year, which was mainly attributable to the decreases in businesses such as the industrial basic equipment and intelligent manufacturing equipment of the segment caused by the pandemic. During the reporting period, gross profit ratio of the industrial equipment segment was 17%, representing a decrease of 0.8 percentage points as compared with the last year, primarily due to the decrease in gross profit ratio of fastener business overseas affected by the pandemic.

The integrated services segment achieved revenue of RMB52,232 million, representing an increase of 17.9% as compared with the same period last year, which was mainly attributable to faster growth of energy engineering and services business. The gross profit ratio of the integrated services segment was 12%, representing a decrease of 4.9 percentage points as compared with the same period last year, primarily due to change in gross profit margin structure of energy engineering and services.

Analysis of principal business, assets and liabilities, and operational information by industry, and the Board's discussion and analysis on the future prospect of the Company are set out below:

Report of the Directors

Analysis of Principal Business

Analysis of changes of relevant items in the income statement and the statement of cash flows

Unit: 100 million; Currency: RMB

Items	For the year ended 31 December 2020	For the year ended 31 December 2019	Percentage of change (%)
Total revenue	1,372.85	1,275.09	7.67
Operating revenue	1,365.40	1,266.48	7.81
Operating cost, interest expenses, handling charges and commission expenses	1,140.28	1,033.57	10.32
Operating cost	1,139.49	1,032.73	10.34
Selling and distribution expenses	43.26	35.43	22.10
General and administrative expenses	81.02	81.92	(1.10)
Research and development expenditures	48.54	40.88	18.74
Financial expenses	18.70	14.70	27.21
Net cash flows generated from operating activities	46.96	105.05	(55.30)
Net cash flows generated from investing activities	(36.05)	(122.76)	N/A
Net cash flows generated from financing activities	24.68	122.83	(79.91)

Analysis of changes

Finance cost: the expansion of the Group's new businesses and the increase in financing scale resulted in the increase in finance cost accordingly.

Net cash flows generated from operating activities: the growth of the Group's business scale resulted in the increase in the cash outflow from operating activities such as purchase of goods and preparation of goods for production as compared with that of the corresponding period of the previous year.

Net cash flows generated from investing activities: primarily due to the increase in the cash inflow received from return on investments and disposal of long-term assets as compared with that of the corresponding period of the previous year.

Net cash flows generated from financing activities: primarily due to the changes in cash received from the Company's borrowings.

Analysis of revenue and cost

For the reporting period, the Company recorded revenue of RMB 137,285 million, representing a year-on-year increase of 7.67%, and the profit attributable to owners of the Company of RMB3,758 million, representing a year-on-year increase of 7.34%.

Analysis of the principal business by segment, product and geographic location

Unit: 100 million Currency: RMB

Principal business by segment						
By segment	Revenue	Operating cost	Gross profit margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross profit margin (%)
Energy Equipment	559.60	464.52	16.99	21.80	22.85	A decrease 0.71 percentage point
Industrial equipment	421.77	349.88	17.04	(9.12)	(8.27)	A decrease 0.77 percentage point
Integration Services	522.32	459.83	11.96	17.86	24.87	A decrease 4.94 percentage points
Principal business by geographic location						
Geographic location	Revenue	Operating cost	Gross profit margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross profit margin (%)
Mainland China	1,156.44	980.42	15.22	4.86	9.15	A decrease 3.33 percentage points
Other countries/regions	216.41	159.86	26.13	25.62	18.14	An increase 4.67 percentage points

Explanation of changes in major businesses by segment and by geographic location

The increase in revenue from energy equipment and integrated services as compared with that of the previous year was mainly due to the increased revenue of wind power business achieved. The increase in revenue from other countries/regions as compared with that of the previous year was mainly due to the increased revenue of overseas construction projects achieved in 2020.

Major customers

The sales revenue from the five largest customers of the Company was RMB13,891 million in aggregate for the reporting period, accounting for 10.12% of the total sales revenue.

Major suppliers

The purchases from the five largest suppliers of the Company amounted to RMB7,367 million in aggregate for the reporting period, accounting for 5.84% of the total purchases.

Analysis of Costs

Unit: 100 million; Currency: RMB

BY SEGMENT						
By segment	Cost component	For the year ended 31 December 2020	Proportion in the total costs (%)	For the year ended 31 December 2019	Proportion in the total costs (%)	Percentage of change (%)
Energy Equipment	Raw materials	408.24	87.89	328.16	86.79	24.40
Energy Equipment	Labour costs	30.44	6.55	24.06	6.36	26.52
Energy Equipment	Other fees	25.84	5.56	25.91	6.85	(0.27)
Energy Equipment	Total	464.52	100.00	378.13	100.00	22.85
Industrial Equipment	Raw materials	287.27	82.11	309.29	81.09	(7.12)
Industrial Equipment	Labour costs	28.77	8.22	30.83	8.08	(6.68)
Industrial Equipment	Other fees	33.84	9.67	41.32	10.83	(18.10)
Industrial Equipment	Total	349.88	100.00	381.44	100.00	(8.27)
Integration Services	Raw materials	319.40	69.46	252.55	68.58	26.47
Integration Services	Labour costs	68.38	14.87	54.29	14.74	25.95
Integration Services	Other fees	72.05	15.67	61.42	16.68	17.31
Integration Services	Total	459.83	100.00	368.26	100.00	24.87

R&D expenditure

Table of R&D expenditure

Unit: 100 million; Currency: RMB

R&D expenditure expensed in the reporting period	48.54
R&D expenditure capitalized in the reporting period	0.33
Total R&D expenditure	48.87
Percentage of total R&D expenditure to total revenue (%)	3.58
Number of R&D staff	3,744
Percentage of R&D staff to total staff (%)	9.52
Percentage of R&D expenditure capitalized (%)	0.68

Report of the Directors

Explanatory note

Energy Equipment

In the field of coal-fired power technology, the world's first 1,240MW single-axis and full-speed coal-fired power generation unit with the largest single-machine capacity was put into commercial operation; the world's first six-cylinder and six-exhaust unit was developed and put into commercial operation.

In the field of nuclear power technology, the State Council has officially granted the nuclear export franchise qualification to Shanghai Electric so that Shanghai Electric became the only equipment manufacturer in China with the export franchise qualification for nuclear power equipment and related technologies. At the same time, the three steam generators of KOEBERG project in South Africa, the first fully commercial export nuclear island main equipment of China, were shipped; and we obtained the license for the trial operation of the integrated supply management system of the nuclear steam supply system equipment and the license for the design and manufacture of the wet winding motor main pump issued by the State Nuclear Safety Administration (SNSA).

In the field of gas turbine technology, we completed the shipment of the first domestically produced AE64.3A F-class gas turbine assembly; we achieved the first breakthrough in the smart project of Jingneng Shangzhuang (京能上莊) gas turbine power plant, providing partial load optimization for the power plant and expecting to improve the combined cycle efficiency of the unit by 0.19 percentage point.

In the field of wind power technology, our first 8MW offshore wind turbine in China achieved a successful "black start"; a new offshore "Synergy" medium-speed driving parity product platform was launched for the Chinese offshore market in low wind speed areas; and S90 blade, the world's longest wind turbine glass fibre blade independently researched and developed by us, was successfully put into operation.

In the field of other renewable energy power technologies, we completed the research and development of the first set of 500KW biomass gasification power generation system in Indonesia, which adopted a new mobile internal and external double-layer heating method, achieving an increase of 30-50% in heat transfer efficiency with no change in volume.

In the field of energy storage technology, we completed the research and development of a 1000V class high-efficiency lithium battery storage system, which was successfully put into grid-connected operation at "Qinghai Golmud 32MW/64MWh Shared Energy Storage Power Station", and was the first shared energy storage project in China to address the consumption of new energy.

In the field of power transmission and distribution technology, we completed the research and development of centralised energy storage inverters and obtained CNAS certification; we started to promote the application of dynamic voltage regulation devices (AVC) in small batches; we completed the trial operation of medium voltage environmental protection PP cables and obtained the trial running report; we completed the research and development of wind power twisted cables; and we completed the research and development of 1100KV electric reactor products.

Industrial Equipment

In the field of elevator technology, SMEC's project "Research on Technology of Electronic Control Intelligent Workshop" was selected as the "Science and Technology Innovation Action Plan" by the Shanghai Municipal Science and Technology Commission and has passed the project acceptance procedure. The project will build an intelligent workshop based on advanced sensing, control, inspection, assembly and logistics, achieving industry leadership in electronic control intelligent workshop in the elevator industry. The construction of a high-speed elevator test tower and core technology test platform for SMEC has been completed and put into operation. The completion of the test tower will meet the demands for research and development and other kinds of tests in high-speed elevator of 10m/s and above, providing a better hardware foundation for research and development, technology innovation and sustainable development in high-speed elevator.

In the field of electric technology, we successfully developed the first large-capacity high-speed electric drive system in China (including 51.2MW synchronous motor and 38MW asynchronous motor); completed the development of 5 to 50MW vertical synchronous electric motors and inverter systems for water conservancy applications; and independently developed the squirrel-cage wind turbine with a capacity of 6.2MW, successfully breaking the monopoly of foreign countries.

In the field of machine tool technology, our self-developed H376 and H377 CNC high-precision composite grinding centers passed the acceptance inspection organised by the MIIT. The technical indicators of the machine tools are close to the level of similar products abroad.

Integrated Services

In the field of comprehensive energy system solutions technology, we released DES-PSO PV layout and economic calculation tool, which is a distributed energy online planning and design software; applied CEMS, an energy management system software to the first shared energy storage project in China and secured overseas sales orders. The comprehensive energy management platform has gained access to more than 30 new energy projects, realising a refined monitoring and management of energy supply and consumption.

In the field of coal-fired power plant system renovation technology, we undertook a comprehensive energy saving and efficiency improvement project to raise the temperature of sub-critical generating unit with capacity of 300 MW of Guizhou Nayong Power Plant to supercritical parameters in the EPC+F mode, forming a new model for the service renovation of traditional coal-fired power plants.

In the field of water treatment system integration technology, we completed the design and construction of the largest seawater pre-treatment facility in China of 910,000 tons per day and mastered the design and manufacture of large horizontal sand filters, which is the core equipment of pre-treatment.

In the field of water pollution treatment technology, we completed the development and system integration of a complete set of environmental protection and efficient solidification system for 50 m³/h underwater large-scale river dredging.

Analysis of assets and liabilities

Assets and liabilities

Unit: 100 million; Currency: RMB

Items	By the end of the current period	Proportion to total assets by the end of the current period (%)	By the end of the preceding period	Proportion to total assets by the end of the preceding period (%)	Percentage of change in amount compared with the end of the preceding period (%)
Accounts receivable	327.99	10.40	293.37	10.46	11.80
Inventories	299.86	9.51	270.04	9.63	11.04
Short-term borrowings	156.27	4.95	167.34	5.97	(6.62)
Long-term borrowings	154.08	4.89	112.68	4.02	36.74
Notes payable	120.84	3.83	85.07	3.03	42.05
Accounts payable	658.53	20.88	579.23	20.65	13.69
Contract liabilities	453.62	14.38	385.85	13.75	17.56

The increase in long-term borrowings as compared with the opening balance was mainly due to increased external borrowings owing to the expansion of the Group's new business.

The increase in notes payable as compared with the opening balance was mainly due to increased purchase of the Group during the year.

Report of the Directors

Analysis of Operational Information by Industry

Shanghai Electric is one of the largest comprehensive equipment manufacturing conglomerates. Information on the industries in which our main businesses operate is set out as below:

Energy Equipment

In terms of nuclear power, following the three-year non-approval of nuclear power, the state has steadily advanced the approval of nuclear power units from 2019. A total of 6 units were approved throughout the year 2019, and a total of 4 units were approved throughout the year 2020, namely, San'ao unit 1#, unit 2# and Changjiang unit 3# and unit 4#. As at the end of 2020, nuclear power generation units put into operation in China increased to 48 units and 17 units were under construction. According to the Report on China's Nuclear Power Development (2020) issued by China Nuclear Energy Association recently, it's expected that by 2025, the nuclear power installed capacity under operation in mainland China will reach 70 million KW and there will be 30 million KW under construction; by 2035, the nuclear power installed capacity under operation in mainland China will reach 150 million KW and there will be about 50 million KW under construction. Meanwhile, the report stated that during the period of "14th Five Year Plan" and in the medium and long-term, the positioning of nuclear energy in the low carbon system of China's clean energy will be clearer, the function of it will be more prominent. It is expected that 6-8 units of nuclear energy will be constructed steadily every year.

In terms of wind power, driven by the improvement of wind power curtailment problem, wind power bidding policy and the cancellation of subsidies time nodes, China overcame the effect of the epidemic in the first half of the year, the newly added grid-connected installation of domestic wind power hit a record high with an annual newly-increase of approximately 71.67 million KW.

In terms of thermal power, at the Central Economic Work Conference, the work of "carbon peaking and carbon neutrality" has been regarded as one of the key tasks. In accordance with the requirements of "consolidating coal and coal power underpinning guarantee" and "further promoting the clean and efficient development and utilization of coal" put forward at the National Energy Work Conference, it is expected that China will continue to strictly control the scale of thermal power development and the efforts to eliminate backward thermal power units will continue to be enhanced. We will insist on the principle of "Independent development and Innovation-driven" and develop products featuring characteristics required for future overall positioning which focus on thermal power by strengthening the analysis of electric power industry and

customer demand. We will also give full play to technology-leading function, greatly improve product quality and continuously launch green, efficient and clean thermal power equipment with "high performance parameters, high reliability, high stability, low energy consumption, low emission, low pollution".

In the field of power grid, the State Grid proposed a unified and strong smart grid based on the principles of unified planning, unified standards and unified construction, with ultra-high voltage power grids as the backbone grid structure and power grids at all levels developing in a coordinated manner, to build the State Grid into one featuring informatization, automation and interaction. At present, the construction of the strong smart grid is entering the final stage. Under the influence of 5G, Internet of Things and other advanced technologies, China's power industry has come into a new era of transformation and upgrading. The vigorous promotion of energy Internet in the future will also ensure the continuity of power grid investment. With the commencement of construction of major projects such as West-to-East Power Transmission, North-South Mutual Power Supply, Cross-regional Networking, South-to-North Water Diversion and Smart Grid, as well as the national adjustment to the energy structure of the power industry, the construction of and investment into clean energy fields such as hydropower, wind power, nuclear power and solar power, and the power transmission and distribution equipment industry will embrace new opportunities in the course of development. During the 14th Five Year Plan Period, new urbanization construction, investments in rail transit and grid connection of new energy will bring new growth points in the power transmission and distribution equipment market and inject new vitality and business opportunities into the industry.

Industrial Equipment

There are more than 8 million elevators in use in China, of which the number of old elevators with an age over 15 years has been increasing. Due to the influence of the real estate market, the growth rate of demand for elevator complete machine will slow down in the future, but with the promotion of the new urbanization strategy and the continuous impact from the "aging population" factors, the elevator industry will still maintain a trend of steady growth. At present, there are more than 700 complete machine manufacturers in the elevator industry with a production capacity of over 1.4 million units. It is expected that in the future, the competition in the elevator

industry will remain fierce. With the trend of overcapacity in the industry expanding, the competition in the industry will show the trend of integration towards "large companies". In line with the development and change of the elevator market, Shanghai Mitsubishi will continue to invest in elevator service capacity and constantly improve its comprehensive competitiveness.

Integration Services

The Company's integrated services include power plant engineering business and financial services to support the Company's main business development. Focusing on the national "Belt and Road" initiative, we regard more than 50 countries and regions involved in the "Belt and Road" initiative as key markets of power plant project and sped up the construction of sales and project supporting outlets around the global market. At present, we have 25 overseas branches in U.K., Japan, Australia, South Africa, Mexico and Panama, and we will keep actively promoting construction of overseas outlets to achieve multi-regional sales and project supporting capacity. Our new energy business already has a certain scale, and we're vigorously expanding the new energy and distributed energy markets. At the same time, we will actively promote the integration of industry and finance as well as increase project investment and project financing.

The Company's financial business is committed to becoming "the best example of global equipment manufacturing financial industry in line with China's reality" and realizing three transformations: from "executive" treasurer to "management planning" treasurer, from "single internal bank" to "value-added financial service platform", from "isolated market-oriented new business" to "the growth engine relying on main business".

Analysis on Investments

Material equity investment

In November 2019, the Company entered into the Share Transfer Agreement and the Performance Compensation Agreement with Mr. Wang Weidong and Ms. Xu Xiaojun. Pursuant to the Share Transfer Agreement, the Company contributed RMB959,022,100 for the acquisition of 36,589,382 shares held by Mr. Wang Weidong and Ms. Xu Xiaojun in Yinghe Technology. Pursuant to the Performance Compensation Agreement, the committed net profit of Yinghe Technology for the years of 2020, 2021 and 2022 shall be not less than RMB275 million, RMB330 million and RMB429 million respectively, and not less than RMB1,034 million in aggregate for the three years. If the fulfillment rate of the performance commitment of Yinghe Technology in either 2020 or 2021 (the calculation formula: the fulfillment rate of the performance commitment = the actual net profit of the year ÷ the

committed net profit of the year × 100%) is less than 100%, Mr. Wang Weidong and Ms. Xu Xiaojun shall undertake the following results compensation obligations: If the fulfillment rate of the performance commitment of Yinghe Technology in either 2020 or 2021 is over 80% but less than 100%, Mr. Wang Weidong and Ms. Xu Xiaojun shall not conduct performance compensation temporarily; If the fulfillment rate of the performance commitment of Yinghe Technology in either 2020 or 2021 is less than 80%, Mr. Wang Weidong and Ms. Xu Xiaojun shall make performance compensation in respect of the unfulfilled net profit of Yinghe Technology in the year to the Company. The amount to be compensated in the year shall be calculated according to the following formula: The amount to be compensated in the year = the committed net profit of the year × 80% — the actual net profit of the year. For the year 2020, the actual net profit achieved by Yinghe Technology was RMB161 million and the fulfillment rate of the performance commitment was 58.5%, which is less than 80%. Therefore, Mr. Wang Weidong and Ms. Xu Xiaojun shall make performance compensation of RMB59 million for the unfulfilled net profit for the year 2020.

In November 2019, the Company entered into a conditional share subscription agreement with Yinghe Technology, pursuant to which, the Company proposes to subscribe for the shares of Yinghe Technology to be issued under the non-public issuance with full amount in cash of not more than RMB2,000 million. On 19 February 2020, the Company re-entered into an agreement for subscription of shares under the non-public issuance of Shenzhen Yinghe Technology Co., Ltd (深圳市赢合科技股份有限公司) and terminated the original conditional share subscription agreement. On 27 March 2020, the Company entered into a supplemental agreement to the agreement for subscription of shares under the non-public issuance of Shenzhen Yinghe Technology Co., Ltd (深圳市赢合科技股份有限公司) with Yinghe Technology. During the reporting period, the registration of 88,378,258 shares of Yinghe Technology, which had been subscribed by the Company at a consideration of RMB2 billion, was duly completed.

In February 2020, the Company entered into a share transfer agreement with Mr. Wang Weidong and Ms. Xu Xiaojun, pursuant to which, the Company will contribute RMB1,148,466,500 for the acquisition of 27,442,449 shares held by Mr. Wang Weidong and Ms. Xu Xiaojun in Yinghe Technology. During the reporting period, the Company has completed the registration of the transfer of shares for the share transfer transaction.

As at the end of the reporting period, the Company held a total of 184,426,829 shares in Yinghe Technology, representing 28.39% of the total share capital of Yinghe Technology, thus being a controlling shareholder of Yinghe Technology.

Report of the Directors



Equity interests in other listed companies held by the Company

Unit: '000 ; Currency: RMB

No.	Stock abbreviation	Initial investment amount	Equity share (%)	Carrying amount as at the end of the period	Gain or loss during the reporting period	Classification in accounts	How shares being obtained
600642	Shenergy	2,800	0.05	14,137	(1,593)	Other non-current financial assets	Purchase
600011	Huaneng Power	500,000	0.49	341,985	(83,969)	Trading financial assets	Purchase
600021	Shanghai Electric Power Co., Ltd.	150,000	0.44	81,902	(10,698)	Trading financial assets	Purchase
600633	Zhejiang Daily Digital Culture	7,462	0.34	35,673	(4,426)	Other non-current financial assets	Purchase
000501	Wu Han Department Store Group Co., Ltd. A	354	0.03	2,260	(316)	Other non-current financial assets	Purchase
600665	Tande Co., Ltd.	1,399	0.09	2,471	(459)	Other non-current financial assets	Purchase
600027	HDPI A-share	234,000	0.76	255,000	(20,250)	Other non-current financial assets	Purchase
601229	Bank of Shanghai	941	0.02	25,490	(5,364)	Other non-current financial assets	Purchase
Total:		896,956		758,918	(127,075)	/	/



The Board's Discussion and Analysis on the Future Prospect of the Company

Industry competition landscape and development trend

According to forecast by China Electricity Council, the national electricity supply and demand situation in 2021 is expected to be as follows:

The power consumption across the country will increase by 6% to 7% in 2021

The year of 2021 is the first year of the 14th Five-Year Plan and the start of a new journey to build a modern socialist country. Under the new domestic and external environment, China will face both opportunities and challenges. Taking into account the domestic and external economic situation, energy substitution by electric power, the low base of the previous year and other factors, as well as the COVID-19 pandemic and the uncertainties in the external environment, the growth rate of the power consumption across the country is expected to slope from back to front in 2021, with an annual growth rate of 6% to 7%.

The proportion of non-fossil energy power generation will continue to increase

It is estimated that the new installed power generation capacity of national infrastructure will be about 180 giga watts, of which about 140 giga watts for installed capacity of non-fossil energy power generation will be put into operation in 2021. By the end of 2021, the installed capacity of the country will reach 2.37 billion kilowatts, representing a year-on-year increase of about 7.7%. The installed capacity of non-fossil energy generating power will reach about 1.12 billion kilowatts, and the proportion of total installed capacity will rise to 47.3%, representing an increase of about 2.5 percentage points as compared with the end of 2020. The proportion of installed capacity of wind and solar power generation will increase by about 3 percentage points as compared with the end of 2020, further increasing the demand for flexible regulation of the power system.

China's electricity supply and demand will be roughly balanced on the whole, with tight supply in some regions

It is estimated that in 2021, China's electricity supply and demand will be roughly balanced on the whole, but somewhat tight or even tense during peak hours in some regions. By region, there will be excess electricity supply to some extent in Northeast and Northwest China; balanced electricity supply and

demand in East China; tight electricity supply in North China, among which, power supply in Hebei and Shandong will be tight somewhat, which can be basically guaranteed through cross-province power support; the power supply by the West Inner Mongolia power system will be tight somewhat, which may require orderly power consumption measures in many months since wind power output is drastically reduced; the electricity supply and demand in Central China will be tight, particularly, in Hunan, the power supply will be tight during peak hours, and some power shortfall may occur in Hubei and Jiangxi under extreme climate condition; the electricity supply and demand in the South China will be tight, with great peak power brownouts risks in Guangdong, Yunnan and Guangxi.

Development strategy of the Company

As a large comprehensive equipment manufacturing group in China, we are faced with both opportunities and challenges during the course of a new round of economic restructuring and transformation. The Group will continue to focus on its advantage main business, optimize its existing main business and vigorously develop new emerging business into main business, adhere to market-oriented, professional and international development, adhere to innovation-driven development and transformation, make comparison against international advanced enterprises and try to catch up with and surpass them. We will accelerate our industrial restructuring, speed up the expansion of our global presence and transnational operations, and accelerate institutional reform and innovation, to try for a place in the global "first echelon" as soon as possible and develop Shanghai Electric into a multinational enterprise group that is truly modern and go international, so as to be a new world-class high-end equipment manufacturer.

Based upon the new orientation in the new era, Shanghai Electric will focus on state strategies, stick to the policy of going global in terms of market, capital, R&D and production capacity, adhered to globalized allocation of resources, and actively participate in the construction of the "International Circulation" system, in particular, we will participate in the construction of energy and various infrastructure facilities in countries and regions along the "Belt and Road" and in countries and regions who enjoy low costs in transactions with China. At the same time, we will actively participate in the construction of the "Domestic Circulation" system and seek opportunities in various infrastructure facilities that link production, distribution, circulation and consumption. On the one hand, China has broad market demand for environmental protection and new energy in the process of its high-quality economic development; on the other hand, it also has huge

Report of the Directors



demand for hardware and software to ensure the smooth flow of production factors, which can provide opportunities for Shanghai Electric to achieve its high-quality development in the future. We will link up with the strategic emerging industries, seek for new opportunities in areas such as smart manufacturing, smart energy and smart city.

Guided by the idea of "industrial structure adjustment", we have been optimizing existing industries and developing new industries: on one hand, we will improve the quality and efficiency of our existing industries. We will strive to be the best in the industrial chain within our main business

scope and move into the "first echelon" in the industry, advance the "reshaping" digitalization, intelligentization, internationalization, and servitization of traditional industries, focus on profitability, corporate health, economic efficiency and development quality which serve as the core; on the other hand, we will also accelerate the rapid development of new industries. We will merge with and acquire enterprises in the "first echelon", form joint ventures with multinational companies, conduct independent research and development, to take opportunities to arrange for new industries, new technologies, new business forms and new models.

Operation plans

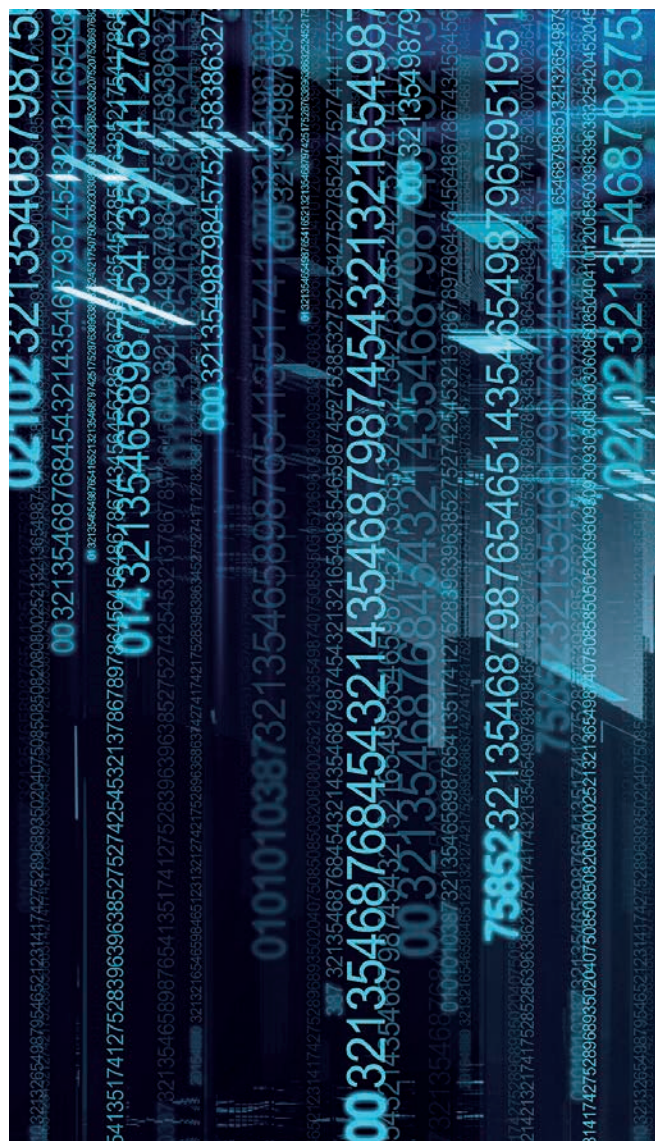
In 2021, Shanghai Electric is presented with new opportunities and challenges. On the one hand, the Company will actively implement the central key work of carbon peak and carbon neutral, endeavor to seize the historic development opportunities for renewable energy, energy storage, spare parts of new energy vehicles, power distribution equipment, power auxiliary service and other business, work to explore new business types and models such as innovative, service-oriented, open, headquarters and flow-based economy, and fully exploit its development potential in areas such as intelligent manufacturing, industrial internet and smart supply chain, so as to achieve a year-on-year increase in revenue. On the other hand, while adhering to the strategic goal of "three steps forward" as a guiding principle, taking cost reduction, quality improvement and efficiency enhancement as goals, and focusing on the six key words, i.e. "higher, better, stricter, more changeable, newer and more solid", we will coordinate development and risk prevention and control, deepen the comprehensive corporate reform, strengthen innovation-driven development, and effectively promote digital transformation. The Company will exert its advantages, remedy its weakness, and promote the transformation and upgrade of the traditional industries, so as to realize accelerated transformation of newly-added industries from project-driven development to product-driven development and advance of service-oriented model innovation in existing industries. The Company will focus on the following work:

Continuing to adjust its industrial structure and improve its operation quality

The Company will continue to adhere to high-quality, high-efficiency, and sustainable development. It will implement the top-tier plan to promote more enterprises under the Group to become top-tier enterprises in the industry. It will constantly advance industrial structure adjustment within the Group, and comprehensively strengthen its management of trade receivables and inventories. The Company will, centering on key equipment, generic parts and core software in the industrial chain layout, give play to its advantages and bridge the gaps in four aspects, i.e. products and technology, market and business model, production capacity layout and supply chain cost, and system and mechanism, so as to improve its operation quality.

Promoting digital transformation to build industrial Internet ecosystem

The Company will boost the data collection, connection and



sharing. It will take stock of the current situation of the Group's data assets and develop the framework of data standards, striving to create a "base" with unified standards and platforms for the Group's data. The Company will regard the "SEunicloud" platform as the hub for data asset storage and configuration, and promote the operation and maintenance optimization of users' assets by use of data to expand the post-service market.

The Company will build an open and shared industrial Internet ecosystem. It will further improve the users' platform experience, provide them with convenient and visual development and application tools, and constantly improve the platform function construction. The Company will gather internal and external partners, expand platform applications and solutions, enrich platform ecosystem, and improve the number of equipment access, industrial Apps and user traffic.

The Company will build the business model of industrial triangle ecosystem. It will build a group-level e-mall to

Report of the Directors



empower the service-oriented transformation of the industry, transform the flow of industrial Internet into orders for spare parts, technological transformation and intelligent supply chain business, and promote the rapid growth of service-oriented manufacturing business to create value for the industrial group. The Company will leverage on the comparative advantages of more than 10,000 suppliers, more than 5,000 customers and more than 1,000 suppliers being customers as well on the supply chain platform to connect data and explore resources, and build an e-commerce platform for industrial products with integrated procurement and sales. In addition, it will accelerate the promotion of intelligent supply chain services.

Increasing investment in science and technology to improve the source ability of science and technology innovation

Guided by the market demand, the Company will actively plan new products, clarify core technology requirements, and

establish a number of major new products and technology development projects. It will actively implement the scientific and technological innovation policy, accelerate the output and industrialization of scientific and technological innovation achievements, and strengthen the positive incentive for scientific and technological personnel.

The Company will promote breakthroughs in key scientific research projects. It will accelerate major scientific research projects such as "Matechstone Cloud Chain" prefabricated construction industry Internet platform, large-capacity and long-life energy storage lithium batteries, design and engineering of floating wind turbines, development of special robot system for electric power industry, and accelerate industrial Internet special projects and intelligent manufacturing demonstration projects.

The Company will strengthen R&D support for the development of new industries. It will speed up the



Report of the Directors

introduction of technical professionals, expand exchanges and cooperation with first-class scientific research institutions at home and abroad, integrate social resources, promote energy storage batteries, rail transit and other fields to enter the first echelon of the industry, and realize product serialization and technology platform layout. The Company will carry out forward-looking research in hydrogen production, next-generation power semiconductor and other directions, explore digital R&D mode, and promote digital integration, digital empowerment and digital collaboration of the whole process, all specialties and all key elements of R&D.

Accelerating a new round of system and mechanism reform to improve the effectiveness of reform

The Group's subordinate enterprises will fully implement the contractual management of operators of subordinate enterprises. Guided by the practice that tenure with contractual agreement, job with work targets as well as work execution subject to compliance with rules and regulations, the Group will optimize the assessment and incentive, establish the advancement scheme, and improve the operation quality, operation efficiency and medium and long-term management ability of the enterprises. Meanwhile, the Group's subordinate enterprises will steadily promote the reform of mixed ownership and employee share ownership mechanism. On the basis of evaluating the reform results of the enterprises that have implemented the reform, the Group will promote the innovation of internal management mechanism of its subordinate enterprises, including Shanghai Electric Gotion New Energy Technology Co., Ltd., Renmin Electrical Apparatus Works of Shanghai Power Transmission & Distribution Co., Ltd. and Shanghai Centrifuge Institute Co., Ltd., fully stimulating the sustainable development and profitability of the enterprises.

Potential Risks

Market Risks

Equipment manufacturing industry is greatly affected by the public investment in fixed assets and highly correlated with national economic growth. Changes in macro economy and cyclical fluctuations in industry development may bring about challenges to the sustainable development of the Company. Although the COVID-19 pandemic in China has been effectively controlled at present, if the COVID-19 pandemic continues to spread worldwide for a longer period of time, it is expected to have an impact on the demand of the Company's downstream industries to some extent.

The Company will continue to pay attention to and regularly analyze the possible impact of 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 its management efficiency, and actively develop its business model in an innovative manner. The Company 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 risks resulting from continuing spread of COVID-19 pandemic around the world and 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.

In this regard, the Company will consider in depth the policy and the business environment of the overseas markets and will establish overseas subsidiaries and branches or offices to take efforts 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 Rate Fluctuation Risks

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. In the process of its production, the Company needs to purchase imported equipment and components and the contracts are also denominated in major foreign currencies, such as US dollars. If the range of fluctuation of exchange rates between RMB and major foreign currencies, such as US dollars, tends to expand, the Company may be exposed to an increasing exchange risk.

In this regard, the Company will utilize more hedging instruments and increase its RMB settlement scope in cross-border trades, lock-in certain exchange rates to reduce exchange risks and exercise better control over the costs of its overseas projects.

Source of Funding and Indebtedness

As at 31 December 2020, the Group had an aggregate amount of bank and other borrowings and bonds of RMB41,781 million (2019: RMB43,277 million), representing a decrease of RMB1,496 million as compared with that of the beginning of the year. Borrowings and bonds repayable by the Company within one year amounted to RMB23,887 million, representing a decrease of RMB1,204 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB17,894 million, representing a decrease of RMB292 million as compared with that of the beginning of the year.

As at 31 December 2020, included within the bank and other borrowings of the Group are unsecured bank borrowings of USD297,887,000 in total (2019: USD256,458,000), equivalent to RMB1,943,683,000 (2019: RMB1,789,105,000), EUR369,224,000 in total (2019: EUR128,141,000), equivalent to RMB2,963,025,000 (2019: RMB1,001,486,000), HKD548,500,000 in total (2019: HKD828,000,000), equivalent to RMB461,640,000 (2019: RMB741,706,000), and CHF206,000 in total (2019: CHF534,000), equivalent to RMB1,522,000 (2019: RMB3,847,000), secured bank borrowings of USD4,502,000 in total (2019: nil), equivalent to RMB29,375,000 (2019: nil), EUR6,224,000 in total (2019: EUR6,494,000), equivalent to RMB49,947,000 (2019: RMB50,758,000), guaranteed bank borrowings of USD177,375,000 in total (2019: USD174,375,000), equivalent to RMB1,157,354,000 (2019: RMB1,216,475,000) and EUR109,497,000 in total (2019: EUR99,093,000), equivalent to RMB878,715,000 (2019: RMB774,464,000). All other unsecured bank borrowings are denominated in Renminbi.

As at 31 December 2020, 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 30.65%, representing a decrease of 5.32 percentage points as compared with 35.97% at the beginning of the year.

Pledge of Assets

As at 31 December 2020, the Group's bank deposits to the extent of RMB1,119 million (2019: RMB1,583 million), receivable financing of book value to the extent of RMB350 million (2019:nil) and certain properties and equipment of book value to the extent of RMB1,257 million (2019: RMB677

million) were pledged to banks to secure borrowings or credit facilities. The Group's long-term receivables to the extent of RMB2,218 million (2019: RMB1,700 million), were pledged as security for certain bank loans of the Group. As at 31 December 2020, the Group had no bills receivable (2019: RMB181 million), inventory (2019: RMB400 million) or investment properties (2019: RMB182 million) pledged to banks to secure borrowings or credit facilities.

Events After the Date of Financial Statements

For details of the proposed final dividend for 2020, please refer to note 11 to the financial statements and the paragraph headed "Proposals for profit distribution or appropriation from capital reserves to share capital" below.

Contingent Liabilities

Please refer to note 9 to the financial statements for details.

Capital Commitments

Please refer to note 10 to the financial statements for details.

Use of Proceeds from Financing Activities and Capital Utilization Plan

Under the complicating economic conditions in the macro environment, we adhered to the scientific and cautious investment philosophy and maintained an appropriate investment scale. In March 2013, the Company completed the issue of corporate bonds of RMB2 billion by public offering, which had been repaid in full by the Company in February 2016 and February 2018. The use of the proceeds and utilization plan, etc. are in line with the offering document.

In February 2015, the Company completed the issue of A Share convertible corporate bonds amounting to RMB6 billion, and the net proceeds were used for 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, as the capital contribution to Shanghai Electric Leasing Co., Ltd. and for replenishing the working capital of the Company. Actual use of the proceeds is in line with the above disclosure.

On 22 May 2015, Shanghai Electric Newage Company Limited, a wholly-owned subsidiary of the Company, issued offshore

Report of the Directors



bonds in the aggregate amount of EUR600 million, with such Eurobonds listed and traded on the Irish Stock Exchange from 25 May 2015 onwards. The Eurobonds are guaranteed by the Group and have a term of 5 years with annual interest rate of 1.125%. The proceeds from the bonds were mainly used for repayment of the bridge loan obtained in connection with the acquisition of 40% equity interest in Ansaldo Energia S.p.A. and related interests and fees. Actual use of the proceeds is in line with the above disclosure.

On 7 November 2017, the Company completed the issue of A shares with an aggregate amount of RMB3 billion to eight specific investors (including Shanghai Electric (Group) Corporation, the controlling shareholder of the Company) by way of non-public issuance. Proceeds from the non-public issuance were originally intended to be used to finance the projects including the Emerging Industrial Park Development Project at Gonghe New Road, the Innovative Industry Park Reformation Project at Beinei Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road, and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. According to the requirements such as adjustments by government authorities to the planning of the relevant areas where the proceeds-funded projects are located, in light of the Company's business development and the change in market conditions and on the principles of satisfying the requirements for use of raised proceeds and reducing the risks associated with the implementation of proceeds-funded

projects, as considered and approved at the second meeting of the fifth session of the Board and approved at the 2018 third extraordinary general meeting of the Company, the proceeds would not be used to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovative Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road. As considered and approved at the fourth meeting of the fifth session of the Board, the Company intends to apply part of the proceeds towards the successfully completed acquisitions of the 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited (吳江市太湖工業廢棄物處理有限公司) and the 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司). The Company has proceeded with the aforesaid acquisitions with its self-owned funds, and upon consideration and approval of the resolutions in relation to the proposed change in use of proceeds at the general meeting of the Company, it will use such proceeds to supplement the self-owned funds early invested. After consideration and approval of the 20th session of the 5th board of directors of the Company and the approval of the second extraordinary general meeting in 2019, the Company adjusted the amount of raised funds used in the reconstruction project of Beinei Road Creative Industry Park and used part of the raised funds in the project of Shanghai Electric Nantong Central Research Institute, and the remaining raised funds were used in permanent replenishment of working capital.

Overall Use Of Proceeds Raised From The Placement Of A Shares

Unit: 100 million Currency: RMB

Total amount of proceeds	30.00	Total proceeds invested during the year	2.84
Total proceeds used for other purposes instead of the scheduled one(s)	27.09	Total cumulative proceeds invested (Note1)	26.06
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	90.30%		

Projects with investment commitment	Project changed or not (including those with partial changes (if any))	Total amount of proceeds with investment commitment	Total investment after adjustment	Amount invested during the year	Cumulative amount invested as at the end of the Reporting Period (Note 1)	Date of achieving the project's designed serviceable condition	Benefits generated during the year	Achieved the estimated goal or not
Emerging Industrial Park Development Project at Gonghe Xin Road	Yes	10.55	-	-	-	-	N/A	N/A
Innovative Industry Park Reformation Project at Beinei Road (Note 2)	Yes	2.26	0.66	0.01	0.01	2021	N/A	N/A
Technology Innovative Park Reformation Project at Jinshajiang Branch Road	Yes	3.28	-	-	-	-	N/A	N/A
Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road	Yes	11.66	-	-	-	-	N/A	N/A
Tax, surcharges and other expenses in relation to the restructuring	No	2.25	2.10	-	2.10	2018	N/A	N/A
Acquisition of 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	Yes	-	3.42	-	3.42	2019	N/A	N/A
Acquisition of 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited	Yes	-	7.56	-	7.56	2019	N/A	N/A
Shanghai Electric Nantong Central Research Institute Project	Yes	-	7.26	2.83	4.12	2021	N/A	N/A
Permanent replenishment of working capital	Yes	-	8.85	-	8.85	2019	N/A	N/A
Total	-	30.00	29.85	2.84	26.06	-	-	-

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

Note 2: Advance has been made in the application for approval of the project location of the Innovative Industry Park Reformation Project at Beinei Road as per requirements under the "50 provisions for culture and creativity industry (文創五十條)" of Shanghai. Approval from relevant government departments has been obtained for the project location, and meeting minutes have been issued. Construction of the project is expected to be completed by the end of 2021.

Report of the Directors

As considered and approved at the second meeting of the fifth session of the Board of the Company held on 22 October 2018 and the 2018 third extraordinary general meeting, 2018 first A share class meeting and 2018 first H share class meeting held on 10 December 2018, Shanghai Electric will no longer use any of the proceeds of RMB2,554 million (including interest income, the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out) to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5,000,000.

As considered and approved at the fourth meeting of the fifth session of the Board of the Company held on 16 November 2018 and the 2019 first extraordinary general meeting, 2019 first A share class meeting and 2019 first H share class meeting held on 6 May 2019, Shanghai Electric proposes to use RMB342 million out of the proceeds to acquire the 100% equity interests of Wujiang Taihu Industrial Wastes Treatment Company Limited. (吳江市太湖工業廢棄物處理有限公司) through its wholly-owned subsidiary Shanghai Electric Investment Company Limited ("SEI") from Orient Landscape and Taizhou Zongze, and use RMB756 million out of the proceeds to acquire the 100% equity interests of Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司) from Orient Landscape and Taizhou Zongze. Shanghai Electric intends to first proceed with the aforesaid acquisitions with its self-owned funds through its wholly-owned subsidiary SEI. Shanghai Electric has first completed the abovementioned acquisitions through its wholly-owned subsidiary SEI and supplemented the self-owned funds early invested with the proceeds.

Changes in proceeds-funded project

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

Upfront investment in the project to be invested through fund raising and replacement of such investment with the proceeds

On 17 April 2018, the Proposal in Relation to the Replacement of the Self-Pooled Upfront Investment in Projects to be Invested Through Fund Raising with the Proceeds was considered and approved at sixty-fourth meeting of the fourth session of the Board of the Company, which proposed to replace the self-pooled upfront investment in projects to be invested through fund raising with RMB88 million out of the proceeds.

PricewaterhouseCoopers Zhong Tian LLP reviewed the upfront investment in relation to the fund raising through non-public issuance of A shares, and issued the PricewaterhouseCoopers Zhong Tian Te Shen Zi(2018) No.1870 document, i.e., the Report and Verification Report on Upfront Investment with Self-pooled Funds in the Project to be Invested Through Funds Raising. Guotai Junan Securities Co., Ltd. also expressed opinions on the Company's replacement of the self-pooled upfront investment in projects to be invested through fund raising with the proceeds.

Provisional replenishment of working capital with the idle proceeds from fund raising

On 18 January 2019, the Proposal in Relation to the Company's Provisional Replenishment of Working Capital with Certain Idle Proceeds from Fund Raising was considered and approved at sixth meeting of the fifth session of the Board of the Company. It was approved that idle proceeds totaling RMB2.5 billion would be used to replenish working capital on the condition that funding needs of the Projects to be Invested through Fund Raising can be assured and on a provisional basis. The Company utilized the aforesaid proceeds to replenish working capital on 21 January 2019 and returned all the above mentioned proceeds to the special account for proceeds on 9 November 2019.

Proposals for profit distribution or transfer capital reserves to share capital

As audited by PricewaterhouseCoopers Zhong Tian LLP, the net profit of the Company for 2020 as shown on the financial statements of the Company (not consolidated) prepared in accordance with the PRC GAAP was RMB1,051,384,000, and the undistributed profits at the beginning of 2020 was RMB11,847,763,000. After appropriation to statutory surplus reserves of RMB105,139,000 for the year 2020, the distributable profits amounted to RMB12,794,009,000.

Upon consideration by the Board of the Company, the proposal for profit distribution for 2020: Based on the total share capital as at the record date for the Company's profit distribution, cash dividend of RMB0.7178 (tax inclusive) will be distributed to all shareholders for every 10 shares held, with an estimated dividend payment of RMB1,127,375,000, representing approximately 30% of the net profit attributable to owners of the Company of RMB3,758,175,000 for 2020. The above proposal for profit distribution is to be submitted to the Company's annual general meeting of shareholders for consideration, and will be implemented after consideration and approval by the annual general meeting.

Final dividend

The Board of the Company proposed to declare the final dividend for the year 2020 at RMB7.178 cents (tax inclusive) per share, which is subject to approval at the annual general meeting of the Company. The aforementioned proposed final dividend is expected to be paid to the shareholders of the Company on or before 30 August 2021.

Closure of Register of Members

The Company will notify its shareholders on a later date about the date of the annual general meeting for the year ended 31 December 2020 as well as the corresponding period for closure of register of members for the distribution of final dividend.

Contract of Significance

During the reporting period, save as disclosed in this report, neither the Company nor any of its subsidiaries had any contract

of significance with its controlling shareholder or its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries (as defined in Appendix 16 to the Hong Kong Listing Rules).

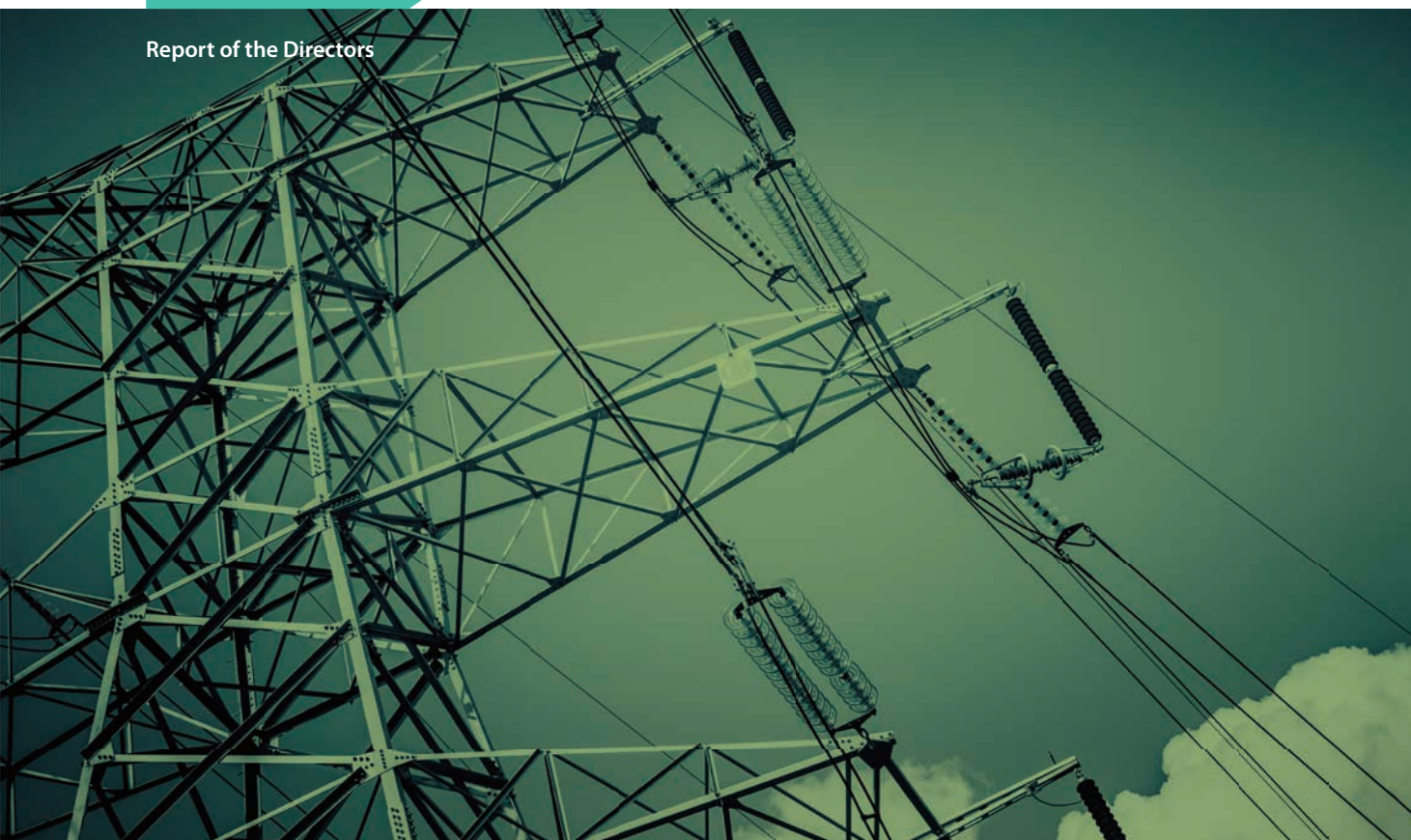
Equity-linked Agreement

A Share Convertible Corporate Bonds

In January 2015, CSRC approved in writing the Company's public issuance of A share convertible corporate bonds in an aggregate sum of RMB6.0 billion. In February 2015, the Company completed issuing a total of 60,000,000 A share convertible corporate bonds with a nominal value of RMB100 each (the "Electric Convertible Bonds"), amounting to RMB6 billion in aggregate. The Electric Convertible Bonds were listed on the Shanghai Stock Exchange as from 16 February 2015 under the bond code of "113008". The initial conversion price of the Electric Convertible Bonds was RMB10.72 per A Share. The conversion price was adjusted from RMB10.72 per share to RMB10.66 per share from 2 July 2015, and further adjusted from RMB10.66 per share to RMB10.65 per share from 28 November 2016, from RMB10.65 per share to RMB10.46 per share from 24 October 2017, from RMB10.46 per share to RMB10.37 per share from 9 November 2017, from RMB 10.37 per share to RMB10.28 per share from 28 August 2018, from RMB10.28 per share to RMB5.19 per share from 12 December 2018, and from RMB5.19 per share to RMB5.13 per share from 8 August 2019. The term of the Electric Convertible Bonds commences from 2 February 2015 and ends on 1 February 2021 and the conversion period commences from 3 August 2015 and ends on 1 February 2021. Up to 31 December 2020, the Electric Convertible Bonds amounting to RMB1,966,537,000 have been converted into 379,144,100 A shares. During the reporting period, the Electric Convertible Bonds amounting to RMB434,702,000 have been converted into 84,736,483 A shares. As at 31 December 2020, the outstanding Electric Convertible Bonds amounted to RMB4,033,463,000.

As at the end of the reporting period, if all outstanding Electric Convertible Bonds of the Company were converted into A shares of the Company, the dilutive effect on shareholders would be as follows:

Report of the Directors



(i) if the outstanding Electric Convertible Bonds are fully converted, the number of shares to be issued will increase to 786,250,097 A shares; the total share capital of the Company will increase from 15,181,352,901 shares to 15,967,602,998 shares. The consolidated shareholding of Shanghai Electric (Group) Corporation, the controlling shareholder of the Company, will drop from 57.84% to 54.99%; and

(ii) if the Electric Convertible Bonds were fully converted into A shares of the Company during the reporting period, there would be no material adverse impact on the financial and liquidity conditions of the Company.

For details, please refer to the announcements of the Company dated 20 January 2015, 28 January 2015, 11 February 2015, 25 June 2015, 27 July 2015, 24 November 2016, 22 October 2017, 7 November 2017, 20 August 2018, 10 December 2018 and 30 July 2019 and note 4(44) to the consolidated financial statements contained in this report.

Assets Restructuring and Placing of A shares

During the reporting period, save as the disclosed A share convertible corporate bonds, no other equity-linked agreements were entered into by the Company or subsisted during or at the end of the year that will or may result in the Company issuing

shares, or requiring the Company to enter into any agreement that will or may result in the Company issuing shares.

Donations

The Group has earnestly performed its social responsibility. The total expenses of the Group for public welfare projects, charity donations, poverty alleviation donations and education sponsorship in 2020 amounted to RMB7.63 million.

Compliance with relevant laws and regulations

As a public company listed in both Mainland China and Hong Kong, the Company has formulated and continuously improved various rules and regulations in strict compliance with the requirements of relevant laws and regulations and normative documents of China and Hong Kong, including the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies in China, the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to Hong Kong Listing Rules as well as the provisions of the Articles of Association of the Company, to regulate the operations of the Company. The Company is committed to maintaining and improving the Company's good image in the market.

Environmental policies and performance of the Company

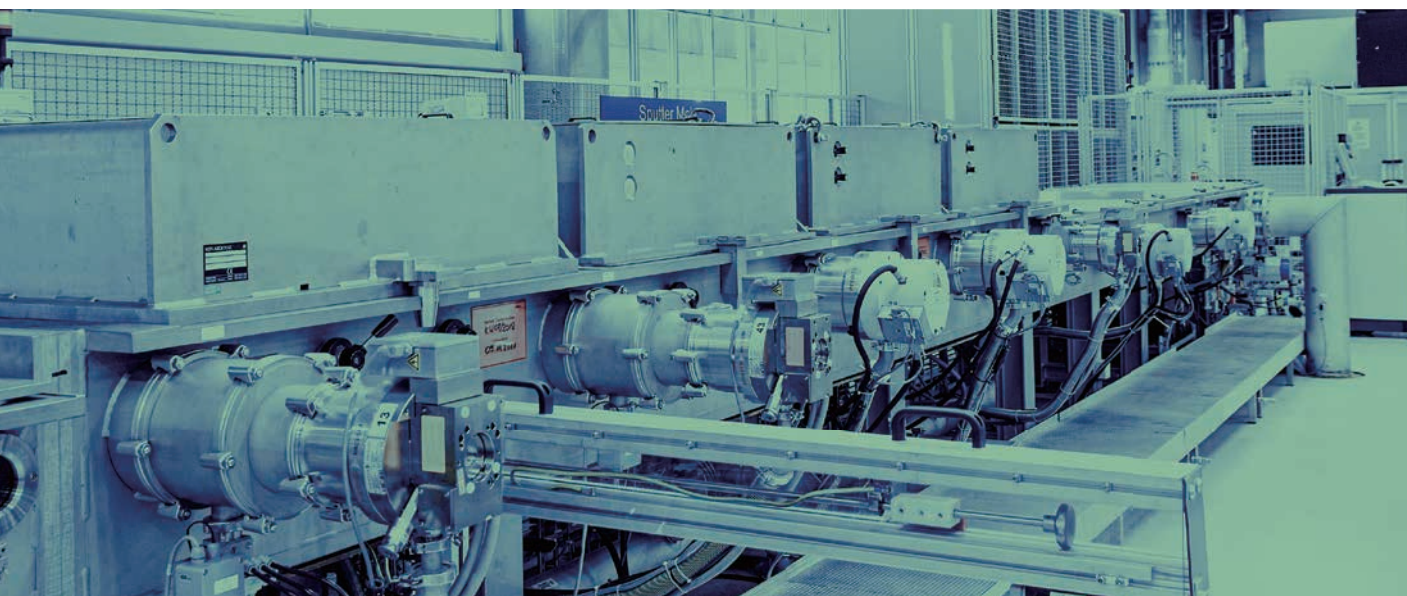
The Company insists on taking sustainable development as a key point in its strategic development, and endeavors to develop circular economy, improve resource utilization efficiency and build up an eco-friendly manufacturing system in pursuit of green development.

The Company has a production safety and environmental protection committee ("the Committee"). The Committee is chaired by the President of the Company and is responsible for the management and operation of the production safety and environmental protection systems of the Group. The Committee members comprise the main responsible persons of the Group's major business divisions and production departments.

During the reporting period, the Company advocated energy conservation and consumption reduction, and reduced pollution to the environment arising from each stage of production process and activities through technological innovation. In addition, the Company provided its suppliers and customers with solutions on factory energy conservation, building energy conservation and air-conditioning energy

conservation so as to make its humble contribution in promoting the completion of an efficient, visible and sustainable target for energy conservation for the society. In recent years, on the one hand, the Company has been actively promoting high-end technology and making efforts in developing clean energy and green technology, trying to deepen its cultivation in technology fields for high efficiency and clean energy, as well as ultra-low emission and near zero emission, and to build up an industrial base; and on the other hand, the Company has been actively developing the environment protection business with a focus on environment protection facilities, integrated treatment of pollutants, and comprehensive utilization of resources. So far, the Company has built up its capability in general contracting in respect of power plant environmental facilities, solid waste treatment, sewage treatment, biomass power generation, and environment protection engineering projects.

During the reporting period, the Company has complied with the "Comply or Explain" provision under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to Hong Kong Listing Rules. The Company will separately prepare the environmental, social and governance report for 2020, which will be separately published within three months after the publication of this report.



Report of the Directors

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

During the reporting period, the Company repurchased and cancelled a total of 7,416,000 restricted shares granted to 95 participants failing to qualify for the Restricted A Share Incentive Scheme but had not yet been unlocked, and completed the cancellation procedures of the above-mentioned shares on 18 September 2020.

The Resolution on the Proposal of the General Meeting for Authorizing the Board to Repurchase the H Shares not Exceeding 10% of the Total Share Capital of the Company (《關於提請股東大會授權董事會回購公司不超過全部總股本10%的H股股份的議案》) was considered and approved at the 2019 annual general meeting and the first A shareholders' class meeting of 2020 and the first H shareholders' class meeting of 2020 convened on 29 June 2020. The general meeting of the Company, the A shareholders' class meeting and H shareholders' class meeting approved the granting of a general mandate to the Board of the Company to repurchase the issued H shares of the Company up to 10% of the total issued H shares of the Company as at the date of approval of the general meeting, the A shareholders' class meeting and H shareholders' class meeting. During the period from 10 September 2020 to 30 October 2020, the Board exercised the Repurchase Mandate to repurchase a total of 48,430,000 H shares with the total consideration of HKD109,717,920, representing approximately 1.63% and 0.32% of the total number of H shares and the total number of issued shares of the Company as at the date of the Repurchase Mandate respectively. The highest and lowest prices paid for all repurchases were HK\$2.32 per share and HK\$2.17 per share respectively. Following the aforementioned repurchase of H shares and in compliance with the Hong Kong Listing Rules, the Company has cancelled 48,430,000 repurchased H shares on 24 December 2020 and the registered capital of the Company reduced by RMB48,430,000 accordingly.

Reserves

Details of the movements in the reserves of the Company and the Group during the year were set out in note 4(51)、4(52)、4(53) to the 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 4(22) to the financial statements.

Directors' rights 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 any of its subsidiaries or 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 the PRC laws and the Articles of Association, the Company's shareholders have no preemptive rights.

Tax Relief and Exemption

The Board are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Zheng Jianhua
Chairman and CEO

Significant Events

The disclosure of the following matter will not, in the Directors' opinion, be harmful to the business of the Company.

Connected Transactions and Continuing Connected Transactions

According to the requirements of the Hong Kong Listing Rules, the connected transactions and continuing connected transactions between the Company and its subsidiaries (the "Group") and their connected persons for the year ended 31 December 2020 are disclosed in detail as follows:

Connected transactions

On 3 March 2020, the Board considered and approved the Relevant Resolution, pursuant to which Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) ("Finance Company"), a subsidiary of the Company, will provide a loan in an amount of not more than RMB1 billion to SINOMECH Engineering Group Co., Ltd. (中國能源工程集團有限公司) ("SINOMECH") or a third party shall provide guarantee in a sufficient amount in line with requirements. The interest rate shall not be lower than 10% above the interest rate available to the Company for its funds obtained from banks. The resulting value-added tax and income tax costs are to be borne by SINOMECH. On 19 June 2020, the Company and Finance Company signed the Creditor's Right Transfer Agreement. In accordance with the Creditor's Right Transfer Agreement, Finance Company has transferred all creditor's rights (including but not limited to interest accrued and other contractual rights and benefits) under the Renminbi Working Capital Loan Contract between the Electric Finance and SINOMECH and all rights and benefits under the Guarantee Contract, the Pledge Contract and the Binding Agreement for Equity Purchase to the Company.

On 15 April 2020, the Board considered and approved the Relevant Resolution, pursuant to which Shanghai Electric Hong Kong Co., Ltd. (上海電氣香港有限公司), a wholly-owned subsidiary of the Company was approved to transfer the 40% equity interests it held in Ansaldo Energia S.p.A to Shanghai Electric Gas Turbine Hong Kong Co., Ltd. (上海電氣燃氣輪機香港有限公司), a wholly-owned subsidiary of SEC, at a consideration of EUR318 million. The transaction was completed in the reporting period.

On 4 September 2020, the Board considered and approved the Relevant Resolutions, pursuant to which, Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司), a

controlled subsidiary of the Company was approved to transfer the 98% equity interest it held in Zhanghuaji Ili Heavy Equipment Manufacture Co., Ltd. (張化機伊犁重型裝備製造有限公司) and 65% equity interest it held in Xinjiang Hefeng Zhanghuaji New Energy Equipment Co., Ltd. (新疆和豐張化機新能源裝備有限公司) to Pacific Mechatronic (Group) Co., Ltd. (太平洋機電(集團)有限公司), a wholly-owned subsidiary of SEC, at a consideration of RMB219,645,500 and RMB32,183,500, respectively, totaling RMB251,829,000.

On 9 September 2020, the Board considered and approved the Relevant Resolution, pursuant to which, Suzhou Thvow Technology Co., Ltd. (蘇州天沃科技股份有限公司) was approved to transfer the 100% equity interest it held in Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. (天沃恩科(北京)核物理研究院有限公司) to Pacific Mechatronic (Group) Co., Ltd. (太平洋機電(集團)有限公司) at an estimated consideration of RMB215,679,000. As of 31 December 2020, the above equity interest transaction has not been completed and is expected to be completed in 2021.



On 15 October 2020, the Board considered and approved the resolution in relation to the approval of the entering into of a merger agreement between Shanghai Prime Mingyu Machinery Technology Co., Ltd. (上海集優銘宇機械科技有限公司) ("Prime Mingyu"), a wholly-owned subsidiary of the Company, and Shanghai Prime Machinery Company Limited ("SPM"), pursuant to which Prime Mingyu and SPM implemented the merger on and subject to the terms and conditions of the merger agreement, including the pre-conditions and the conditions. An application will be made by SPM to the Stock Exchange for voluntary withdrawal of the listing of the SPM H shares from the Stock Exchange upon satisfaction of the pre-conditions and the conditions. Upon the completion of the merger, Prime Mingyu will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of SPM, and SPM will be eventually deregistered and dissolved. Pursuant to the merger agreement, a cancellation price of HK\$1.60 per SPM H Share will be paid by Prime Mingyu to the shareholders of SPM other than SEC and Shanghai Electric Group Hongkong Company Limited (上海

電氣集團香港有限公司), a wholly-owned subsidiary of SEC. SEC and its wholly-owned subsidiary, Shanghai Electric Group Hongkong Company Limited, will be issued with such amount of registered capital denominated in RMB in Prime Mingyu. On 20 January 2021, all the implementation conditions under the merger agreement were satisfied and the listing status of the SPM H shares on the Stock Exchange was withdrawn with effect from 9:00 a.m. on 20 January 2021.

On 14 December 2020, the Board considered and approved the Relevant Resolution, pursuant to which, the Company was approved to accept the engagement by SEC, the controlling shareholder of the Company, for research and development of rail transit scientific research projects, at a consideration of RMB161,558,500, which includes RMB75,700,000 investment in the "Urban Rail Transit Intelligent Maintenance and Health Management Platform" and RMB85,858,500 investment in the "Demonstration Project of Rail Transit Integrated Monitoring and Whole Life Cycle Management", respectively.



Continuing Connected Transactions

Connected Transactions with Shanghai Electric (Group) Corporation

Framework sales agreement

The Company entered into a framework sales agreement with SEC on 29 October 2019, 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 years ended December 31 2020, 2021 and 2022 is RMB700,000,000.

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 2020 was RMB 369.46 million.

Framework purchase agreement

The Company entered into a framework purchase agreement with SEC on 29 October 2019, 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 years ended December 31 2020, 2021 and 2022 is RMB500,000,000.

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 2020 was RMB 227.76 million.

Framework comprehensive services agreement

The Company entered into a framework comprehensive services agreement with SEC on 29 October 2019, pursuant to which the Group agrees to provide the Parent Group with certain services including but not limited to informationization, professional consultation and entrusted management. Pursuant to the agreement, the annual cap of the relevant comprehensive services for the years ended December 31 2020, 2021 and 2022 is RMB200,000,000.

The above framework comprehensive services agreements are entered into in the ordinary course of business of the Group

Significant Events

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 comprehensive services 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 comprehensive services for the Parent Group for the year ended 31 December 2020 was RMB 133.81 million.

Framework financial services agreement

On 29 October 2019, Finance Company, a subsidiary of the Company, entered into various financial services agreements with SEC, pursuant to which Finance Company provides deposit and loan services to the Parent Group.

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:

Framework deposit agreement

On 29 October 2019, the Company entered into a framework deposit agreement with SEC in relation to the deposit services for the Parent Group provided by Finance Company. Pursuant

to the agreement, for the years ended December 31 2020, 2021 and 2022, the approved annual cap, representing the maximum daily balance of funds (including interests) that may be deposited, is RMB7,500,000,000. 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 2020 did not exceed the approved annual cap of RMB 7,500,000,000. Besides, the Parent Group received interest income of RMB 49.50 million for the deposits from Finance Company for the year ended 31 December 2020.

Framework loan agreement

On 29 October 2019, the Company entered into a framework loan agreement with SEC 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. Pursuant to the agreement, for the years ended December 31 2020, 2021 and 2022, the approved annual cap, representing the maximum daily balance of loans that may be extended and discounted bills that may be purchased (including interests), is RMB7,500,000,000. 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 discounted bills from the Parent Group in the year ended 31 December 2020 did not exceed the approved annual cap of RMB7,500,000,000. Besides, the Parent Group paid interest of RMB 214.40 million, which was derived from loans and discounted bills, to Finance Company for the year ended 31 December 2020.



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.

The above framework purchase and sales agreement expired on 23 January 2012. 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 Hong Kong 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.

In January 2015, the Company applied for exemption in strictly following Listing Rules 14A.35(1) 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, and the framework agreement and the updated annual caps of continuing connected transactions were approved by the Board of Director.

In August 2017, 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

Significant Events

Exchange on 14 September 2017 subject to and on the waiver conditions, and the framework agreement and the updated annual caps of continuing connected transactions were approved by the Board of Director.

As the Group expects that purchase amounts from the Siemens Group will increase in three years ending 31 December 2020, the Board believe that the Existing Annual Caps will not be sufficient for the Group's business needs. Therefore, in September 2018, the Board approved to revise the Existing Annual Caps to RMB2,700 million, RMB2,700 million and RMB2,700 million in respect of the Continuing Connected Transactions for the years ending 31 December 2018, 2019 and 2020, respectively.

The company will continuously enter into written agreement for undated continuing connected transactions and the cap of the updated continuing connected transactions will be priced according to the following pricing strategy now and in the future.

- in respect of the purchase transactions where the components and/or technologies are generally available in the market (mainly used in power transmission and distribution equipment), market price, which is determined by reference to the prevailing market rates for similar or the same components and/or technologies available on an arm's length basis from independent third parties, shall be considered for the consideration of the Continuing Connected Transactions to be determined. The marketing departments of the relevant subsidiaries of the Company have been obtaining and will continue to obtain price quotations from suppliers in the market (including both independent suppliers and Siemens) once the relevant subsidiaries receive orders from the customers and will choose the supplier who provides the most favourable terms (especially the lowest price per unit of the same quality). The marketing department of the relevant subsidiaries will compare the price quotations from Siemens with at least two price quotations from independent suppliers before making the commercial decision. The internal control department of the relevant subsidiaries has conducted and will continue to conduct annual review to make sure the abovementioned procedure has been complied with throughout the year. During the past three years, the Company has purchased the same products provided by the Siemens Group from more than two independent suppliers every year and expects to stick to such practice if there is no material change to the current market conditions. With the access to the

independent suppliers in the market from time to time, the Company has the opportunity to learn the market conditions on a timely basis and make an informed commercial decision; and

- in respect of the purchase transactions where the components and/or technologies can only be provided by the Siemens Group due to its unique technology (mainly used in power equipment) while similar components and/or technologies provided by other suppliers currently do not match well with the Company's certain power equipment which renders the contemporaneous quotations from independent third parties not available, the Group may refer to (i) prices of relevant transactions for the last year, (ii) market trend of the prices for similar components and/or technologies domestically and internationally, which has been and will be assessed by the marketing department of the relevant subsidiaries based on the public information in the fourth quarter of every year and (iii) business plan of the Group, and negotiate with the Siemens Group in good faith. With the historical purchase price as a benchmark price and the roughly estimated percentage of the increase or decrease of the market prices for similar components and/or technologies domestically and internationally, the Company should be able to assess the fairness and reasonableness of price quotations from the Siemens Group and make an informed commercial decision based on the market information to the largest extent possible.

The actual purchase from the Siemens Group for the year ended 31 December 2020 was RMB 992.31 million.

On 6 October 2020, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Listing Rules, in accordance with which, the Company would be required to enter into a written framework agreement with Siemens in respect of the Continuing Connected Transactions. The waiver has been conditionally granted by the Stock Exchange on 15 October 2020, subject to the fulfilment and achievement of the waiver conditions by the Company. On 15 October 2020, the Board of the Company approved the annual caps of the continuing connected Transactions between the Company and the Siemens Group for the three years ending 31 December 2023. The approved annual caps of the relevant purchases for the three years ended 31 December 2023 are RMB 4,000,000,000, RMB 3,500,000,000 and RMB 3,000,000,000 and the approved annual cap of the relevant sales for the three years ended 31 December 2023 is RMB 300,000,000.

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 48.81% 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, and renewed the framework purchase agreement on 28 March 2015, 14 November 2016 and 29 October 2019. On 29 October 2019, the Board (including the independent non-executive Directors) approved the MESMEE Framework Purchase Agreement and transactions contemplated under the MESMEE Framework Purchase Agreement and the independent non-executive directors confirmed that the terms of the transactions are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole. Pursuant to the agreement, the annual cap of the relevant purchases for the years ended December 31 2020, 2021 and 2022 are RMB3,500,000,000. 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.

The term of the framework purchase agreement is three years commencing on 1 January 2020, renewable at the option of the Company 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 2020 were RMB 2,181.20 million.

Framework Sales Agreement with SMEPC

State Grid Shanghai Municipal Electric Power Company ("SMEPC") hold more than 10% equity interest of Shanghai

Electric Transmission and Distribution Group Co., Ltd., a subsidiary of the Company, and purchases transmission and distribution products from the Group since 2012.

As the Company devotes to increase sales and profits of transmission and distribution products, the company anticipates that the Group will continuously trade with SMEPC Group over the next couple of years. Therefore, in February 2015, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Hong Kong Listing Rules. According to this listing rule, the Company needs to enter into a written framework agreement for continuing connected transactions. The waiver has been conditionally granted by the Stock Exchange on 22 April 2015, only if the company apply for and eligible for the exemption conditions, the grant will come into effect. On 24 April 2015, the Board of Directors of the Company approved the waiver of entering into framework agreement and the annual caps of continuing connected transactions.

In July 2017, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Hong Kong Listing Rules. According to this listing rule, the Company needs to enter into a written framework agreement for continuing connected transactions. The waiver has been conditionally granted by the Stock Exchange on 9 August 2017, only if the company apply for and eligible for the exemption conditions, the grant will come into effect. On 30 October 2017, the Board of Directors of the Company approved the waiver of entering into framework agreement and the annual caps of continuing connected transactions. The approved annual caps for the three years ended 31 December 2020 were RMB 4,600,000,000, RMB 4,900,000,000 and RMB 5,100,000,000.

On 29 April 2019, taking into account the Company's further expansion in the power transmission and distribution equipment market, the Board proposed to revise the annual caps of continuing connected transactions to RMB 6,000,000,000 and RMB 7,000,000,000 million for the years ending 31 December 2019 and 2020.

As the Company needs to take part in open, strict and independent bidding process in order to obtain the orders and enter into each of the Continuing Connected Transactions, the Company will adopt the following methods and procedures to

Significant Events

ensure that the bidding price is fair and reasonable:

- the sales department of the relevant subsidiary of the Group will collect all winning prices of the target product (including prices of other bid winners) in the preceding year and calculate an average winning price;
- the financial department of the relevant subsidiary of the Group will use such average winning price to calculate the profit margin based on its own costs;
- the sales department of the relevant subsidiary of the Group will propose a bidding price which represents a profit margin ranging from 5% to 10% upwards or downwards from the base margin based on the competition status for a particular bidding; and
- the management (refers to the senior general manager responsible for daily operations, usually composed of the general manager, the deputy general manager in charge of sales, the person in charge of finance and the person in charge of the sales department, etc.) of the related subsidiaries of the Group will review and decide whether or not to approve such bidding price according to market conditions.

The sales of the Group to the SMEPC Group is RMB 4,130.85 million for the year ended 31 December 2020.

On 6 October 2020, the Company applied to the Stock Exchange for the waiver from strict compliance with Rule 14A.34 and Rule 14A.51 of the Listing Rules, in accordance with which, the Company would be required to enter into a written framework agreement with SMEPC in respect of the Continuing Connected Transactions. The waiver has been conditionally granted by the Stock Exchange on 15 October 2020, subject to the fulfilment and achievement of the waiver conditions by the Company. On 15 October 2020, the Board of the Company approved the annual caps of the continuing connected Transactions between the Company and the SMEPC Group for the three years ending 31 December 2023. The approved annual caps of the relevant sales for the three years ended 31 December 2023 are RMB 6,000,000,000, RMB 6,200,000,000 and RMB 6,500,000,000.

Framework Sales Agreement with SINOMECC

Framework Purchase Agreement

As at 15 April 2020, the Company entered into the Framework Purchase Agreement with SINOMECC Engineering Group

Co., Ltd. (中國能源工程集團有限公司)("SINOMECC"), the approved annual cap of purchases of photovoltaic modules, frames, cables, wind turbine equipment and related auxiliary equipment and other products as well as supporting services from SINOMECC for the year was RMB1,500 million in 2020.

The consideration of each of the continuing connected transactions under the agreement is and will continue to be determined in accordance with the following pricing policies in order:

- price prescribed by governments (including local governments) shall prevail if governments prescribed price is available;
- government guidance price shall prevail if government prescribed price is not available;
- the price shall be determined with connected persons based on the principle of openness, fairness and justice with reference to market price, on a fair and reasonable manner, if government guidance price is not available;
- the price shall be determined through the way of price comparison procurement if there is no comparable fair price available in the market;
- however, if there is no comparable fair price available in the market or the way of price comparison procurement cannot be used, the price shall be determined after arm's length negotiations;
- in the event the market conditions change significantly which could affect the costs of the products, the parties may revise or cancel the agreement or replace it with a new one which is to be entered into through negotiation, subject to the aforesaid agreed pricing principle.

The purchase of the Company from SINOMECC is RMB 8.28 million for the year ended 31 December 2020.

Framework Sales Agreement

As at 15 April 2020, the Company entered into the Framework Sales Agreement with SINOMECC with the approved annual cap of sales in the field of power generation and provide engineering project management and technical consulting services to SINOMECC for the year was RMB2,500 million in 2020.

The consideration of each of the continuing connected transactions under the agreement is and will continue to be determined in accordance with the following pricing policies in order:

- price prescribed by governments (including local governments) shall prevail if governments prescribed price is available;
- government guidance price shall prevail if government prescribed price is not available;
- the price shall be determined with connected persons based on the principle of openness, fairness and justice with reference to market price, on a fair and reasonable manner, if government guidance price is not available;
- the price shall be determined through the way of price comparison procurement if there is no comparable fair price available in the market;
- however, if there is no comparable fair price available in the market or the way of price comparison procurement cannot be used, the price shall be determined after arm's length negotiations;
- in the event the market conditions change significantly which could affect the costs of the products, the parties may revise or cancel the agreement or replace it with a new one which is to be entered into through negotiation, subject to the aforesaid agreed pricing principle.

The sales of the Company to SINOMEC is RMB 242.55 million for the year ended 31 December 2020.

The independent non-executive directors of the Company have reviewed the abovementioned continuing connected transactions and confirmed that the transactions have been entered into:

- in the ordinary and usual course of business of the Company;
- on normal commercial terms or better; and
- according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have provided a letter to the board of directors of the Company confirming:

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

- nothing has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Company in relation to the transactions involve the provision of goods or services by the Company;
- nothing has come to their attention that causes them to believe that such continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- nothing has come to their attention that causes them to believe that such continuing connected transactions have exceeded the annual cap made by the Company.

Significant related party transactions

The Company confirms that it has complied with the requirements in accordance with Chapter 14A of the Hong Kong Listing Rules in respect of the above connected transactions. Save as disclosed above, significant related party transactions which do not constitute the connected transactions under the Hong Kong Listing Rules during the year have been disclosed in note 8 to the annual financial statements prepared in accordance with the PRC Accounting Standard for Business Enterprises.

Other major events

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

On 6 January 2020 and 15 April 2020, the Board of the Company considered and approved the relevant resolutions that Shanghai Electric Wind Power Group Co., Ltd. proposed to conduct the initial public offering of its Renminbi, ordinary shares and seek for listing on the Science and Technology Innovation Board of Shanghai Stock Exchange upon completion of the share issuance (the "Spin-off"). On 7 May 2020, the relevant resolutions of the Spin-off were considered and approved at the 2020 first extraordinary general meeting of the Company.

During the Reporting Period, the Company has applied for,

Significant Events



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

According to the "Announcement on the results of the 105th Review Meeting of the Listing Committee of the Science and Technology Innovation Board in 2020" issued by the SSE on 19 November 2020, the SSE approves the issuance and listing of the shares of Shanghai Electric Wind Power Group Co., Ltd. (initial public offering).

According to the Approval of the Registration of Shanghai Electric Wind Power Group Co., Ltd.'s Initial Public Offering of Shares issued by China Securities Regulatory Commission ("CSRC") in March 2021, the CSRC approved the registration application of SEWP's initial public offering on the Sci-tech Innovation Board.

Land Resumption

During the reporting period, the Company and Shanghai Blower Factory Co., Ltd. (the "Blower Factory"), a wholly-owned subsidiary of the Company entered into State-owned Land Use Rights Resumption Contracts with Jing'an Land Reserve Center of Shanghai, respectively, pursuant to which, parties reached consensus on the resumption of the state-owned land use rights of the properties located at No.191 West Guangzhong Road and No. 3000 Gonghe New Road, Jing'an District. Total resumption prices of the properties located at No.191 West Guangzhong Road and No.3000 Gonghe New Road were RMB903.84 million and RMB1,967.88 million, respectively, amounting to RMB2,871.72 million in aggregate. The Company has completed the transfer of the properties located at No.191 West Guangzhong Road and No. 3000 Gonghe New Road by the end of the reporting period.

Pledge of shares of the Company by controlling shareholders

Shanghai Electric (Group) Corporation ("SEC"), the controlling

shareholder of the Company, intends to use the A shares of the Company held by it and its yields as the exchange objects for the non-public issuance of exchangeable corporate bonds (the "Exchangeable Bonds"). The Company has obtained the Letter on No Objection to Shanghai Electric (Group) Corporation's Non-public Issuance of Exchangeable Corporate Bonds (Shang Zheng Han [2020] No. 51) in relation to the Exchangeable Bonds issued by the Shanghai Stock Exchange on 7 January 2020, and the registration procedures for the Share Pledge of 254,545,455 A shares of Shanghai Electric were completed on 15 March 2021 at China Securities Depository and Clearing Corporation Limited Shanghai Branch.

Material events after the period

A share convertible corporate bonds (the "Electric Convertible Bonds") issued by the Company was due on 1 February 2021, RMB4,657,847,000 in aggregate of such bonds have been converted into shares of the Company with an accumulated conversion of 903,762,291 shares. The principal amount of the redemption for the matured Electric Convertible Bonds was RMB1,342,153,000 and the total amount of the redemption for the matured bonds was RMB1,430,735,098.00 (tax inclusive), the payment of which has been completed on 2 February 2021.

The forty-eighth meeting of the fifth session of the board of directors and the thirty-fifth meeting of the fifth session of the supervisory committee of the Company were held on 26 March 2021, and the 2021 first extraordinary general meeting of the Company was held on 20 April 2021, at which the resolutions related to the Non-public Issuance of A shares of the Company (the "Non-public Issuance of Shares") were considered and approved. The gross proceeds from the Non-public Issuance of Shares are expected to be not more than RMB5,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Name of the investment project		Total investment amount of the relevant project (RMB ten thousand)	The amount of proceeds to be applied (RMB ten thousand)
Project name	Subproject name		
Non-carbon Energy Power Technology Research and Development Project	Supercritical CO ₂ technology research and development project	98,711.00	55,000.00
	Large-capacity energy storage technology research and development project	32,997.00	19,000.00
	Technology research and development project of hydrogen production from electrolyzed water	40,280.00	26,000.00
Smart City Key Platform and System Development Project	Smart city "unified management through one network" system research and development project	44,052.88	34,000.00
	Smart city rail transit system development project	51,573.21	38,000.00
SEunicloud Industrial Internet Platform Upgrading and Innovation Application Project		70,210.53	56,000.00
Demonstration EPC Project of Comprehensive Utilisation of Multi-Generation and Recycling of Coal Middlings of One Million Tonnes Per Annum of Yan'an Energy and Chemical		191,701.93	125,000.00
Replenishment of working capital		147,000.00	147,000.00
Total		676,526.55	500,000.00

Significant Events

Except for replenishment of working capital, the proceeds shall be all utilised in the capital expenditures of all investment projects. Prior to the receipt of the proceeds raised from the Issuance, based on the actual circumstances of the investment projects to be funded with the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of the proceeds, if the actual amount of the net proceeds from the issuance (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of the net proceeds and the priority and capital requirements of the projects, and any shortfall in the proceeds will be made up by utilising the internal funds of the Company or through other financing methods.

The entry into force and completion of the matters related to the Non-public Issuance of Shares are pending the approval of the relevant approving authorities. Investors are kindly reminded to pay attention to investment risks.



Appointment, removal and remuneration of auditors

Unit: '000; Currency: RMB

Currently appointed

Name of the PRC auditor	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of the PRC auditor	26,150
Number of years of audited by PRC auditors	7
Name of the international auditor	No
Remuneration of the international auditor	N/A
Number of years of audited by the international auditor	N/A

	Firm Name	Remuneration
Auditors for Internal controls review	PricewaterhouseCoopers Zhong Tian LLP	2,750

Alignment in the Preparation of Financial Statements in accordance with the China accounting standards for Business Enterprises and Cessation of Appointment of the International Auditor

The Company has prepared financial statements and announced the annual results of the Company for the year ended 31 December 2020 in accordance with the PRC Accounting Standards for Business Enterprises.

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shanghai Electric Group Co., Ltd.

OPINION

What we have audited

We have audited the accompanying financial statements of Shanghai Electric Group Co., Ltd. (hereinafter "Shanghai Electric Group"), which comprise:

- the consolidated and company balance sheets as at 31 December 2020;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Shanghai Electric Group as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises("CASs").

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Shanghai Electric Group in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA code"), and we have fulfilled our other ethical responsibilities in accordance with CICPA code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition relating to sales of goods, construction services and provision for onerous contracts
- Impairment provision of accounts receivable, contract assets, lease receivables and loans and advances
- Impairment assessment on goodwill

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition relating to sales of goods, construction services and provision for onerous contracts

Referring to note 2(22), note 2(23), note 2(31)(b), note 4(42)(b) and note 4(55).

In 2020, the Shanghai Electric Group's consolidated total revenue was RMB137,285,056 thousand, of which approximately 65.5% was resulted from sales of goods and approximately 25.3% was resulted from construction services. In 2020, the amount of provision for onerous contracts charged to the consolidated income statement was RMB1,496,293 thousand.

When the customers gain control over the relevant goods or services, Shanghai Electric Group recognizes revenue in accordance with the amount of consideration which Shanghai Electric Group expects to be entitled to receive. Factors such as commodity prices and industry competition can have a significant impact on the gross profit of related contracts.

For sales of goods, we obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls in respect of Shanghai Electric Group's sales transactions from order approval to sales recording, as well as cash collection of accounts receivable.

We discussed with management and understood the revenue recognition policy for sales of goods of Shanghai Electric Group. By inspecting sales contracts on a sample basis, we analysed and evaluated whether the point of time when control transfers was consistent with the relevant accounting policies disclosed in the notes to the consolidated financial statements.

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition relating to sales of goods, construction services and provision for onerous contracts (Continued)

We focused on revenue recognition relating to sales of goods, construction services and provision for onerous contracts and identified these as key audit matters based on the following reasons:

The focus on the revenue from sales of goods is due to its huge volume, large number of customers involved with goods distributed to many different areas. The amount of sales of goods recognised has a significant impact on the consolidated financial statements. Therefore, we need to deploy significant audit resources to execute the necessary audit procedures.

The focus on the revenue relating to construction services and provision for onerous contracts is due to the significant estimations and judgements involved. Shanghai Electric Group adopted the percentage of completion method to account for the revenue relating to construction services. Except for the revenues of a portion of contracts that were recorded by reference to the proportion of completed certified value to total contract value as the basis to estimate the progress, the revenues for the majority of contracts were recognised by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts.

Furthermore, we tested revenue from sales of goods on a sample basis by performing the following procedures:

- examined the relevant supporting documents, including customer orders, sales contracts, goods delivery notes, customers' acceptance notes, invoices, etc.;
- tested sales transactions recorded before and after the balance sheet date by tracing to the supporting documents including the relevant customers' acceptance notes, etc. to assess whether revenue was recognised in the correct reporting periods.

For revenue relating to construction services and provision for onerous contracts, we obtained an understanding of management's internal control and assessment process of recording contract revenue, contract costs and the estimated unavoidable cost of the onerous contracts. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as their complexity, subjectivity, variability and sensitivity to management bias, and tested the operating effectiveness of key controls, including the controls related to record of the actual cost incurred and estimation of the total contract costs.

We compared the actual total costs of completed projects to management's prior estimation of projected total contract costs on a sample basis to assess management's historical estimation accuracy.

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition relating to sales of goods, construction services and provision for onerous contracts (Continued)

Meanwhile, the management of Shanghai Electric Group assessed whether the unavoidable contracts costs to fulfil contractual obligations exceeded the economic benefits expected to be received at balance sheet date, and set aside the provision for the onerous contracts based on the estimated least net cost of exiting from the contracts.

We focused on revenue recognition relating to construction services and provision for onerous contracts due to the significant estimations and judgements involved in the estimation of the total contract costs, including existing or potential unpredictable expenditures to be incurred before completion or delivery. The estimations are subject to high degree of uncertainty and subjectivity.

We obtained the analyses on revenue and cost relating to construction services calculated by managements, and agreed the total amount to the sales and operating cost ledgers. Meanwhile, we obtained the schedule of onerous contracts prepared by management, and checked the mathematical accuracy of the calculation of the analyses on revenue and cost relating to construction services and the schedule of onerous contracts.

For the revenue of construction services recognised by reference to the proportion of completed certified value to total contract amount, we tested the completed certified value on a sample basis by performing the following procedures:

- obtained the certified value confirmed by the customers, the certifiers and Shanghai Electric Group; and
- sent the confirmations to the customers to verify the completed certified value.

For the revenue of construction services recognised by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts, we tested the costs incurred on a sample basis by performing the following procedures:

- examined the supporting documents, including the contracts, invoices, equipment acceptance documents, progress confirmation slips, etc.; and
- tested the actual costs incurred before and after the balance sheet date by tracing to the supporting documents, including the equipment acceptance documents, progress confirmation slips, etc., to assess whether the actual costs incurred were recognised in the correct reporting periods.

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition relating to sales of goods, construction services and provision for onerous contracts (Continued)

Furthermore, for the revenue of construction services recognised by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts together with the onerous contracts asserted by management, we tested the estimated total costs of such contracts on a sample basis by performing the following procedures:

- checked the components of the estimated total costs to the supporting documents, including purchase contracts, to identify any missing cost components;
- assessed the reasonableness of the estimated total costs through discussions with the project engineers and reviewing the supporting documents; and
- assessed the reasonableness of the estimated total contract cost by comparing the estimated total contract cost with the actual total costs for similar completed projects.

We recalculated the percentage of completion and the estimated gross profit recognized in the current period to assess the accuracy of revenue recognition relating to construction services.

Based on the above, we considered that management's estimations and judgments applied in the revenue recognition relating to sales of goods, construction services and provision for onerous contracts were supported by the evidences obtained and procedures performed.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment provision of accounts receivable, contract assets, lease receivables and loans and advances

Referring to note 2(9), note 2(31)(a), note 4(6), note 4(12), note 4(14), note 4(15) (a), note 4(16), note 4(17)(a), note 4(29) and note 13(2) to the consolidated financial statements.

As at 31 December 2020, the net carrying amount of Shanghai Electric Group's accounts receivable was RMB32,799,102 thousand, after netting off the accumulated provision for impairment of RMB7,379,531 thousand. Contract assets as at the same date amounted to RMB39,590,014 thousand, after netting off the accumulated provision for impairment of RMB1,114,855 thousand.

We obtained an understanding of the management's internal control and assessment process in relation to the impairment provision of accounts receivable, contract assets, lease receivables, and loans and advances. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as their complexity, subjectivity, variability and sensitivity to management bias, and tested the operating effectiveness of key controls.

By comparing the actual write-offs or losses of accounts receivable and contract assets with the impairment provisions accrued in previous years, we evaluated the reliability of management's policies and historical judgements adopted in estimating these impairment provisions.

We performed the following procedures on assessing expected credit loss of accounts receivable and contract assets:

- for the accounts receivable and contract assets with occurrence of credit impairment, and other accounts receivable and contract assets subject to separate assessment for impairment provision, we performed the following procedures:
 - understood and obtained management's assessment of the collectability of accounts receivable and contract assets subject to separate assessment for impairment provision that took into consideration of both current and further economic situations;

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment provision of accounts receivable, contract assets, lease receivables and loans and advances (Continued)

Shanghai Electric Group provided for impairment of accounts receivable and contract assets based on the expected credit loss during lifetime. For the accounts receivable and contract assets with occurrence of credit impairment, and other accounts receivable and contract assets subject to separate assessment for impairment provision, expected credit loss was separately determined and provision for allowance and impairment was accrued individually. For the accounts receivable and contract assets without occurrence of credit impairment or the expected credit loss cannot be estimated for an individual financial asset at a reasonable cost, Shanghai Electric Group grouped accounts receivable and contract assets in accordance with credit risk characteristics and measured the expected credit loss based on groups. For the accounts receivable and contract assets in groups, Shanghai Electric Group made reference to the historical experience of credit losses, combining with the current situation and forecast of economic situation in the future, and prepared the model which refers to the days overdue and rate of the expected credit loss during lifetime in order to measure the expected credit loss.

- examined the supporting documents on a sample basis for management's assessment of the customer's financial and operating status, including the customer's credit history and, cash collections after the reporting date;
- tested the accuracy of the aging of accounts receivable and contract assets on a sample basis;
- understood and evaluated the basic parameters adopted in management's estimations of expected future cash flow of accounts receivable and contract assets by independently assessing and comparing with relevant data of companies in the same industry, and based on above situations, tested the accuracy of management's estimated future cash flow calculation on a sample basis.

• For the model used by management to calculate expected credit losses in groups, we performed the following procedures:

- evaluated the appropriateness of the models adopted in calculating the expected credit loss;
- tested on a sample basis the accuracy of the historical credit default data used in the model to assess the rate of historical default loss;
- reviewed the appropriateness of the economic indicators, economic scenarios and weights selected by management by assessing the historical correlation between asset portfolios and economic indicators, and verified the economic indicators adopted in the model against external data;
- evaluated the results of management's sensitivity analysis of the forward-looking factors using reasonably possible changes of the relevant key parameters;
- tested the accuracy of the aging analyses of accounts receivable and contract assets on a sample basis;
- recalculated the expected credit losses after adjusting the historical rates of default loss using forward looking factors.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment provision of accounts receivable, contract assets, lease receivables and loans and advances (Continued)</p> <p>As at 31 December 2020, the net carrying amounts of Shanghai Electric Group's loans and advances and lease receivables were RMB6,509,264 thousand and RMB7,191,216 thousand, respectively, after netting off accumulated allowances for impairment losses of RMB403,036 thousand and RMB1,237,653 thousand, respectively.</p> <p>Shanghai Electric Group used a three-stage impairment model to calculate expected credit loss by assessing if the credit risk has significantly increased since initial recognition for lease receivables and loans and advances. For the lease receivables and loans and advances with occurrence of credit impairment, and other lease receivables and loans and advances subject to separate assessment for impairment provision, expected credit loss was separately determined and provision for allowance and impairment was accrued individually. For the lease receivables and loans and advances without occurrence of credit impairment or the expected credit loss cannot be estimated for an individual financial asset at a reasonable cost, Shanghai Electric Group grouped lease receivables and loans and advances in accordance with credit risk characteristics and measured the expected credit loss based on groups.</p>	<p>We performed the following procedures on impairment provision of lease receivables and loans and advances:</p> <ul style="list-style-type: none"> evaluated the appropriateness of the calculation methods adopted in the models used to arrive at expected credit losses, as well as evaluating the reasonableness of the grouping of assets, selection of the models, and the key parameters involved in the significant estimations and judgements; based on the financial and non-financial information of the lessees and borrowers and other external evidence and considerations, assessed on a sample basis the reasonableness of the classification of the three stages adopted in the model; inspected on a sample basis the accuracy and completeness of the critical data used in the model to calculate the expected credit loss, including the historical data and the current data used. For the lease receivables and loans and advances classified in the third stage that are subject to separate impairment assessment, used sampling techniques to inspect and assess the reasonableness of the discounted cash flow models used by management; reviewed the appropriateness of economic indicators, economic scenarios and weights selected by management in accordance of the correlation between asset portfolio and economic indicators and verified the economic indicators to external data; evaluated the results of management's sensitivity analysis on forward-looking factors using reasonably possible changes of the relevant key assumptions.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment provision of accounts receivable, contract assets, lease receivables and loans and advances (Continued)</p> <p>The major management judgments and assumptions adopted in the measurement of expected credit loss mainly include:</p> <ol style="list-style-type: none"> (1) selecting appropriate models to measure expected credit loss and grouping businesses with similar credit risk characteristics into one separate portfolios; (2) establishing criteria for significant increase of credit risk and occurrence of default credit impairment; (3) selecting appropriate economic indices, economic scenarios and the weights used in forward-looking parameters, as well as establishing future cash flow forecasts for separate assessments of the lease receivables and loans and advances at the third stage. <p>We considered impairment provision of accounts receivable, contract assets, lease receivables and loans and advances as a key audit matter since the estimations of impairment provisions are subject to high degree of uncertainty and subjectivity. Shanghai Electric Group's measurement of expected credit loss based on separate assessment involved significant managerial judgements and assumptions, and Shanghai Electric Group's measurement of expected credit losses based on groups involved both complex models and significant managerial judgements and assumptions, including consideration of the impact of COVID-19 on the relevant assumptions and parameters used in the models.</p>	<p>Based on the above, we considered that management's judgements applied in the impairment provision assessment of accounts receivable, contract assets, lease receivables and loans and advances were supported by the evidences obtained and procedures performed.</p>

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment on goodwill

Referring to note 2(19), note 2(31)(b) and note 4(26) to the consolidated financial statements.

As of 31 December 2020, the net carrying amount of Shanghai Electric Group's goodwill was RMB 4,667,958 thousand, after netting off impairment for goodwill of RMB948,575 thousand. In 2020, the amount of goodwill impairment charged to the consolidated income statement was RMB551,382 thousand.

Shanghai Electric Group recognized the corresponding impairment based on the excess of the book carrying amount over the recoverable amount of the assets group or the portfolio of the assets group. The recoverable amount is determined by the higher of the fair value less cost of disposal of the asset group or the portfolio of the assets group and its value-in-use calculated based on the present value of expected future cash flows.

The key assumptions adopted in the calculation of the present value of the expected future cash flows include:

- annual sales growth rates within the estimation period
- long term sales growth rate
- gross margin rate
- discount rate

We obtained an understanding of the management's internal control and assessment process in relation to the impairment provision of goodwill. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as their complexity, subjectivity, variability and sensitivity to management bias, and tested the operating effectiveness of key controls.

For the value-in-use calculations using present value of expected future cash flows, we conducted the following procedures:

- compared and analysed the actual financial results of the relevant asset groups during the current year against the respective forecasts in previous year to evaluate the reliability of management's historical prediction of future cash flows.
- obtained the management's calculation schedules of goodwill impairment and evaluated the appropriateness of the valuation methods used by management in estimating the recoverable amount by reference to the industry practice and the consideration of the uncertainty in the development, prevention and control of COVID-19.
- compared the key parameters and input data used in the cash flow forecasts against the historical figures and approved budgets, etc.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment on goodwill (Continued)

Since the development, prevention and control of COVID-19 have casted significant uncertainty on the market and industry operated, the present value of future cash flows of TEC4AERO GmbH, a subsidiary under Shanghai Electric Group, was expected to be calculated using various economic scenarios. In regard to the key assumptions, different parameters were used in different economic scenarios, and the weight of each economic scenario, evaluated by the probability of the occurrence was used to calculate the present value of future cash flows.

- meanwhile, we evaluated the management's key assumptions by implementing the following procedures:
 - compared the annual sales growth rates within the estimation period with the company's historical growth rates, relevant business plans and industry historical data;
 - compared the long-term growth rate with the economic data we obtained;
 - compared the projected gross margin rate with past performance, taking into consideration of market trends;
 - for the discount rate used in the model, we estimated an acceptable range independently by considering external data sources (including the market risk-free rate and the debt to asset ratio) and geographical factors, and compared that with the discount rate used in the cash flow model;
 - reviewed the appropriateness of the above key assumption parameters under different economic scenarios with reference to market information and industry parameters.
- in response to the sensitivity analysis prepared by management, we focused on and assessed the extent and likelihood of impairment due to the reasonably possible changes in key assumptions that have significant impacts on the present value of expected future cash flows.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment on goodwill (Continued)

In 2020, the management used the market approach to determine the fair value less cost of disposal of an asset group. The methods adopted were the stock price of listed companies or the ratio of enterprise-value-to-EBITDA after necessary adjustments, in which the key assumptions involved mainly included the share price of the listed company, the ratio of enterprise-value-to-EBITDA, the controlling interest premium, and the discount for lack of marketability, etc.

We identified goodwill impairment assessment as a key audit matter since the balance of goodwill was significant, the estimation of goodwill impairment was subject to significant uncertainty and subjectivity, and testing of goodwill impairment involved significant management judgments.

- tested the accuracy of the calculation of the net present value of future cash flows.

For the fair value less cost of disposal of the asset group or the portfolio of the asset group, we conducted the following procedures:

- obtained the management's calculation schedule of goodwill impairment and assessed the appropriateness of the valuation approach used by management by reference to the industry practice;
- evaluated the appropriateness of the selected controlling interest premium, discount for lack of marketability or market multiplier by assessing the industry, capital structure, and operating scale of enterprises;
- tested the accuracy of the calculation of fair value less cost of disposal.

Based on the above, we considered that management's judgements applied in impairment assessment of goodwill were supported by evidences obtained and procedures performed.

OTHER INFORMATION

Management of Shanghai Electric Group is responsible for other information. The other information comprises all the information included in 2020 annual report of Shanghai Electric Group other than the financial statements and our auditor's report thereon.

Our audit opinion on financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In conjunction with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Shanghai Electric Group is responsible for the preparation and fair presentation of these financial statements in accordance with CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Shanghai Electric Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Shanghai Electric Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Shanghai Electric Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is enough and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on Shanghai Electric Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Shanghai Electric Group to cease to continue as a going concern.
- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain enough appropriate audit evidence regarding the financial information of the entities or business activities within Shanghai Electric Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS(CONTINUED)

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Qian Jin(Engagement Partner)

Shanghai, the People's Republic of China
26 March 2021

Signing CPA

Dai Zhenghua

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Assets	Note	31 December 2020	31 December 2019
		Consolidated	Consolidated
Current assets			
Cash at bank and on hand	4(1)	24,243,832	21,460,942
Clearing settlement funds		30,933	12,853
Placements with banks and other financial institutions	4(2)	36,593,978	33,339,823
Held-for-trading financial assets	4(3)	7,387,914	6,964,752
Derivative financial assets	4(4)	98,146	2,381
Notes receivable	4(5)	8,477,377	6,221,789
Accounts receivable	4(6)	32,799,102	29,337,049
Receivables financing	4(7)	10,912,246	5,440,954
Prepayments	4(8)	18,057,070	18,764,416
Other receivables	4(9)	8,936,029	4,254,254
Financial assets purchased under resale agreements	4(10)	79,301	30,800
Inventories	4(11)	29,986,057	27,004,499
Contract assets	4(12)	29,155,884	24,984,702
Assets held for sale	4(13)	350,875	9,788
Current portion of non-current assets	4(14)	3,359,925	3,827,810
Other current assets	4(15)	17,477,280	17,544,133
Total current assets		227,945,949	199,200,945
Non-current assets			
Loans and advances	4(16)	324,992	-
Other debt investments	4(18)	420,183	61,729
Long-term receivables	4(17)	5,920,037	7,223,030
Long-term equity investments	4(19)	13,713,733	15,118,771
Other non-current financial assets	4(20)	5,557,173	5,432,302
Investment properties	4(21)	900,177	1,134,391
Fixed assets	4(22)	17,537,969	16,715,637
Constructions in progress	4(23)	9,573,551	7,323,700
Right-of-use assets	4(24)	1,118,194	952,099
Intangible assets	4(25)	9,019,451	7,864,479
Research and development expenditures	4(25)	83,512	170,388
Goodwill	4(26)	4,667,958	3,641,102
Long-term prepaid expenses	4(27)	480,040	346,346
Deferred tax assets	4(28)	6,568,529	5,771,190
Other non-current assets	4(29)	11,571,286	9,567,480
Total non-current assets		87,456,785	81,322,644
TOTAL ASSETS		315,402,734	280,523,589

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2020	31 December 2019
		Consolidated	Consolidated
Current liabilities			
Short-term borrowings	4(31)	15,627,384	16,733,944
Held-for-trading financial liabilities	4(32)	37,582	33,097
Derivative financial liabilities	4(4)	19,258	6,096
Notes payable	4(33)	12,083,698	8,506,993
Accounts payable	4(34)	65,853,292	57,922,655
Advances from customers	4(35)	621,736	535,048
Contract liabilities	4(36)	45,362,212	38,584,900
Amounts sold under repurchase agreements		-	4,050
Deposits from customers, banks and other financial institutions	4(37)	4,289,676	7,208,955
Employee benefits payable	4(38)	4,565,921	3,640,260
Taxes payable	4(39)	2,939,412	3,272,191
Other payables	4(40)	11,263,901	8,801,884
Liabilities held for sale	4(13)	8,131	-
Current portion of non-current liabilities	4(41)	10,638,362	10,333,765
Other current liabilities	4(42)	10,181,789	8,477,304
Total current liabilities		183,492,354	164,061,142
Non-current liabilities			
Long-term borrowings	4(43)	15,408,452	11,268,418
Bonds payable	4(44)	2,485,142	6,917,727
Lease liabilities	4(45)	750,308	734,513
Long-term payables	4(46)	1,479,522	1,716,378
Deferred income	4(47)	1,774,593	1,631,710
Long-term employee benefits payable	4(48)	254,562	258,445
Provisions	4(42)	2,038,662	1,436,031
Deferred tax liabilities	4(28)	854,267	900,890
Other non-current liabilities	4(49)	15,530	9,163
Total non-current liabilities		25,061,038	24,873,275
Total liabilities		208,553,392	188,934,417
Shareholders' equity			
Share capital	4(50)	15,181,353	15,152,463
Less: treasury stocks		(382,271)	(404,741)
Capital surplus	4(51)	19,338,140	19,975,915
Other comprehensive income	4(52)	(130,122)	(35,587)
Special reserve		138,313	130,235
Surplus reserve	4(53)	5,906,524	5,720,695
Retained earnings	4(54)	26,348,897	22,806,876
Total equity attributable to shareholders of the parent company		66,400,834	63,345,856
Minority interests		40,448,508	28,243,316
Total shareholders' equity		106,849,342	91,589,172
Total liabilities and shareholders' equity		315,402,734	280,523,589

The accompanying notes form an integral part of these financial statements.

Legal representative:

Zheng Jianhua

Principal in charge of accounting:

Hu Kang

Head of accounting department:

Si Wenpei

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Assets	Note	31 December 2020	31 December 2019
		Company	Company
Current assets			
Cash at bank and on hand		32,999,184	27,876,000
Held-for-trading financial assets		423,887	518,554
Notes receivable	16(1)	414,186	321,278
Accounts receivable	16(2)	8,411,099	7,591,110
Receivables financing	16(3)	918,755	313,381
Prepayments		13,306,810	14,315,498
Other receivables	16(4)	5,852,348	3,758,656
Inventories		59,567	84,064
Contract assets		6,463,875	6,145,035
Other current assets		7,475,878	5,067,053
Total current assets		76,325,589	65,990,629
Non-current assets			
Long-term receivables		4,558,000	3,139,484
Long-term equity investments	16(5)	48,894,686	43,169,533
Other non-current financial assets		2,058,827	2,281,448
Investment properties		29,962	32,444
Fixed assets		1,561,730	1,726,036
Construction in progress		175,274	103,195
Right-of-use assets		97,437	135,149
Intangible assets		2,847,203	3,296,894
Long-term prepaid expenses		26,879	1,256
Deferred tax assets		1,505,559	1,276,234
Other non-current assets		6,356,734	5,907,954
Total non-current assets		68,112,291	61,069,627
TOTAL ASSETS		144,437,880	127,060,256

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2020	31 December 2019
		Company	Company
Current liabilities			
Short-term borrowings		9,560,000	14,504,569
Notes payable		4,518,429	2,650,830
Accounts payable		27,346,708	29,947,539
Contract liabilities		9,100,243	9,450,057
Employee benefits payable		777,782	526,556
Taxes payable		39,399	303,449
Other payables		4,849,391	3,087,330
Current portion of non-current liabilities		5,360,526	723,471
Other current liabilities		1,380,154	334,500
Total current liabilities		62,932,632	61,528,301
Non-current liabilities			
Long-term borrowings		11,220,486	2,567,048
Bonds payable		2,485,142	6,917,727
Lease liabilities		58,735	106,283
Long-term payables		18,560,200	8,445,867
Other non-current liabilities		42,288	52,253
Total non-current liabilities		32,366,851	18,089,178
Total liabilities		95,299,483	79,617,479
Shareholders' equity			
Share capital		15,181,353	15,152,463
Less: Treasury stocks		(382,271)	(404,741)
Capital surplus	16(6)	18,655,502	18,343,233
Other comprehensive income	16(7)	249,980	(30,627)
Surplus reserve	16(8)	2,639,825	2,534,686
Undistributed profits	16(9)	12,794,008	11,847,763
Total shareholders' equity		49,138,397	47,442,777
Total liabilities and shareholders' equity		144,437,880	127,060,256

The accompanying notes form an integral part of these financial statements.

Legal representative:

Zheng Jianhua

Principal in charge of accounting:

Hu Kang

Head of accounting department:

Si Wenpei

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019
		Consolidated	Consolidated (Restated, Note2(32))	Company	Company (Restated, Note2(32))
Total revenue		137,285,056	127,508,964	26,819,161	30,085,177
Including: Revenue	4(55)、16(10)	136,540,320	126,647,718	26,819,161	30,085,177
Interest income		742,609	859,042	-	-
Fee and commission income		2,127	2,204	-	-
Total cost of sales		(133,728,239)	(121,170,788)	(28,430,470)	(29,585,506)
Including: Operating cost	4(55)、16(10)	(113,949,305)	(103,272,800)	(24,710,971)	(26,531,075)
Interest costs		(77,760)	(82,932)	-	-
Fee and commission expenses		(765)	(798)	-	-
Taxes and surcharges	4(56)	(547,763)	(520,673)	(34,533)	(45,793)
Selling and distribution expenses	4(57)	(4,325,732)	(3,543,208)	(326,748)	(354,183)
General and administrative expenses	4(58)	(8,102,479)	(8,191,745)	(1,698,162)	(1,573,234)
Research and development expenses	4(59)	(4,854,084)	(4,088,473)	(479,596)	(352,649)
Financial expenses - net	4(60)	(1,870,351)	(1,470,159)	(1,180,460)	(728,572)
Including: Interest expenses		(2,074,545)	(1,704,659)	(1,462,926)	(879,435)
Interest income		450,029	392,022	324,077	370,710
Add: Other income	4(64)	1,119,036	1,177,948	140,240	109,599
Investment income	4(65)、 16(11)	1,677,656	429,780	2,025,210	1,181,485
Including: Share of profit of associates and joint ventures		912,466	759,329	454,377	498,471
Losses arising from derecognition of financial assets measured at amortised cost		(36,529)	(175,428)	(4,153)	(84,268)
(Losses)/Gains on Exchange		(1,166)	8,881	-	-
Gains/(Losses) on changes in fair value	4(66)	15,245	24,618	(318,677)	(173,649)
Asset impairment losses	4(62)	(1,117,707)	(1,183,140)	(63,805)	80,727
Credit impairment losses	4(63)	(1,733,883)	(1,720,165)	116,395	(725,376)
Gains on disposal of assets	4(67)	2,547,039	1,851,759	618,459	1,812,458
Operating profit		6,063,037	6,927,857	906,513	2,784,915
Add: Non-operating income	4(68)	362,065	205,490	2,447	11,323
Less: Non-operating expenses	4(69)	(78,663)	(41,576)	(4,631)	(296)
Total profit		6,346,439	7,091,771	904,329	2,795,942
Less: Income tax expenses	4(70)	(1,080,436)	(1,279,161)	147,055	(241,656)
Net profit		5,266,003	5,812,610	1,051,384	2,554,286
Including: Net profit of the acquiree in a business combination under common control before the combination date		-	-	-	-
Attributable to shareholders of the parent company		3,758,175	3,501,037		
Minority interests		1,507,828	2,311,573		

CONSOLIDATED AND COMPANY INCOME STATEMENTS(CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019
		Consolidated	Consolidated (Restated, Note2(32))	Company	Company (Restated, Note2(32))
Other comprehensive income, net of tax		(157,051)	56,094	280,607	(1,506)
Attributable to shareholders of the parent company		(94,535)	96,981	280,607	(1,506)
Other comprehensive income that will not be subsequently reclassified to profit or loss		(2,190)	(6,267)	-	-
Changes arising from remeasurement of net liability or net asset of defined benefit plan		(2,190)	(6,267)	-	-
Other comprehensive income that will be subsequently reclassified to profit or loss		(92,345)	103,248	280,607	(1,506)
Other comprehensive income that will be reclassified to profit or loss under the equity method		-	(30,908)	-	(1,506)
Changes in fair value of other debt investments		12,434	16,400	-	-
Changes in fair value of receivable financing		(137,616)	(36,037)	-	-
Provision for credit impairment of receivable financing		385,760	6,994	280,607	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge		1,095	1,436	-	-
Translation differences of foreign currency financial statements		(222,814)	130,381	-	-
Hedges of net investments overseas		(131,204)	14,982	-	-
Attributable to minority shareholders		(62,516)	(40,887)	-	-
Total comprehensive income		5,108,952	5,868,704	1,331,991	2,552,780
Attributable to shareholders of the parent company		3,663,640	3,598,018		
Attributable to minority shareholders		1,445,312	2,270,686		
Earnings per share					
Basic earnings per share (RMB cent)	4(71)	0.25	0.23		
Diluted earnings per share (RMB cent)	4(71)	0.24	0.23		

The accompanying notes form an integral part of these financial statements.

Legal representative:

Zheng Jianhua

Principal in charge of accounting:

Hu Kang

Head of accounting department:

Si Wenpei

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019
		Consolidated	Consolidated	Company	Company
Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		141,480,294	123,990,760	27,108,709	24,382,421
Refund of taxes and surcharges		665,162	492,627	343,322	203,462
Cash received relating to other operating activities	4(72)	8,736,129	9,848,249	2,306,325	1,430,144
Sub-total of cash inflows		150,881,585	134,331,636	29,758,356	26,016,027
Cash paid for goods and services		118,284,340	100,422,729	25,486,073	24,142,377
Cash paid to and on behalf of employees		10,467,281	9,533,664	840,044	830,535
Payments of taxes and surcharges		5,666,557	5,191,739	482,467	160,472
Cash paid relating to other operating activities	4(72)	11,767,209	8,678,366	3,170,120	1,100,533
Sub-total of cash outflows		146,185,387	123,826,498	29,978,704	26,233,917
Net cash flows from/(used in) operating activities	4(73)	4,696,198	10,505,138	(220,348)	(217,890)
Cash flows used in investing activities					
Cash received from disposal of investments		16,762,934	9,647,886	-	108,414
Net cash received from acquisition of subsidiaries and other business units	4(73)	-	1,298,820	-	-
Cash received from returns on investments		879,300	1,252,921	1,465,560	1,722,578
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,857,906	2,383,194	892,153	1,937,347
Net cash received from disposal of subsidiaries and other business units	4(73)	408,329	176,103	-	170,227
Cash received relating to other investing activities	4(72)	463,520	-	5,113,044	3,866,160
Sub-total of cash inflows		20,371,989	14,758,924	7,470,757	7,804,726
Cash paid to acquire fixed assets, intangible assets and other long-term assets		6,408,904	6,845,436	61,409	209,909
Cash paid to acquire investments		15,437,390	18,066,047	5,641,054	7,360,754
Net cash paid to acquisition of subsidiaries and other business units	4(73)	145,559	-	-	-
Cash paid relating to other investing activities	4(72)	1,984,662	2,123,502	9,730,003	9,871,644
Sub-total of cash outflows		23,976,515	27,034,985	15,432,466	17,442,307
Net cash flows used in investing activities		(3,604,526)	(12,276,061)	(7,961,709)	(9,637,581)
Cash flows from financing activities					
Cash received from capital contributions		8,263,287	10,474,395	-	404,741
Including: Cash received by subsidiaries from capital contributions by minority shareholders		8,263,287	10,069,654	-	-
Cash received from borrowings		26,388,645	34,916,294	24,353,490	26,735,617
Cash received from debentures		1,500,000	-	1,500,000	-
Cash received relating to other financing activities	4(72)	521,998	1,578,600	10,114,333	8,431,157
Sub-total of cash inflows		36,673,930	46,969,289	35,967,823	35,571,515
Cash repayments of borrowings		23,778,823	30,464,697	20,123,869	23,434,037
Cash repayments of debentures		6,315,000	-	1,500,000	-
Cash payments for distribution of dividends, profits or interest expenses		3,186,343	3,703,450	1,357,200	1,707,428
Including: Cash payments for dividends or profits to minority shareholders by subsidiaries		1,345,114	1,254,997	-	-
Cash paid relating to other financing activities	4(72)	926,225	517,936	94,936	43,300
Sub-total of cash outflows		34,206,391	34,686,083	23,076,005	25,184,765
Net cash flows from financing activities		2,467,539	12,283,206	12,891,818	10,386,750
Effect of foreign exchange rate changes on cash and cash equivalents		264,228	77,049	(96,577)	8,608
Net increase in cash and cash equivalents		3,823,439	10,589,332	4,613,184	539,887
Add: Cash and cash equivalents at the beginning of the period		42,431,476	31,842,144	21,946,000	21,406,113
Cash and cash equivalents at the end of the period	4(73)	46,254,915	42,431,476	26,559,184	21,946,000

The accompanying notes form an integral part of these financial statements.

Legal representative:
Zheng Jianhua

Principal in charge of accounting:
Hu Kang

Head of accounting department:
Si Wenpei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	Attributable to shareholders of the parent company							Minority interests	Total shareholders' equity	
		Share capital	Capital surplus	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			Sub-total
Balance at 31 December 2018		14,725,188	16,556,807	-	(132,568)	129,836	5,244,100	20,766,833	57,290,196	16,346,424	73,636,620
Changes in accounting policies		-	-	-	-	-	-	(12,083)	(12,083)	(6,092)	(18,175)
Balance at 1 January 2019		14,725,188	16,556,807	-	(132,568)	129,836	5,244,100	20,754,750	57,278,113	16,340,332	73,618,445
Movements for the year ended 31 December 2019											
Total comprehensive income											
Net profit		-	-	-	-	-	-	3,501,037	3,501,037	2,311,573	5,812,610
Other comprehensive income		-	-	-	96,981	-	-	-	96,981	(40,887)	56,094
Total comprehensive income for the period		-	-	-	96,981	-	-	3,501,037	3,598,018	2,270,686	5,868,704
Capital contribution and withdrawal by shareholders											
Convertible bond	4(44)	293,697	1,008,465	-	-	-	-	-	1,302,162	-	1,302,162
Injection of capital from non-controlling interests		-	1,813,863	-	-	-	-	-	1,813,863	8,190,057	10,003,920
Transaction with non-controlling interests		-	-	-	-	-	-	-	-	(163,722)	(163,722)
Addition of subsidiaries	5	-	-	-	-	-	-	-	-	2,930,927	2,930,927
Disposal of subsidiaries	5	-	(1,848)	-	-	-	-	-	(1,848)	(25,209)	(27,057)
Issue of shares under employee share scheme	4(51)	133,578	271,163	(404,741)	-	-	-	-	-	-	-
Share-based payments included in shareholders' equity	4(51)	-	66,656	-	-	-	-	-	66,656	-	66,656
Subsidiary relocation compensation		-	259,414	-	-	-	-	-	259,414	41,177	300,591
Others		-	1,395	-	-	-	-	-	1,395	2,746	4,141
Profit distribution											
Transfer from retained profits	4(53)	-	-	-	-	-	299,111	(299,111)	-	-	-
Withdraw general risk reserves	4(53)	-	-	-	-	-	177,484	(177,484)	-	-	-
Distribution to shareholders	4(54)	-	-	-	-	-	-	(931,270)	(931,270)	-	(931,270)
Distribution to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(1,254,997)	(1,254,997)
Appropriation to staff and workers' bonus and welfare fund	4(54)	-	-	-	-	-	-	(41,046)	(41,046)	(89,129)	(130,175)
Special reserve											
Appropriation in the current period		-	-	-	-	19,858	-	-	19,858	20,051	39,909
Use in the current period		-	-	-	-	(19,459)	-	-	(19,459)	(19,603)	(39,062)
Balance at 31 December 2019		15,152,463	19,975,915	(404,741)	(35,587)	130,235	5,720,695	22,806,876	63,345,856	28,243,316	91,589,172

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	Attributable to shareholders of the parent company									Total shareholders' equity
		Share capital	Capital surplus	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total	Minority interests	
Balance at 31 December 2019		15,152,463	19,975,915	(404,741)	(35,587)	130,235	5,720,695	22,806,876	63,345,856	28,243,316	91,589,172
Movements for the year ended 31 December 2020											
Total comprehensive income											
Net profit		-	-	-	-	-	-	3,758,175	3,758,175	1,507,828	5,266,003
Other comprehensive income		-	-	-	(94,535)	-	-	-	(94,535)	(62,516)	(157,051)
Total comprehensive income for the period		-	-	-	(94,535)	-	-	3,758,175	3,663,640	1,445,312	5,108,952
Capital contribution and withdrawal by shareholders											
Convertible bond	4(44)	84,736	282,818	-	-	-	-	-	367,554	-	367,554
Injection of capital from non-controlling interests		-	-	-	-	-	-	-	-	92,915	92,915
Addition of subsidiaries	5	-	-	-	-	-	-	-	-	11,256,590	11,256,590
Injection of capital from shareholders	4(51)	-	(1,031,563)	-	-	-	-	-	(1,031,563)	1,031,563	-
Disposal of subsidiaries	5	-	-	-	-	-	-	-	-	(128,045)	(128,045)
Issue of shares under employee share scheme	4(51)	(7,416)	(15,054)	22,470	-	-	-	-	-	-	-
H Share repurchase	4(51)	-	-	(95,084)	-	-	-	-	(95,084)	-	(95,084)
H Share Cancellation	4(51)	(48,430)	(46,654)	95,084					-	-	-
Share-based payments included in shareholders' equity	4(51)	-	91,159	-	-	-	-	-	91,159	-	91,159
Subsidiary relocation compensation		-	38,089	-	-	-	-	-	38,089	7,686	45,775
Others		-	43,430	-	-	-	-	-	43,430	(72,550)	(29,120)
Profit distribution											
Transfer from retained profits	4(53)	-	-	-	-	-	105,139	(105,139)	-	-	-
Withdraw general risk reserves	4(53)	-	-	-	-	-	80,690	(80,690)	-	-	-
Distribution to shareholders		-	-	-	-	-	-	-	-	(1,348,607)	(1,348,607)
Distribution to minority shareholders of subsidiaries	4(54)	-	-	-	-	-	-	(30,325)	(30,325)	(78,849)	(109,174)
Appropriation to staff and workers' bonus and welfare fund											
Special reserve											
Appropriation in the current period		-	-	-	-	50,852	-	-	50,852	15,207	66,059
Use in the current period		-	-	-	-	(42,774)	-	-	(42,774)	(16,030)	(58,804)
Balance at 31 December 2020		15,181,353	19,338,140	(382,271)	(130,122)	138,313	5,906,524	26,348,897	66,400,834	40,448,508	106,849,342

The accompanying notes form an integral part of these financial statements.

Legal representative: Zheng Jianhua

Principal in charge of accounting: Hu Kang

Head of accounting department: Si Wenpei

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2018		14,725,188	16,996,949	-	(29,121)	2,235,575	10,528,372	44,456,963
Changes in accounting policies		-	-	-	-	-	(4,514)	(4,514)
Balance at 1 January 2019		14,725,188	16,996,949	-	(29,121)	2,235,575	10,523,858	44,452,449
Movements for the year ended 31 December 2019								
Total comprehensive income								
Net profit		-	-	-	-	-	2,554,286	2,554,286
Other comprehensive income	16(7)	-	-	-	(1,506)	-	-	(1,506)
Total comprehensive income for the period		-	-	-	(1,506)	-	2,554,286	2,552,780
Convertible bond	4(44)/16(6)	293,697	1,008,465	-	-	-	-	1,302,162
Issue of shares under employee share scheme	4(51)/16(6)	133,578	271,163	(404,741)	-	-	-	-
Share-based payments included in shareholders' equity	4(51)/16(6)	-	66,656	-	-	-	-	66,656
Profit distribution								
Distribution to shareholders	4(54)/16(9)	-	-	-	-	-	(931,270)	(931,270)
Transfer from retained profits	4(53)/16(8)	-	-	-	-	299,111	(299,111)	-
Balance at 31 December 2019		15,152,463	18,343,233	(404,741)	(30,627)	2,534,686	11,847,763	47,442,777

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2019		15,152,463	18,343,233	(404,741)	(30,627)	2,534,686	11,847,763	47,442,777
Movements for the year ended 31 December 2020								
Total comprehensive income								
Net profit		-	-	-	-	-	1,051,384	1,051,384
Other comprehensive income	16(7)	-	-	-	280,607	-	-	280,607
Total comprehensive income for the period		-	-	-	280,607	-	1,051,384	1,331,991
Convertible bond	4(44)/16(6)	84,736	282,818	-	-	-	-	367,554
Issue of shares under employee share scheme	4(51)/16(6)	(7,416)	(15,054)	22,470	-	-	-	-
H Share repurchase	4(51)/16(6)	-	-	(95,084)	-	-	-	(95,084)
H Share Cancellation	4(51)/16(6)	(48,430)	(46,654)	95,084	-	-	-	-
Share-based payments included in shareholders' equity	4(51)/16(6)	-	91,159	-	-	-	-	91,159
Profit distribution								
Transfer from retained profits	4(53)/16(8)	-	-	-	-	105,139	(105,139)	-
Balance at 31 December 2020		15,181,353	18,655,502	(382,271)	249,980	2,639,825	12,794,008	49,138,397

The accompanying notes form an integral part of these financial statements.

Legal representative: Zheng Jianhua

Principal in charge of accounting: Hu Kang

Head of accounting department: Si Wenpei

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

1. GENERAL INFORMATION

Shanghai Electric Group Co., Ltd. ("the Company"), formerly Shanghai Electric (Group) Company Limited ("Electric Limited"), is a joint venture co-funded by Shanghai Electric (Group) Corporation ("SEC"), Guangdong Zhujiang Investment Co., Ltd., Fuxi Investment Holding Co., Ltd. ("Fuxi Investment"), Shenergy (Group) Co., Ltd. ("Shenergy Group"), Shanghai Baosteel Group Corporation ("Baosteel Group") and Shantou Mingguang Investment Co., Ltd. on 1 March 2004 upon the approval of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (Hu Guo Zi Wei Chong [2004] No. 79). The original registered capital of the Company was RMB 9,010,950,000, including capital contribution by SEC with its equity and fixed assets in 17 companies at the considerations of RMB 6,257,765,000 and RMB 3,185,000 respectively, accounting for 69.48% of shareholding, and cash contribution of RMB 2,750,000,000 by other shareholders, accounting for 30.52% of shareholding.

SEC entered into a share transfer agreement with Fuxi Investment on 19 August 2004 to transfer 4.99% of its equity in the Company to Fuxi Investment; and entered into another share transfer agreement with Baosteel Group on 27 August 2004 to acquire 4.99% of the equity in the Company held by Baosteel Group. Upon completion of the transfers, SEC held 69.48% of the equity in the Company.

On 8 September 2004, pursuant to the resolution at the 5th shareholders' meeting, and upon the approval of the Shanghai Municipal People's Government in the Reply on Approving the Setting Up of Shanghai Electric Group Co., Ltd. (Hu Fu Fa Gai Shen [2004] No. 008) dated 28 September 2004, Electric Limited was changed into a stock limited liability company. After the change, the share capital was RMB 9,189,000,000.

On 24 March 2005, pursuant to the resolution at the 4th session of the 1st Board of Director, and as approved by China Securities Regulatory Commission ("CSRC") in Zheng Jian Guo He Zi [2005] No. 6 dated 26 January 2005, the Company issued overseas listed foreign shares with a par value of RMB 1 per share in Hong Kong, with an issuing size of 2,702,648,000 shares. Meanwhile, SEC and Shenergy Group reduced their state-owned shares by selling 270,264,000 shares. The issue price of the public offering was HKD 1.70 per share. After the issue, the share capital of the Company increased to RMB 11,891,648,000.

On 12 November 2008, pursuant to the resolution at the shareholders' meeting, the Company issued 616,039,000 RMB-dominated ordinary shares with a par value of RMB 1 per share publicly to all shareholders of Shanghai Electric Power T&D Co., Ltd. excluding the Company to merge with Shanghai Electric Power T&D Co., Ltd., upon the approval of CSRC in the Reply on Approving the Merger of Shanghai Electric Group Co., Ltd. with Shanghai Electric Power T&D Co., Ltd. (Zheng Jian Xu Ke [2008] No.1262) and the Reply on Approving the Initial Public Offering of Shanghai Electric Group Co., Ltd. (Zheng Jian Xu Ke [2008] No.1233). After this issue, the share capital of the Company increased to 12,507,687,000 shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

1. GENERAL INFORMATION (CONT'D)

On 13 May 2010, pursuant to the resolution at the shareholders' meeting, the Company issued 315,940,000 RMB-dominated ordinary shares with a par value of RMB 1 per share privately, with an issue price of RMB 7.03 per share, upon the approval of CSRC in the Reply on Approving the Non-public Offering of Shanghai Electric Group Co., Ltd. (Zheng Jian Xu Ke [2010] No. 497). After this non-public issue, the share capital of the Company increased to 12,823,627,000 shares.

On 18 January 2016, pursuant to the resolutions at the 1st interim shareholders' meeting in 2016, the 1st A-share shareholders' meeting in 2016 and the 1st H-share shareholders' meeting in 2016, the Company issued 606,843,000 RMB-dominated ordinary shares with a par value of RMB 1 per share and an issue price of RMB 10.41 per share to SEC, upon the approval of CSRC in the Reply on Approving Shanghai Electric Group Co., Ltd. for Issuing Shares to Shanghai Electric (Group) Corporation to Purchase Assets and Raise Matching Fund (Zheng Jian Xu Ke [2016] No. 905) in order to make up the difference in the equity replacement where the Company replaces at a transaction consideration of RMB 1 of its 100% equity in Shanghai Heavy Machinery Plant Co., Ltd. (SHMP) with SEC's several items of equities, including 100% equity in Shanghai Electric Industrial Co., Ltd. (Electric Industrial) and Shanghai Blower Works Co., Ltd. (SBW), 61% equity in Shanghai Denso Fuel Injection Co., Ltd. (Shanghai Denso) and 14.79% in Shanghai Rail Traffic Equipment Development Co., Ltd. (SRTED), and to acquire the land use rights of 14 parcels of land owned by SEC and the ancillary buildings and other assets therein. In 2016, the Company completed the non-public issue of 606,843,000 RMB-dominated ordinary shares.

In 2017, as approved by the 37th and 42nd meetings of the 4th Board of Directors, the 1st interim shareholders' meeting in 2017, the 1st A share shareholders' meeting in 2017 and the 1st H share shareholders' meeting in 2017, the Company planned to issue 877,918,000 RMB-dominated ordinary shares to SEC with an issue price of RMB 7.55 per share in order to acquire 47.18% domestic shares of Shanghai Prime Machinery Company Limited (PMC), 50.10% equity in Shanghai Electric Thales Transport Automation Control System Co., Ltd. ("Electric Thales") (formerly Thales Saic Transportation System Limited Company), 100% equity in Shanghai Electric Group Properties Co., Ltd. ("Electric Properties"), the land use rights of 26 parcels of land owned by SEC and the ancillary buildings and other assets therein (hereinafter "Issuance of Shares to Purchase Assets"). Later, the Company received the approval of the issuance of 877,918,000 shares to SEC from CSRC in Reply on Approving Shanghai Electric Group Co., Ltd. for Issuing Shares to Shanghai Electric (Group) Corporation to Purchase Assets and Raise Matching Funds (Zheng Jian Xu Ke [2017] No. 1390) dated 31 July 2017. In 2017, the Company completed the non-public issuance of 877,918,000 RMB-dominated ordinary shares.

In 2017, as approved by the 37th and 42nd meetings of the 4th Board of Directors of the Company, the 1st interim shareholders' meeting in 2017, the 1st A share shareholders' meeting in 2017 and the 1st H share shareholders' meeting in 2017, the Company issued non-public offering shares to no more than 10 specific investors including SEC and Shanghai Guosheng Group Investment Co., Ltd. to raise matching fund not exceeding RMB 3 billion.

1. GENERAL INFORMATION (CONT'D)

On 31 July 2017, the Company received approval of non-public offering of shares to raise matching fund not exceeding RMB 3 billion by CSRC in the Reply on Approving Shanghai Electric Group Co., Ltd. for Issuing Shares to Shanghai Electric (Group) Corporation to Purchase Assets and Raise Matching Fund (Zheng Jian Xu Ke [2017] No. 1390). As at 20 October 2017, the Company completed the issuance of 416,089,000 RMB-dominated ordinary shares with an issue price of RMB 7.21 per share.

On 16 February 2015, the Company issued 600,000 A-share convertible bonds ("Electric Convertible Bonds", code: 113008) with a par value of RMB 100 per bond and the total amount was RMB 6 billion. Such convertible bonds can be converted into the Company's A shares at a price of RMB 10.72 per share from 3 August 2015. Such bond interest is calculated annually by single interest method and the principal is repaid in a lump sum upon maturity. As at 31 December 2020, 84,736,000 shares were converted in total, and the Company's share capital was increased to 15,237,199,000 accordingly.

On 29 April 2019, the Company received approval of the equity incentive plan by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government in the Reply on Approving Shanghai Electric Group Co., Ltd. for Implementing the Restricted Shares Incentive Plan (Hu Guo Zi Wei Fen Pei [2019] No. 80). On 6 May 2019, as approved by the Company's 13th of the 5th Session of the Board of Directors of the Company, the 1st interim shareholders' meeting in 2019, the 1st A share shareholders' meeting in 2019, the 1st H share shareholders' meeting in 2019, the Company granted 133,578,000 shares with the granting price of RMB 3.03 per share.

On 29 June 2020, pursuant to the resolutions at 2019 annual shareholders' meeting, the 1st A-share shareholders' meeting in 2020 and the 1st H-share shareholders' meeting in 2020, the Company repurchased and cancelled the restricted A shares that had been granted to 95 recipients (who were no longer qualified as participants in the incentive scheme) but not yet unlocked on 18 September 2020. The total number of restricted shares repurchased and cancelled was 7,416,000. After completion of the repurchase and cancellation, the number of remaining restricted shares under the incentive scheme of all participants totalled 126,162,000.

On 29 June 2020, pursuant to the resolutions at 2019 annual shareholders' meeting, the 1st A-share shareholders' meeting in 2020 and the 1st H-share shareholders' meeting in 2020, from 10 September 2020 to 30 October 2020, the Company repurchased and fully cancelled 48,430,000 H shares, resulting in the reduction of the registered capital of the Company accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

1. GENERAL INFORMATION (CONT'D)

In addition, SEC increased or reduced the Company's shares through the centralised price bidding system of Shanghai Stock Exchange ("SSE"). As at 31 December 2020, SEC held 8,467,326,000 A shares and 313,642,000 H shares of the Company, totalling 8,780,968,000 shares, accounting for 57.84% of the total share capital of the Company.

The parent company and ultimate holding company of the Company is SEC.

The Company performed the business registration formalities for integrating the original business license, the organisation code certificate, and the certificate of taxation registration into one document on 17 February 2016. After integration, the united social credit code of the Company's business license is 91310000759565082B. Other registration items on the Company's business license remain the same. The RMB-denominated ordinary A shares and the overseas listed foreign H shares issued by the Company were listed on SSE and the Stock Exchange of Hong Kong ("HKSE"), respectively. As at 31 December 2020, the share capital structure of the Company was detailed in Note 4(50).

The registered office of the Company's headquarters is F30, Shanghai Maxdo Centre, No. 8 Xingyi Road, Shanghai, China. The Company and its subsidiaries (collectively "the Group") operate in manufacturing industry and the approved scope of business includes:

- Energy equipment business segment: design, manufacture and sale of coal-fired power generation and auxiliary equipment, gas power generation equipment, wind power equipment, nuclear power equipment, energy storage equipment, high-end chemical equipment; Provision of power grid and industrial intelligent power supply system solutions;
- Industrial equipment business segment: design, manufacture and sale of elevators, large and medium sized electrical motors, intelligent manufacturing equipment, industrial base parts, construction and industrialization equipment; and
- Integration service business segment: provision of energy, environmental protection and automation engineering and services, including all kinds of traditional and new energy, solid waste comprehensive utilization, sewage treatment, flue gas treatment, rail transit, etc. Provision of industrial Internet services; Provision financial services, including finance lease, insurance brokers; Provision of international trade services; Provision of high-end property services, etc.

The major subsidiaries included in the scope of consolidation for the year are detailed in Note 6, and the subsidiaries newly included in the consolidation scope for the year are detailed in Note 5(1) ~ (3), subsidiaries that are no longer included in the consolidation scope for the year are detailed in Note 5(2).

These financial statements were authorised for issue by the Company's Board of Directors on 26 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group determines the specific accounting policies and accounting estimates based on the features of its production and operation, mainly represented in the method of provision for expected credit loss (ECL) of accounts receivable, contract assets, lease receivables and loans and advances (Note 2(9)), valuation of inventories (Note 2(10)), depreciation of fixed assets, right-of-use assets and amortisation of intangible assets (Note 2(14), (17)), criterion for capitalisation of development expenditures (Note 2(17)), measurement of investment properties (Note 2(13)), impairment assessment on goodwill (Note 2(19)), onerous contracts recognition (Note 2(22)), and revenue recognition (Note 2(23)), etc.

Details of the Group's critical judgements applied in determining significant accounting policies are set out in Note 2(31).

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance came into effect on March 3, 2014. Certain related matters in the financial statements have been disclosed in accordance with the requirements of the Hong Kong Companies Ordinance.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely presented the consolidated and company financial position of the Company as at 31 December 2020 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency of the Company and the Company's domestic subsidiaries is Renminbi ("RMB").

Subsidiaries overseas, joint ventures and associates of the Group determine their recording currencies according to the major economic environment in which they operate. The financial statements are presented in RMB.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the combining party in a business combination are measured at the carrying amount. If the combined party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the combining party are measured based on the carrying amounts of the combined party's assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(6) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(8) Foreign currency translation (Cont'd)

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit and loss, the related transaction costs are directly recognised in profit and loss. For other financial assets, the related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering of services excluding or without regard to significant financing components are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Measured at amortised cost:

The Group's business model for financial asset management aims to receive contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flow generated at certain dates is only the payment for the principal and corresponding interest based on unpaid principal. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables, etc. Debt investments and long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; debt investments with maturities of no more than one year (inclusive) at acquisition are included in other current assets.

Measured at fair value through other comprehensive income:

The Group's business model for the financial asset management aims to receive contractual cash flows and hold the financial assets for sale. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets mainly comprise receivables financing and other debt investments, etc. Other debt investments that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; other debt investments with maturities no more than one year (inclusive) at acquisition are included in other current assets.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss and included in financial assets held for trading. At initial recognition, Group designates a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce accounting mismatches. Financial assets that are due within one year (inclusive) as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Equity instruments

Investments in equity instruments, over which the Group exert no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

In addition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

Loss provision for financial assets at amortised cost, investments in debt instruments at fair value through other comprehensive income, as well as contract assets, finance lease receivables and financial guarantee contracts is recognised on the basis of ECL.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the ECL of financial instruments at different stages is measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the interest income is calculated based on gross carrying amount without deduction of impairment provision and the effective interest rate. For the financial instrument in Stage 3, the interest income is calculated based on amortised cost by using carrying amount less impairment provision appropriated and the effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For notes receivable, accounts receivable, receivables financing and contract assets caused by sales of goods, rendering of services and other daily operating activities, no matter whether there exists a significant financing component, the Group measures the loss provision based on the lifetime ECL.

The accounts receivable with occurrence of credit impairment, and other accounts receivable subject to separate assessment for impairment provision, are separately determined the ECL and made provision for impairment on individual basis. Accounts receivable without occurrence of credit impairment or the ECL cannot be estimated for an individual financial asset at a reasonable cost, the Group groups the receivables in accordance with credit risk characteristics and measures the expected credit loss based on groups. Basis for determine groupings is as follows :

1. Notes receivable

Grouping 1	Bank acceptance notes
Grouping 2	Trade acceptance notes

2. Accounts receivable

Grouping 1	Accounts receivable aging	General receivables
Grouping 2	Accounts receivable	Sovereign credit

3. Contract assets

Grouping	Contract assets
----------	-----------------

4. Other receivables

Grouping 1	Deposits and guarantees
Grouping 2	Employee reserve fund
Grouping 3	Others

5. Loans and discounts

Grouping 1	Loans and advances
Grouping 2	Discount of notes

6. Long-term receivables

Grouping	Finance lease receivables
----------	---------------------------

7. Other debt investments

Grouping	Other debt investments
----------	------------------------

8. Financial assets purchased under resale agreements

Grouping	Financial assets purchased under resale agreements
----------	--

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

For accounts receivable and contract assets in groups, the Group makes reference to the historical experience of credit losses, combining with the current situation and forecast of economic situation in the future, and prepares the model which refers to the days overdue and rate of the expected credit loss during lifetime in order to measure the expected credit loss.

For notes receivable and receivables financing in groups, the Group calculates the ECL by referring to historical experience of credit losses, combining with the current situation and forecast of economic situation in the future, and based on exposure at default and the ECL ratio for the lifetime.

For other receivables, loans and discounts, long-term receivables, other debt investments and financial assets purchased under resale agreements in groups, the Group calculates the ECL by referring to historical experience of credit losses, combining with the current situation and forecast of economic situation in the future, and based on exposure at default and the ECL ratio within 12 months or for the lifetime.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(9) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of investments in other equity instruments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in retained earnings. On derecognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income, is recognised in profit or loss for the current period.

(b) Financial liabilities

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payables, other payables, borrowings and bond payable, etc. Such financial liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(10) Inventories

(a) Classification

Inventories include raw materials, work in progress, goods in stock, materials in transit, self-produced semi-finished goods, repair accessories, low-value consumables and others, and are stated at the lower of cost and net realisable value.

(b) Valuation method for inventory issued

Cost is determined using the weighted average method or specific-unit-cost method. The cost of goods in stock, semi-finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity. Repair accessories and low-value consumables are expensed when issued.

(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(11) Purchased under resale agreements transactions

Assets held under resale agreements with a certain resale date shall not be recognised in the balance sheet. For financial assets measured at amortised cost, the cost of acquisition is recognised in financial assets purchased under resale agreements on the balance sheet if the maturity is within one year (inclusive) at acquisition. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest method.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements, and investments in joint ventures and associates are accounted for using the equity method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(12) Long-term equity investments (Cont'd)

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the absorbed party at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost is the purchase price actually paid; for long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividend or profit distribution declared by an investee is recognised as investment income in profit or loss for the current period.

For long-term equity investments that are accounted for using the equity method, where the initial investment cost exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(12) Long-term equity investments (Cont'd)

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Joint control is the agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

Significant influence is the power to participate in making the decisions on financial and operating policies of the investee, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(13) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties which will be appreciated or amortised using the straight-line method over the useful life.

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at the date of the transfer. When reclassified, the carrying amount before the reclassification shall be recorded as the cost after the reclassification.

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(13) Investment properties (Cont'd)

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, office equipment and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets contributed by the state-owned shareholders at the reorganisation of the Company into a corporation entity are recognised based on the evaluated amounts approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	10 to 50 years	0 to 10%	1.8% to 10%
Machinery and equipment	5 to 20 years	0 to 10%	4.5% to 20%
Motor vehicles	5 to 12 years	0 to 10%	7.5% to 20%
Office equipment and others	3 to 10 years	0 to 10%	9% to 33.3%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amounts of fixed assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(14) Fixed assets (Cont'd)

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(19)).

(16) Borrowing costs

The borrowing costs of the Group that are directly attributable to acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising in the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of general borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the interest rate used when the future cash flows of the borrowings over the estimated remaining deposit period or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(17) Intangible assets

Intangible assets include land use rights, technology transfer fee, patent and license, franchise, computer software and others are measured at cost.

The land use rights acquired by the Group are generally accounted for as intangible assets. Relevant land use rights and buildings of the self-constructed plant are accounted for as the intangible assets and fixed assets. If the costs paid for the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the costs are recognised as fixed assets.

The franchise is the right granted by the government and relevant departments or the enterprise authorised for bidding by the government, to charge the users of the public infrastructure during the franchising period. Franchise refers to the intangible assets recognised in the construction period in accordance with the intangible asset mode under the build-operate-transfer contract ("BOT contract"). The franchise activities under the BOT contract usually include construction, operation and hand-over, and are amortised on a straight-line basis over the period from the completion date to the expiration of operation period and the extension period or the franchise termination date. The expenditures incurred after the infrastructures are put into operation can be recognised to the cost of franchise if the future economic benefit flow can be enhanced in the franchise period and the relevant costs can be measured reliably. Otherwise, the expenditures will be recognised as profit and loss for the current period when incurred.

The estimated useful lives of the intangible assets are as follows:

	Useful lives
Land use rights	30 to 50 years
Technology transfer fee	5 to 15 years
Patent and license	5 to 40 years
Computer software and others	3 to 5 years
Franchising	Operation period under the contract

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(17) Intangible assets (Cont'd)

Expenditure on the planned investigation, evaluation and selection for the internal research and development projects is regarded as expenditure on the research phase, which is recognised in profit or loss in the period in which it is incurred. Expenditure on design and test for the final application of the research and development projects before mass production is expenditure on the development phase, which is capitalised only if all of the following conditions are satisfied:

- the development project has been fully justified by technical team;
- the budget for the project development has been approved by management;
- market research analysis proved the products produced by the development project has marketing capabilities;
- adequate technical and financial supports are available for development of the development project and subsequent mass production; and
- expenditure on the development project can be reliably collected.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development expenditures previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as capitalised development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

(18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

The long-term prepaid expenses are amortised on the straight-line basis as follows:

	Amortisation period
Improvements to fixed assets held under leases	5 to 10 years
Renovation expenditures	2 to 8 years
Decoration expenditures	5 years
Power expansion expenditures	10 years
Others	2 to 5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(19) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are 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 the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(20) Employee benefits (Cont'd)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans except for a defined beneficial pension plan operated by part of overseas companies.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentages prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

Defined benefit plan

Some overseas companies of the Group have set up a defined beneficial pension plan. The present value of defined benefit plan obligation is calculated annually by an independent actuary using projected unit credit method, which is based on quality corporate bond interest rate, similar as the duration and currency of the employee benefits obligation. The net liability of present value of defined benefit plan obligation net of the fair value of plan assets is presented as long-term benefits payable in the balance sheet. Service costs related to the plan (including current service cost, past service costs and settled gains or losses) and net interest calculated based on defined benefit plan net liability and applicable discount rate are recognised as profit and loss for the current period or cost of relevant assets and changes in remeasurement of defined benefit plans liabilities as other comprehensive income.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

The termination benefits expected to be settled within one year since the balance sheet date are classified as current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(21) Dividend distribution

Cash dividends distribution is recognised as a liability in the period in which the dividends are approved by the shareholders' meeting.

(22) Provisions

Provisions for product warranties, onerous contracts, litigation, etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expenses.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The loss provision of financial guarantee contracts based on the ECL is presented as provisions by the Group.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(23) Revenue recognition

The Group recognises revenue at the amount of the consideration to which the Group is expected to receive when the customer obtains control over relevant goods or services.

The specific accounting policies for revenue from main activities of the Group are as follows:

Revenue from sales of goods

Revenue is recognised when the Group has delivered the products to the location specified in the sales contract and the customer has confirmed the acceptance of the products. The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component.

Revenue from rendering of services

The Group provides service to external parties. The related revenue is recognised based on the stage of completion within a certain period, which is determined based on proportion of costs incurred to date to the estimated total costs. On the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract performance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(23) Revenue recognition (Cont'd)

The specific accounting policies for revenue from main activities of the Group are as follows (Cont'd):

Revenue from rendering of services (Cont'd)

When the Group recognises revenue based on the stage of completion, the amount with unconditional collection right obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Revenue from construction services

The Group provides construction services to external parties and the revenue is recognised according to the stage of performance. The stage of performance is determined by reference to the proportion of costs incurred to date to the estimated total cost or the proportion of completed certified value to total contract value of the relevant contracts. Except for the revenues of a portion of contracts that were recorded by reference to the proportion of completed certified value to total contract value as the basis to estimate the progress, the revenues for the majority of contracts of the Group were recognised by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts. At the balance sheet date, the Group re-estimates the stage of completion to reflect the actual status of contract performance.

When the Group recognises revenue based on the stage of performance, the amount with unconditional collection right obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(9)). If the contract price received or receivable exceeds the amount for the completed engineering and construction service, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

Contract costs include contract performance costs and contract acquisition costs. Costs incurred for provision of construction services are recognised as contract performance costs, which is carried forward to the operating cost of main operations based on the stage of completion when recognising revenue. Incremental costs incurred by the Group for the acquisition of engineering service contract are recognised as the contract acquisition costs. For contract acquisition costs with the amortisation period within one year, the costs are included in the current profit or loss when incurred. For contract acquisition costs with the amortisation period beyond one year, the costs are included in the current profit or loss on the same basis as recognition of revenue from rendering of engineering service under relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognises it as asset impairment losses, and considers whether to make provisions about onerous contracts (Note 2(22)). As at the balance sheet date, based on whether the amortisation period of the contract performance costs is more than one year when initially recognised, the amount of the Group's contract performance costs net of related provision for asset impairment is presented as inventories or other non-current assets. For contract acquisition costs with amortisation period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(24) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by enterprises for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a reasonable and systemic basis over the useful lives of the assets.

For government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and deducted against related costs in reporting the related costs, expenses or losses; government grants related to income that compensate the incurred costs, expenses or losses are deducted directly against related costs.

The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(25) Deferred tax assets and deferred tax liabilities (Cont'd)

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred tax assets and liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Share-based payment

The stock option plan and the restricted share incentive scheme implemented by the Group are both treated as equity-settled share-based payment.

The equity-settled share-based payments in exchange for employee services are measured at the fair value of the equity instruments granted to the employees at the granting date. The equity-settled share-based payments are exercisable after the services vesting period are completed or the performance requirements are met. At each balance sheet date within the vesting period, the Group makes the best estimate of the number of vested equity instruments according to the latest information such as changes in the number of employees with exercisable rights and whether they meet the performance requirements, etc. The services obtained in the current period shall, based on the best estimate, be included in the profit or loss for the current period at the fair value of the equity instruments at the granting date.

Where the share-based payments cannot be exercised finally, its costs or expenses are not recognised unless the vesting conditions are market conditions or non-vesting conditions. In this regard, whether the market conditions or non-vesting conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

When the Group modifies the terms of a share-based payment scheme, if the modification increases the fair value of the equity instruments granted, the Group recognises the service additions based on the difference between the fair value of the equity instruments before and after the modification as of the date of modification. If the Group modifies vesting conditions in a favourable manner to the employees, the Group shall account for in accordance with modified vesting conditions. If the Group modifies vesting conditions in an unfavourable manner to employees, the Group shall not consider such modifications when accounting for, unless the Group cancels all or part of equity instruments granted. If the Group cancels a granted equity instrument, it is treated as an accelerated exercise on the date of cancellation, and the amount that would have been recognised over the remaining vesting period is immediately recognised in profit or loss for the current period, together with capital reserve.

If the Group needs to repurchase restricted shares that have lapsed or become null and void without being unlocked, the Group recognises liabilities and treasury stocks based on the number of restricted shares and at the pre-agreed repurchase price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(27) Leases

Lease refers to a contract in which the lessor transfers the use right of the assets to the lessee in a certain period of time to obtain the consideration.

The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liabilities at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

Right-of-use assets of the Group comprise buildings, machinery and equipment, motor vehicles, computers and electronic equipment that are held under leases. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Company will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term.

The Group as the lessor

Lease that transfers substantially almost all the risks and rewards incidental to ownership of a lease asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as incurred.

(b) Finance leases

At the commencement date, the Group recognises the finance lease receivables and derecognises relevant assets. The finance lease receivables are presented as long-term receivables; finance lease receivables due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(28) Derivative financial instruments and hedging instruments

The Group uses derivative financial instruments held or issued to hedge its exposure on foreign exchange and interest rate risks. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The derivative financial instrument is carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method for recognising changes in fair value of the derivative financial instrument depends on whether the derivative financial instrument is designated as a hedging instrument and meets the requirement for it, and if so, the nature of the item being hedged. For those not designated as or not qualified as the hedging instrument, including the derivative financial instruments aimed at providing hedge for specific interest and exchange rate risk but not satisfying the hedging accounting requirements, the changes in fair value are recognised in "gains on changes in fair value" in the income statement.

At the inception of the hedge, the Group documents the hedging relations between hedging instrument and hedged item, as well as risk management objectives and hedging strategies. The Group also documents its assessment, both at hedge inception and in subsequent periods, of whether the derivative financial instruments that are used in hedging businesses are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedges

A fair value hedge refers to a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or to changes in the identifiable portion of the asset or liability of an unrecognised firm commitment. Such changes in value are attributable to a particular risk and could affect profit or loss.

For a hedging instrument satisfying the requirements for fair value hedge, the changes in its fair value together with the changes in fair value arising from exposures to the hedged item are recognised in the income statements for the current period, and their net impacts are recorded in the income statement for the current period as the ineffective portion of the hedge.

If a hedging relation no longer satisfies the requirements of hedge accounting, the adjustment to the carrying amount of a hedged item measured at amortised cost is amortised by using the effective interest method during the period from the termination date to the maturity date and included in the income statement for the current period. When a hedged item is derecognised, the unamortised adjustment to its carrying amount is directly included in the profit or loss for the current period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(28) Derivative financial instruments and hedging instruments(Cont'd)

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and ultimately could affect profit or loss.

The effective portion of changes in fair value of derivatives that are designated and qualified as cash flow hedge is recognised in other comprehensive incomes. The ineffective portion of the hedge is recognised in the income statement for the current period.

Accumulated gains or losses previously recognised in other comprehensive income are transferred to the income statement in the same period when the hedged item affects the income statement.

If the hedging instrument expires or is sold, or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the accumulated gains or losses previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and then it will be reclassified to the income statement of the current period. If the forecast transaction is not estimated to occur, the accumulated gains or losses previously recognised in other comprehensive income should be transferred to the income statement for the current period.

(c) Hedge of net investments in a foreign operation

Hedge of net investments in foreign operations is accounted for in the same method of cash flow hedges.

Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income. The gains or losses relating to the ineffective portion are recognised in the profit or loss for the current period.

Gains and losses accumulated in equity are included in the profit or loss for the current period when the foreign operation is partially disposed of or sold.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(29) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount, and the excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(30) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(31) Critical accounting estimates and judgements

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

(a) Critical judgments in applying the accounting policies

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

Consolidation scope

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

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

The Group holds 15.24% of the shares of Suzhou Thvow Technology Co., Ltd. ("Suzhou Thvow"), a company listed on the Shenzhen Stock Exchange, being the largest shareholder of the company. Chen Yuzhong, the second largest shareholder of Suzhou Thvow has entrusted the voting rights of 14.87% of Suzhou Thvow's shares and pledged the equity to the Group. Meanwhile, the Group has the preemptive right to purchase such shares. Therefore, the Group holds 29.87% of the voting rights of Suzhou Thvow. In addition to the above shareholders, the remaining shares are widely held by many other shareholders. Besides, Suzhou Thvow has advantages in the new energy market and possesses high quality business qualifications, which are conducive to improving the integration service capability of the Group. Therefore, although the Group holds less than half of the voting rights in Suzhou Thvow, the Group has substantial control over Suzhou Thvow and includes it in the consolidation scope.

The Group holds 28.39% of the shares of Shenzhen Yinghe Technology Co., Ltd. ("Yinghe Technology"), a company listed on the Shenzhen Stock Exchange, being the largest shareholder of the company. Wang Weidong, the second largest shareholder of Yinghe Technology, and Xu Xiaojun, the fifth largest shareholder of Yinghe Technology, relinquished their voting rights of a total of 19.01% of Yinghe Technology's shares. Therefore, the Group holds 35.06% of the voting rights of Yinghe Technology. In addition to the above shareholders, the remaining shares are widely held by many other shareholders. Therefore, although the Group holds less than half of the voting rights in Yinghe Technology, the Group has substantial control over Yinghe Technology and includes it in the consolidation scope.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(31) Critical accounting estimates and judgements (Cont'd)

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

Measurement of ECL

The Group calculates ECL through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information.

When considering forward-looking information, the Group takes different macroeconomic scenarios into consideration. In 2020, the economic scenario weights of "benchmark", "unfavourable" and "favourable" accounted for 60%, 30% and 10% respectively. The Group regularly monitors and reviews important macroeconomic assumptions and parameters for calculating ECLs, including the risk of economic downturn, external market environment, technological environment, changes in customer profile, gross domestic product, production price index, industrial added value, broad money supply, retail sales of consumer goods and consumer price index. In 2020, the Group took into account the uncertainty arising from COVID-19 and updated the relevant assumptions and parameters accordingly. The key macroeconomic parameters applied in various scenarios were mainly as follows:

	various scenarios		
	benchmark	unfavourable	favourable
gross domestic product	8.83%	6.80%	10.00%
production price index	1.52%	0.10%	2.50%
industrial added value	8.23%	6.20%	10.50%
broad money supply	9.14%	7.50%	10.00%

In 2020, historical smoothing technique was applied to the several macroeconomic parameters above in the specific calculation of ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(31) Critical accounting estimates and judgements (Cont'd)

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

Classification of financial assets

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

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

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

Determination of significant increase in credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(31) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions

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

Revenue recognition of construction services

The Group recognises the revenue for a contract over a period using the percentage of completion method when the results of construction service can be estimated reliably. The performance of the contract is determined in accordance with the method stated in Note 2(23) and is accumulated during the accounting years of the construction service.

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

Impairment of inventories to net realisable value

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

Recognition of provisions

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(31) Critical accounting estimates and judgements (Cont'd)

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

Enterprise income tax

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

Deferred tax assets

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

As stated in Note 3(2), some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, management considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the deferred income tax, which increases the recognised net deferred tax assets and decreases the deferred tax expenses.

Estimated useful lives of fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(31) Critical accounting estimates and judgements (Cont'd)

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

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

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

Impairment of goodwill

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

As the development, prevention and control of COVID-19 have caused significant uncertainty in the market and industry in which the enterprise is operated, the present value of future cash flows of TEC4AERO GmbH, the Group's subsidiary, is expected to be calculated using various economic scenarios. For the following key assumptions, different parameters are used in different economic scenarios, and the probability of the occurrence of each economic scenario is used as the weight to calculate the present value of future cash flows

If management revises the gross margin, the growth rate in the forecast period and the growth rate in the stable period that are used in the calculation of the future cash flows of asset groups and groups of asset groups, while the revised rates are lower/higher than those currently used, the Group would need to recognise further impairment against the increase/decrease of goodwill for its subsidiaries, TEC4AERO GmbH and Nedfast Investment B.V. described in Note 4 (26).

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher/lower than the one currently applied, the Group would need to recognise further impairment against the increase/decrease of goodwill for its subsidiaries, TEC4AERO GmbH and Nedfast Investment B.V.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONT'D)

(31) Critical accounting estimates and judgements (Cont'd)

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

Evaluation of fair value

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

(32) Significant changes in accounting policies

In 2020, the Ministry of Finance issued the Q&A on the Implementation of Accounting Standards for Business Enterprises (released on 11 December 2020). The financial statements are prepared in accordance with the above implementation Q&A, and impacts are as follows:

(a) Impacts on the consolidated balance sheet and income statement are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		The year ended 31 December 2019	
		The Group	The Company
The Group and the Company reclassified the impairment losses on contract assets that had been recognised in the credit impairment loss line to the asset impairment losses line.	Credit impairment losses	(6,684)	(80,727)
	Asset impairment losses	6,684	80,727

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

3 TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation base	Tax rate
Enterprise income tax	Taxable income	15%, 20%, 25%
Value-added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	13%, 9%, 6%, 5% or 3%
City maintenance and construction tax	The payment amount of VAT and consumption tax	1%, 5%, 7%

(2) Tax preference

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

Name of the first-tier subsidiaries	Applicable period for high-tech enterprises preferential tax rate of 15%	
	Starting year	Ending year
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.	2020	2022
Shanghai Boiler Works Co. Ltd.	2020	2022
Shanghai Electric Power Generation Equipment Co., Ltd.	2020	2022
Shanghai Blower Works Co., Ltd.	2020	2022
Shanghai No.1 Machine Tool Works Ltd.	2020	2022
Shanghai Electric Wind Power Equipment Co., Ltd.	2020	2022
Shanghai Machine Tool Works Co., Ltd.	2020	2022
Shanghai Centrifugal Machinery Research Institute Co., Ltd.	2020	2022
Shanghai Electromechanical Design and Research Institute Co., Ltd.	2020	2022
Shanghai Electric Automation Design and Research Institute Co., Ltd.	2020	2022
Shanghai Electric Power Station Environmental Protection Engineering Co., Ltd.	2019	2021
Shanghai Electric Thales Traffic Automation System Co., Ltd.	2019	2021
Shanghai Electric Distributed Energy Technology Co., Ltd.	2019	2021
Shanghai Electric Guoxuan New Energy Technology Co., Ltd.	2019	2021
Shanghai Electric Nuclear Power Equipment Co., Ltd.	2018	2020
Shanghai Electric Shang Zhong recasting and forging co., LTD	2018	2020
Shanghai Electric Spec Engineering Technology Co., Ltd.	2018	2020
Shanghai Denso Fuel Injection Co., Ltd.	2018	2020
Shanghai Electric Fuji Electric Technology Co., Ltd.	2018	2020
Shanghai Electric Shang Zhong Grinding Special Equipment Co., LTD	2018	2020
Shanghai Electric Kesby Nuclear Power Pump Valve Co. Ltd	2018	2020
Shenzhen Yinghe Technology Co., Ltd.	2018	2020

3 TAXATION (CONT'D)

(3) Others description

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

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

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2020	31 December 2019
Cash on hand	1,487	2,206
Cash at bank	19,957,985	17,332,318
Other cash balances	4,284,360	4,126,418
Including: Total overseas deposits	2,578,770	2,515,226
	24,243,832	21,460,942

As at 31 December 2020, other cash balances represented restricted cash of RMB 4,271,425,000 (31 December 2019: RMB 4,042,481,000), including the central bank reserve, amounting to RMB 3,151,720,000 (31 December 2019: RMB 2,459,256,000), of the Group's subsidiary Shanghai Electric Group Finance Co., Ltd. ("Finance Company").

(2) Placements with banks and other financial institutions

	31 December 2020	31 December 2019
Deposits with domestic banks and other financial institutions	36,593,978	33,339,823

As at 31 December 2020 and 31 December 2019, placements with banks and other financial institutions represented deposits with large commercial banks such as Industrial and Commercial Bank of China, Industrial Bank, China CITIC Bank, Pudong Development Bank, etc. by the Finance Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Financial assets held for trading

	31 December 2020	31 December 2019
Investments in funds held for trading (a)	5,369,677	4,620,801
Investments in equity instrument held for trading	784,568	913,109
Wealth management products	578,238	660,490
Investments in debenture held for trading	329,898	429,003
Others	325,533	341,349
	<u>7,387,914</u>	<u>6,964,752</u>

The fair value of investments in debenture held for trading and investments in equity instrument held for trading is determined at the closing price of Shanghai Stock Exchange on the last trading day of the year; the fair value of investments in funds held for trading and wealth management products is determined by open market disclosures or quoted prices.

(a) Investments in funds held for trading

The investment funds held by the Group mainly include:

Name	Number of shares of the Group	Primary activities undertaken by the funds	Issue size (total shares)	Total amount of the funds	Carrying amount as at 31 December 2020
Fund investment I	369,783	Investments in money market instruments with good liquidity	80.96billion	RMB 80.96 billion	369,783
Fund investment II	280,567	Investments in money market instruments with good liquidity	12.12billion	RMB 12.12 billion	280,567
Fund investment III	263,753	Investments in money market instruments with good liquidity	96.76billion	RMB 96.76 billion	263,753
Fund investment IV	255,676	Investments in money market instruments with good liquidity	22.04billion	RMB 22.04 billion	255,676
Fund investment V	252,574	Investments in money market instruments with good liquidity	26.77billion	RMB 26.77 billion	252,574

The fund investments held by the Group were the structured entities invested by the Group, which are not included in the consolidation scope. The Group's largest risk exposure on the funds was the carrying amount of the Group's shares in the funds as at the balance sheet date. The Group has neither obligation nor intention to provide financial support to the fund.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Derivative financial assets and derivative financial liabilities

	31 December 2020	31 December 2019
Derivative financial assets-forward foreign exchange contracts	6,162	2,381
Derivative financial assets-options	91,984	-
	<u>98,146</u>	<u>2,381</u>
Derivative financial liabilities-forward foreign exchange contracts	<u>19,258</u>	<u>6,096</u>

As of December 31, 2020, derivative financial assets and derivative financial liabilities were mainly options and forward foreign exchange contracts, with nominal amounts of RMB 1,361,945,000 and RMB 421,856,000 (December 31, 2019: RMB 1,888,108,000 and RMB 1,625,002,000).

(5) Notes receivable

	31 December 2020	31 December 2019
Trade acceptance notes	4,997,255	4,076,789
Bank acceptance notes	3,536,675	2,189,990
Less: Provision for bad debts	<u>(56,553)</u>	<u>(44,990)</u>
	<u>8,477,377</u>	<u>6,221,789</u>

(a) As at December 31, 2020 and December 31, 2019, the Group had no pledged bank acceptance notes or trade acceptance notes presented in notes receivable.

(b) As at 31 December 2020, the Group's notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Trade acceptance notes	-	201,397
Bank acceptance notes i)	<u>1,641,384</u>	<u>396,772</u>
	<u>1,641,384</u>	<u>598,169</u>

i) For the year ended 31 December 2020, few of the bank acceptance notes were endorsed or discounted and derecognised by part of the Group's subsidiaries, who thereby categorised the balance of other bank acceptance notes receivable as financial assets at amortised cost. Certain bank acceptance notes were discounted and endorsed frequently by some of the Group's subsidiaries for the purpose of daily treasury management, who thereby categorised the balance of other bank acceptance notes receivable as receivables financing (Note 4(7)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(6) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	40,178,633	36,718,075
Less: Provision for bad debts	(7,379,531)	(7,381,026)
	<u>32,799,102</u>	<u>29,337,049</u>

	31 December 2020		31 December 2019	
	Balance	Provision for bad debts	Balance	Provision for bad debts
Individual Provision (e)(iii)	1,086,586	(1,069,694)	927,839	(901,067)
Sovereign credit portfolio (e)(iv)	1,097,017	(891,191)	2,870,973	(1,174,559)
Aging grouping of accounts receivable (e)(v)	37,995,030	(5,418,646)	32,919,263	(5,305,400)
	<u>40,178,633</u>	<u>(7,379,531)</u>	<u>36,718,075</u>	<u>(7,381,026)</u>

(a) The aging of accounts receivable was analysed as follows:

(i) The overdue aging of accounts receivable was analysed as follows:

	31 December 2020	31 December 2019
Not overdue	14,579,811	12,070,858
Overdue within 1 year	13,143,190	12,597,105
Overdue 1 to 2 years	4,506,349	4,106,348
Overdue 2 to 3 years	2,445,500	2,602,716
Overdue 3 to 4 years	1,250,383	1,875,802
Overdue 4 to 5 years	1,516,724	1,907,689
Overdue over 5 years	2,736,676	1,557,557
	<u>40,178,633</u>	<u>36,718,075</u>

(ii) The aging of accounts receivable was analysed based on invoice date is as follows:

	31 December 2020	31 December 2019
Within 1 year	25,533,607	24,120,504
1 to 2 years	5,889,994	4,338,559
2 to 3 years	2,809,059	2,772,393
3 to 4 years	1,594,829	1,913,158
4 to 5 years	1,531,260	1,908,571
Over 5 years	2,819,884	1,664,890
	<u>40,178,633</u>	<u>36,718,075</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(6) Accounts receivable (Cont'd)

(b) As at 31 December 2020, the top five balances of accounts receivable measured at amortised cost aggregated by debtors were summarised and analysed as follows:

	Balance	Amount of provision for bad debts	% of the aggregate balance of accounts receivable measured at amortised cost:
Sum of the five largest accounts receivable	4,378,147	2,210,990	10.90%

(c) As at 31 December 2020, the Group enter into accounts receivable factoring contracts with recourse to obtain bank loans RMB 120,738,000 (note 4(43) (31 December 2019: RMB 457,957,000 (Note 4(29) & (43)).

(d) Accounts receivable derecognised due to transfer of financial assets were analysed as follows:

For the year ended 31 December 2020, the net book value of the accounts receivable that was derecognised after the Group had applied a non-recourse factoring amounted to RMB 2,644,971,000 (31 December 2019: RMB 3,624,451,000).

(e) Provision for bad debts

(i) Movements of provision for bad debts of accounts receivable:

31 December 2019	7,381,026
Increase in the current period	1,526,483
Reversal in the current period	(978,698)
Transfer to assets held for sale	(191,064)
Current period write-off	(52,234)
Derecognition of accounts receivable	(305,982)
31 December 2020	7,379,531

(ii) As at 31 December 2020, provision for bad debts amounted to RMB 1,526,483,000 and that recovered or reversed comprised RMB 978,698,000, provision for bad debts made on the individual basis amounted to RMB 104,475,000 was included.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(6) Accounts receivable (Cont'd)

(e) Provision for bad debts (Cont'd)

- (iii) As at 31 December 2020, accounts receivable with provision for bad debts made on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL rate	Provision for bad debts	Reason
Accounts receivable 1	310,853	100%	310,853	The other party in a difficult financial situation, unrecoverable by estimation
Accounts receivable 2	250,797	100%	250,797	The other party in a difficult financial situation, unrecoverable by estimation
Accounts receivable 3	100,448	100%	100,448	The other party in a difficult financial situation, unrecoverable by estimation
Accounts receivable 4	48,810	100%	48,810	The other party in a difficult financial situation, unrecoverable by estimation
Accounts receivable 5	21,205	100%	21,205	The other party in a difficult financial situation, unrecoverable by estimation
Others	354,473		337,581	Unrecoverable by estimation
	<u>1,086,586</u>		<u>1,069,694</u>	

- (iv) As at 31 December 2020, accounts receivable with a book value of RMB 1,097,017,000, provision for bad debts of RMB 891,191,000, net book value of RMB 205,826,000 (31 December 2019: book value of RMB 2,870,973,000, provision for bad debts of RMB 1,174,559, net book value of RMB 1,696,414,000) were accounts receivable with sovereign credit risk.

- (v) As at 31 December 2020 and 31 December 2019, except for the accounts receivable with sovereign credit risk mentioned in (iv), accounts receivable with provision for bad debts made on the grouping basis were analysed as follows:

	31 December 2020			31 December 2019		
	Ending balance	Provision for bad debts	Amount	Ending balance	Provision for bad debts	Amount
	Amount	Lifetime ECL rate		Amount	Lifetime ECL rate	
Not overdue	14,530,302	0.1%-3%	305,847	11,997,564	0.1%-2%	139,693
Overdue within 1 year	13,077,227	1%-13%	961,380	11,500,695	1%-13%	739,086
Overdue 1 to 2 years	4,136,529	3%-37%	447,039	3,621,937	5%-37%	556,133
Overdue 2 to 3 years	2,202,445	15%-82%	592,721	1,863,120	31%-82%	662,522
Overdue 3 to 4 years	1,139,689	32%-100%	608,736	1,421,663	47%-100%	887,668
Overdue 4 to 5 years	1,139,415	50%-100%	834,299	1,297,682	72%-100%	1,148,541
Overdue over 5 years	1,769,423	78%-100%	1,668,624	1,216,602	90%-100%	1,171,757
	<u>37,995,030</u>		<u>5,418,646</u>	<u>32,919,263</u>		<u>5,305,400</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(7) Receivables financing

		31 December 2020	31 December 2019
Accounts receivable measured at fair value through other comprehensive income	(a)	9,960,333	4,721,291
Notes receivable measured at fair value through other comprehensive income	(b)	951,913	719,663
		<u>10,912,246</u>	<u>5,440,954</u>

(a) Accounts receivable measured at fair value through other comprehensive income

(i) The Aging of accounts receivable was analysed as follows:

	31 December 2020	31 December 2019
Not overdue	4,282,786	2,462,520
Overdue within 1 year	3,537,446	1,732,762
Overdue 1 to 2 years	1,999,518	526,009
Overdue 2 to 3 years	112,848	-
Overdue 3 to 4 years	12,082	-
Overdue 4 to 5 years	1,964	-
Overdue over 5 years	13,689	-
	<u>9,960,333</u>	<u>4,721,291</u>

(ii) As at 31 December 2020 accounts receivable were factored by part of the Group's subsidiaries for the purpose of daily treasury management, who thereby categorised the balance of accounts receivable as financial assets at fair value through other comprehensive income. The fair value of those accounts receivable was RMB 9,960,333,000. (31 December 2019: RMB 4,721,291,000).

For the year ended 31 December 2020, the net book value of the accounts receivable at fair value through other comprehensive income that were derecognised after the Group had applied a non-recourse factoring amounted to RMB 5,522,771,000 (For the year ended 31 December 2019: RMB 8,691,164,000).

(b) Notes receivable measured at fair value through other comprehensive income

Certain bank acceptance notes were discounted and endorsed frequently by some of the Group's subsidiaries for the purpose of daily treasury management, who thereby categorised the balance of the bank acceptance notes as financial assets at fair value through other comprehensive income.

As at 31 December 2020, notes receivable presented as receivables financing amounted to RMB 350,264,000, which were pledged as collateral for bank acceptance notes (31 December 2019: RMB 129,464,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(7) Receivables financing (Cont'd)

(b) Notes receivable measured at fair value through other comprehensive income (Cont'd)

- (ii) As at 31 December 2020, the Group's notes receivable presented in receivables financing endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	1,847,767	-

As at 31 December 2020, the provision for bad debts of notes receivable measured at fair value through other comprehensive income was made using the lifetime ECL by the Group. The Group expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks. The total provision for bad debts of accounts receivable and notes receivable measured at fair value through other comprehensive income amounted to RMB. 584,149,000.

(8) Prepayments

	31 December 2020	31 December 2019
Prepayments	18,057,070	18,764,416

(a) The Aging of Prepayments was analysed below:

	31 December 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	11,570,717	64.08%	12,882,606	68.65%
1 to 2 years	3,521,412	19.50%	4,148,658	22.11%
2 to 3 years	1,834,468	10.16%	1,080,124	5.76%
Over 3 years	1,130,473	6.26%	653,028	3.48%
	18,057,070	100.00%	18,764,416	100.00%

As at 31 December 2020, Prepayments with Aging over one year amounted to RMB 6,486,353,000 (31 December 2019: RMB 5,881,810,000), which mainly represented prepayment for equipment for contract projects. Those accounts were not settled for such projects had not been completed.

(b) As at 31 December 2020, the five largest Prepayments collected by debtors were analysed as follows:

	Amount	% of total Prepayments
Total of the five largest Prepayments	2,815,473	15.59%

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(9) Other receivables

	31 December 2020	31 December 2019
Receivables from related parties	1,123,109	38,619
Receivables from third parties	8,087,786	4,217,457
Dividends receivable	99,228	82,189
Interest receivable	87,289	100,396
	<u>9,397,412</u>	<u>4,438,661</u>
Less: Provision for bad debts	(461,383)	(184,407)
Overdue over 5 years	<u>8,936,029</u>	<u>4,254,254</u>

(a) As at 31 December 2020, The Group made individual provision for bad debts for dividends receivable and interest receivable, the above receivables were in the first stage and no major bad debt provision was made.

(b) As at 31 December 2020, provision for bad debts of other receivables made on the grouping basis were analysed as follows:

	31 December 2020			31 December 2019		
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts	
	Amount	Amount	Provision ratio	Amount	Amount	Provision ratio
Stage 1 - 12-month ECL						
Receivables within 1 year from related parties and third parties	<u>5,989,24</u>	<u>31,069</u>	0.1%-2%	<u>3,432,558</u>	<u>22,292</u>	0%-2%
Stage 2 - Lifetime ECL						
Receivables within 1 year from related parties	<u>1,015,622</u>	<u>182,114</u>	18%	<u>-</u>	<u>-</u>	-
Stage 3 - Lifetime ECL						
1 to 2 years	1,373,380	46,087	1%-5%	408,639	4,419	1%-5%
2 to 3 years	474,336	33,257	7%-15%	109,840	13,235	8%-15%
Over 3 years	<u>358,308</u>	<u>168,856</u>	18%-100%	<u>266,420</u>	<u>144,461</u>	18%-100%
	<u>2,206,024</u>	<u>248,200</u>		<u>784,899</u>	<u>162,115</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(9) Other receivables (Cont'd)

(c) Movements in provision for bad debts of other receivables were as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Balance at 31 December 2019	22,292	-	162,115	184,407
Net increase in the current period	8,777	182,114	86,085	276,976
Balance at 31 December 2020	31,069	182,114	248,200	461,383

(d) As at 31 December 2020, other receivables from top five debtors in respect of outstanding balance were analysed as follows:

	Nature	Balance	Aging	% of the total balance of other receivables	Provision for bad debts
Other receivables 1	Related party loans	1,015,622	Within 1 year	11%	182,114
Other receivables 2	Land collection and savings	983,940	Within 1 year	10%	-
Other receivables 3	Land collection and savings	451,920	Within 1 year	5%	-
Other receivables 4	Security deposits	401,199	Within 1 year	4%	-
Other receivables 5	Security deposits	300,000	Within 1 year	3%	-
		3,152,681			182,114

(10) Financial assets purchased under resale agreements

	31 December 2020	31 December 2019
Classification of reverse repurchase agreements by collaterals:		
Corporate bonds	79,301	30,800

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(11) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2020			31 December 2019		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Materials in transit	128,026	-	128,026	58,526	-	58,526
Raw materials	6,029,525	535,745	5,493,780	5,430,627	598,992	4,831,635
Self-produced semi-finished goods	1,037,305	62,361	974,944	1,206,194	79,286	1,126,908
Work in progress	10,164,560	765,866	9,398,694	10,539,107	842,696	9,696,411
Finished goods	14,052,018	510,274	13,541,744	11,434,163	517,210	10,916,953
Repair accessories	342,244	-	342,244	283,782	-	283,782
Low value consumables	24,562	855	23,707	33,304	5,015	28,289
Others	82,918	-	82,918	61,995	-	61,995
	31,861,158	1,875,101	29,986,057	29,047,698	2,043,199	27,004,499

Net realisable value of the Group is determined based on the estimated selling price less the estimated costs to completion and estimated costs necessary to make the sales and related taxes. The reversal of provision for decline in the value of inventories in the current period is due to the rising product price, and the write-off is due to the sales of inventories in the current period.

As at 31 December 2020, the carrying amount of the inventories pledged as collaterals for short-term bank mortgage loans was none (31 December 2019: RMB 400,000,000).

(b) Provision for decline in the value of inventories is analysed as follows:

	31 December 2019	Increase in the current period	Carrying amount	Ending balance	Provision for decline in the value of inventories and contract performance costs	Carrying amount
		Provision	Reversal	Write-off	Other decrease	
Raw materials	598,992	136,151	(37,794)	(156,694)	-	535,745
Self-produced semi-finished goods	79,286	31,608	(47,406)	(1,127)	-	62,361
Work in progress	842,696	473,794	(148,363)	(342,168)	(60,500)	765,866
Finished goods	517,210	177,598	(138,241)	(47,654)	-	510,274
Low value consumables	5,015	3,021	-	(7,181)	-	855
	2,043,199	822,172	(371,804)	(554,824)	(60,500)	1,875,101

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(12) Contract assets

	31 December 2020	31 December 2019
Contract assets	40,704,869	34,449,024
Less: Provision for impairment of contract assets	(1,114,855)	(1,047,052)
Less: Contract assets included in other non-current assets Note 4(29))	(10,434,130)	(8,417,270)
	<u>29,155,884</u>	<u>24,984,702</u>

(a) For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2020, the Group's contract assets were not overdue. Contract assets with provision for impairment made on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL rate	Provision for impairment	Reason
Contract assets 1	241,165	100%	241,165	(i)
Contract assets 2	61,043	100%	61,043	The other party in a difficult financial situation, unrecoverable by estimation
Contract assets 3	47,483	100%	47,483	The other party in a difficult financial situation, unrecoverable by estimation
Others	139,389	100%	139,389	The other party in a difficult financial situation, unrecoverable by estimation
	<u>489,080</u>		<u>489,080</u>	

- (i) As at 31 December 2020, the Group's contract assets due from a certain client represented RMB 241,165,000. As the client is short of funding and gets involved in several litigations, the Group expects it is difficult to recover the contract assets, and therefore makes provision for impairment of the contract assets in full.

(b) For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component. As at 31 December 2019, the Group's contract assets were not overdue. Contract assets with provision for impairment made on the individual basis were analysed as follows:

	Ending balance	Lifetime ECL rate	Provision for impairment	Reason
Contract assets 1	238,998	100%	238,998	(i)
Contract assets 2	47,403	100%	47,403	The other party in a difficult financial situation, unrecoverable by estimation
Contract assets 3	47,116	100%	47,116	The other party in a difficult financial situation, unrecoverable by estimation
Others	178,525	59%	106,131	The other party in a difficult financial situation, unrecoverable by estimation
	<u>512,042</u>		<u>439,648</u>	

- (i) As at 31 December 2019, the Group's contract assets due from a certain client represented RMB 238,998,000. As the client is short of funding and gets involved in several litigations, the Group expects it is difficult to recover the contract assets, and therefore makes provision for impairment of the contract assets in full.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(12) Contract assets (Cont'd)

(c) As at 31 December 2020, contract assets with provision for bad debts made on the grouping basis were analysed as follows:

Group - Contract assets :

	31 December 2020		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	40,215,789	0.1%-2.7%	625,775

(d) As at 31 December 2019, contract assets with provision for bad debts made on the grouping basis were analysed as follows:

Group - Contract assets :

	31 December 2019		
	Ending balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	33,936,982	0.2%-3.0%	607,404

(13) Assets held for sale and liabilities held for sale

	31 December 2020		
	Ending balance before transfer to held for sale -	Provision for impairment of assets held for sale	amount
Assets held for sale -			
Shanghai Boiler Works Co. Ltd. Idle assets (a) -			
Accounts receivable	312,636	(191,064)	121,572
Inventory	69,378	(60,500)	8,878
Other receivables	19,906	(19,374)	532
Long-term prepaid expenses	40,286	-	40,286
Total	442,206	(270,938)	171,268
Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. assets and liabilities (b)-			
Cash at bank and on hand	101	-	101
Other receivables	55	-	55
Other current assets	2,130	-	2,130
Investment properties	177,321	-	177,321
subtotal	179,607	-	179,607
Total	621,813	(270,938)	350,875
Liabilities held for sale -			
Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. assets and liabilities (b)-			
Accounts payable	518	-	518
Taxes payable	7,611	-	7,611
Other payables	2	-	2
Total	8,131	-	8,131

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(13) Assets held for sale and liabilities held for sale (Cont'd)

- (a) In 2020, Shanghai Boiler Works Co., Ltd., a subsidiary of the Group, entered into a transfer agreement with Shanghai Electric Enterprise Development Co., Ltd., a subsidiary of SEC, to transfer certain assets to the latter with 30 June 2020 as the base date. The assets to be transferred include accounts receivable, long-term prepaid expenses, inventories and other receivables whose net value are RMB121,572,000, RMB40,286,000, RMB8,878,000 and RMB532,000 respectively. The transfer of above assets and liabilities will not result in significant losses to the Group and is expected to be completed within 2021. The to-be-transferred assets meet the recognition criteria for held for sale and are presented as assets held for sale and liabilities held for sale in the balance sheet.
- (b) In 2020, Suzhou Thvow Technology Co. Ltd., a subsidiary of the Group, entered into a transfer agreement with Pacific Mechatronic (Group) Co., Ltd., a subsidiary of SEC, to transfer its 100% equity interest in Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. to Pacific Mechatronic (Group) Co., Ltd. with 15 September 2020 as the base date. The net value of to-be-transferred assets and liabilities including cash at bank and on hand, other receivables, other current assets, fixed assets, trade payables, taxes payable and other payables are RMB101,000, RMB55,000, RMB2,130,000, RMB177,321,000, RMB518,000, RMB7,611,000 and RMB2,000 respectively. The transfer of above assets and liabilities will not result in significant losses to the Group and is expected to be completed within 2021. The to-be-transferred assets and liabilities meet the recognition criteria for held for sale and are presented as assets held for sale and liabilities held for sale in the balance sheet.

	31 December 2019	
	Ending balance before transfer to held for sale	Provision for impairment of assets held for sale
		Amount
Assets held for sale -		
Intangible assets	9,788	-
		9,788

In 2008, the Group obtained the land-use rights of a lot located in Shanghai Lin-Gang Special Area ("Lin-Gang Land"), which were unused for the failure to complete the project resulting from the transfer of production capacity. As at 31 December 2019, the cost of the unused land was RMB12,350,000 and the accumulated amortisation was RMB2,562,000. In view of the new development plan, the Group applied for the purchase and reserve of Lin-Gang Land to relevant authorities in July 2019, for the purpose of addressing such unused land. On 31 July 2019, Development and Construction Administrative Committee of Shanghai Lin-Gang Special Area agreed to start the purchase and reserve of Lin-Gang Land. This asset transfer was completed in 2020.

(14) Current portion of non-current assets

		31 December 2020	31 December 2019
Finance lease receivables	4(17)	2,945,802	3,492,112
Other long-term receivables	4(17)	410,840	335,698
Loans and advances	4(16)	3,283	-
		3,359,925	3,827,810

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(15) Other current assets

		31 December 2020	31 December 2019
Loans due within 1 year	(a)	6,180,989	7,699,285
Other debt investments due within 1 year (Note 4(18))	(b)	8,667,077	7,972,990
Input VAT to be offset		1,950,078	975,366
Discounted notes	(c)	126,536	350,515
Prepaid VAT		275,837	319,143
Prepaid income tax		27,548	194
Others		249,215	226,640
		<u>17,477,280</u>	<u>17,544,133</u>

(a) Loans due within 1 year

	31 December 2020			31 December 2019		
	Total	Provision for impairment	Net book value	Total	Provision for impairment	Net book value
Loan	<u>6,512,300</u>	<u>331,311</u>	<u>6,180,989</u>	<u>8,142,500</u>	<u>443,215</u>	<u>7,699,285</u>

Loans represent that provided by Finance Company to related parties within SEC.

As at 31 December 2021, the balance of loans representing loans provided by shareholders who hold 5% (inclusive) voting rights in the Company was RMB 5,767,000,000 (31 December 2018: RMB 6,957,000,000). The Group's balance of loans from other related parties is stated in Note 8(7).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(15) Other current assets (Cont'd)

(a) Loans due within 1 year (Cont'd)

Movement in the provision for loan losses is as follows:

	YearFor the year ended 31 December 2020
Opening balance	443,215
Decrease in the current period	(111,904)
Ending Balance	331,311

Analysis on loans by guarantee is as follows:

	31 December 2020	31 December 2019
Credit loans	6,512,300	7,088,000
Mortgage loans	-	1,000,000
Guaranteed loans	-	54,500
	6,512,300	8,142,500

Movement in the provision for loan losses and advance payment impairment is as follows:

	Stage 1		Stage 2		Stage 3	
	12-month ECL		12-month ECL		Lifetime ECL (credit impaired)	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
31 December 2019	7,957,000	424,908	185,500	18,307	-	-
(Decrease)/increase in the current period	(1,690,000)	(116,236)	59,800	4,332	-	-
31 December 2020	6,267,000	308,672	245,300	22,639	-	-

- (i) As at 31 December 2020, the Group had no loans at Stage 3, neither loan transfer between the Stages.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(15) Other current assets (Cont'd)

(a) Loans due within 1 year (Cont'd)

(ii) As at 31 December 2020, provision for bad debts of short-term loans at Stage 1 was analysed below:

	Ending balance	12-month ECL rate	Provision for bad debts
Individual Provision	6,267,000	1%-7%	308,672

As at 31 December 2019, provision for bad debts of short-term loans at Stage 1 was analysed below:

	Ending balance	12-month ECL rate	Provision for bad debts
Individual Provision	7,957,000	1%-7%	424,908

(iii) As at 31 December 2020, provision for bad debts of short-term loans at Stage 2 was analysed below:

	Ending balance	Lifetime ECL rate	Provision for bad debts
Individual Provision	245,300	8%-18%	22,639

As at 31 December 2019, provision for bad debts of short-term loans at Stage 2 was analysed below:

	Ending balance	Lifetime ECL rate	Provision for bad debts
Individual Provision	185,500	8%-15%	18,307

(b) Other debts investments due within 1 year

		31 December 2020	31 December 2019
Interbank deposits	4(18)	8,667,077	7,972,990

The Group believed that the risk of credit impairment of other debt investments due within 1 year was remote. Therefore, no provision for credit impairment losses was made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(15) Other current assets (Cont'd)

(c) Discounted notes

The maturity dates of the discounted notes are as follows:

	31 December 2020	31 December 2019
Within 3 months	104,590	244,891
3 to 6 months	88,986	117,085
6 to 12 months	-	7,500
	<u>193,576</u>	<u>369,476</u>
Less: Provision for impairment of discounted notes	<u>(67,040)</u>	<u>(18,961)</u>
	<u>126,536</u>	<u>350,515</u>

Discount of notes represents the discount of bank acceptance notes and trade acceptance notes rendered by Finance Company.

Movement in provision for impairment of discounted notes is as follows:

	31 December 2020	31 December 2019
Opening balance	18,961	10,466
Increase in the current period	<u>48,079</u>	<u>8,495</u>
Ending Balance	<u>67,040</u>	<u>18,961</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(16) Loans and advance

	31 December 2020			31 December 2019		
	Ending balance	provision	Carrying amount	Ending balance	provision	Carrying amount
Loan and advance	400,000	71,725	328,275	-	-	-
less: loan within 1 year	(4,000)	(717)	(3,283)	-	-	-
	<u>396,000</u>	<u>71,008</u>	<u>324,992</u>	<u>-</u>	<u>-</u>	<u>-</u>

Loans and advances are loans provided by finance companies to related parties within the SEG.

	For the year ended 31 December 2020
Opening balance	-
Increase in the current period	71,725
Ending Balance	<u>71,725</u>

Loans and advance (including the current portion) analysed based on guarantee method:

	31 December 2020	31 December 2019
Credit Loans	<u>400,000</u>	<u>-</u>

Movement in the provision for loan losses and advance payment (including the current portion) impairment is as follows:

	Stage 1		Stage 2		Stage 3	
	12-month ECL		Lifetime ECL		Lifetime ECL	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
31 December 2019	-	-	-	-	-	-
Increase in the current period	-	-	400,000	71,725	-	-
31 December 2020	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>71,725</u>	<u>-</u>	<u>-</u>

- (i) As at 31 December 2020, the Group did not have a loan receivable in stage 3, and there was no transfer among three stages.
- (ii) As at 31 December 2020, the provision for bad debts of loans and advances (including the current portion) in stage 2 was analysed as below:

	31 December 2020		
	Ending balance	Lifetime ECL rate	Provision for bad debts
Individual Provision	<u>400,000</u>	<u>18%</u>	<u>71,725</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(17) Long-term receivables

	31 December 2020			31 December 2019		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Finance lease receivables (a)	8,428,869	(1,237,653)	7,191,216	10,235,578	(1,068,097)	9,167,481
Loans receivable from related parties (Note 8(6))	1,263,632	(264,036)	999,596	1,297,540	(252,148)	1,045,392
Franchise receivables(e)	825,820	(8,245)	817,575	838,762	(3,425)	835,337
Others	272,391	(4,099)	268,292	5,008	(2,378)	2,630
	10,790,712	(1,514,033)	9,276,679	12,376,888	(1,326,048)	11,050,840
Less: Current portion of long-term receivables	(4,538,012)	1,181,370	(3,356,642)	(4,668,873)	841,063	(3,827,810)
	6,252,700	(332,663)	5,920,037	7,708,015	(484,985)	7,223,030

(a) Finance lease receivables

	31 December 2020	31 December 2019
Finance lease receivables	9,894,444	11,962,958
Less: Unrealised financing income	(1,465,575)	(1,727,380)
Balance of finance lease receivables	8,428,869	10,235,578
Less: Provision for impairment of lease receivables	(1,237,653)	(1,068,097)
Finance lease receivables - net	7,191,216	9,167,481
Less: Current portion of finance lease receivables	(2,945,802)	(3,492,112)
	4,245,414	5,675,369

As at 31 December 2020, there were no unguaranteed residual values in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded.

(b) Aging analysis of finance lease receivables is as follows:

	31 December 2020	31 December 2019
Within 1 year	4,758,809	5,120,117
1 to 2 years	1,858,278	2,727,458
2 to 3 years	1,106,034	1,687,602
Over 3 years	2,171,323	2,427,781
	9,894,444	11,962,958

(c) Movement in the provision for impairment of Long-term receivables (including current portion) is as follows:

	31 December 2019	Increase in the current period	decrease in the current period	31 December 2020
Provision	1,326,048	187,985	-	1,514,033

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(17) Long-term receivables (Cont'd)

(d) Movement in the provision for impairment of finance lease receivables (including current portion)

	Stage 1		Stage 2		Stage 3	
	12-month ECL		Lifetime ECL		Lifetime ECL	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
1 January 2020	7,089,485	121,053	1,183,740	157,176	1,962,353	789,868
Net decrease in the current year	(1,331,565)	(27,365)	(329,237)	(43,335)	(145,907)	(54,572)
New provision (Note 1)	-	24,543	-	116,926	-	153,359
Transfer in the current year	(1,316,765)	(11,523)	293,656	(80,975)	1,023,109	92,498
Transfer from Stage 1 to Stage 2	(1,077,029)	(22,134)	1,077,029	22,134	-	-
Transfer from Stage 1 to Stage 3	(379,628)	(7,802)	-	-	379,628	7,802
Transfer from Stage 2 to Stage 3	-	-	(643,481)	(84,696)	643,481	84,696
Transfer from Stage 2 to Stage 1	139,892	18,413	(139,892)	(18,413)	-	-
31 December 2020	4,441,155	106,708	1,148,159	149,792	2,839,555	981,153

Note 1: The item mainly includes the probability of default caused by the regular update of the model parameters, the default exposure, the change of the default loss rate and the impact of the phase change on the measurement of ECLs.

- (i) As at 31 December 2020, the provision for bad debts of long-term receivables (including current portion) at Stage 1 was analysed below:

	Ending balance	12-month ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including current portion)	4,441,155	0.1%-3%	106,708

As at 31 December 2019, the provision for bad debts of Long-term receivables (including current portion) at Stage 1 was analysed below:

	Ending balance	Lifetime ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including current portion)	7,089,485	0.1%-2%	121,053

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(17) Long-term receivables (Cont'd)

(d) Movement in the provision for impairment of finance lease receivables (Cont'd)

- (ii) As at 31 December 2020, the provision for bad debts of Long-term receivables (including current portion) at Stage 2 was analysed below:

	Ending balance	12-month ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including current portion)	1,148,159	4-21%	149,792

As at 31 December 2019, the provision for bad debts of Long-term receivables (including current portion) at Stage 2 was analysed below:

	Ending balance	Lifetime ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including current portion)	1,183,740	3-23%	157,176

- (iii) As at 31 December 2020, the provision for bad debts of Long-term receivables (including current portion) at Stage 3 was analysed below:

	Ending balance	Lifetime ECL rate	Provision for bad debts	Reason
Finance lease receivables 1	189,077	51%	96,462	Legal disputes exist, Unrecoverable by estimation
Finance lease receivables 2	181,154	81%	146,226	Legal disputes exist, Unrecoverable by estimation
Finance lease receivables 3	105,975	73%	77,568	Legal disputes exist, Unrecoverable by estimation
Others	2,363,349	28%	660,897	Unrecoverable by estimation
	<u>2,839,555</u>		<u>981,153</u>	

- (iii) As at 31 December 2019, the provision for bad debts of Long-term receivables (including current portion) at Stage 3 was analysed below:

	Ending balance	Lifetime ECL rate	Provision for bad debts	Reason
Finance lease receivables 1	189,077	79%	150,000	Legal disputes exist, Unrecoverable by estimation
Finance lease receivables 2	181,154	43%	77,465	Legal disputes exist, Unrecoverable by estimation
Finance lease receivables 3	105,975	37%	38,750	Legal disputes exist, Unrecoverable by estimation
Others	1,486,147	35%	523,653	Unrecoverable by estimation
	<u>1,962,353</u>		<u>789,868</u>	

- (e) In 2015, a franchise agreement for investment, construction, operation and transfer of a water distribution project at the municipal level was signed between subsidiaries of the Group and relevant government departments. Since the amount of unconditional payment was not confirmed by the Group in 2018 when the project was completed and the water supply started, so the project was treated as an intangible asset. In October 2019, the relevant government departments confirmed that at least RMB 1,119,152,000 would be paid to subsidiaries of the Group over the next ten years. Thus, the Group recognised the present value of RMB 868,391,000 as long-term receivables and reduced the intangible asset accordingly. As at 31 December 2019, the Group had recovered RMB 127,700,000.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(18) Other debt investments

	31 December 2020	31 December 2019
Debt instrument investments -		
Interbank deposits ((a) and (b))	8,667,077	7,972,990
Bond investments (b)	420,183	61,729
	9,087,260	8,034,719
Including:		
- Cost	8,993,991	7,960,200
- Accumulated changes in fair value	93,269	74,519
Less: Other debt investments presented in other current assets (Note 4(15))	(8,667,077)	(7,972,990)
	420,183	61,729

For the year ended 31 December 2020, the Group disposed debt instrument investments of RMB 12,307,672,000 at a consideration of RMB 12,537,916,000 and transferred the accumulated other comprehensive income of RMB 230,244,000 to investment income (Note 4(65)).

As at 31 December 2020, the Group expected that the risk exposure of such debt instrument investments was low. Thus, no provision for credit losses was made.

(a) Interbank deposits

The interbank deposits held by the Group mainly include:

Name of interbank deposits	Primary activities engaged in by the interbank deposits	Carrying amount as at 31 December 2020
Interbank deposits 1	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	492,730
Interbank deposits 2	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	488,282
Interbank deposits 3	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	488,282
Interbank deposits 4	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	390,961

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(18) Other debt investments (Cont'd)

(b) The related information on other debt investments measured at fair value is as follows:

	31 December 2020	31 December 2019
Bonds		
- Fair value	420,183	61,729
- Amortised cost	418,469	60,244
- Accumulation in other comprehensive income	1,714	1,485
- Accumulated provision for impairment	-	-
Interbank deposits		
- Fair value	8,667,077	7,972,990
- Cost	8,575,522	7,899,956
- Accumulation in other comprehensive income	91,555	73,034
- Accumulated provision for impairment	-	-
Total		
- Fair value	9,087,260	8,034,719
- Amortised cost	8,993,991	7,960,200
- Accumulation in other comprehensive income	93,269	74,519
- Accumulated provision for impairment	-	-

(19) Long-term equity investments

	31 December 2020	31 December 2019
Joint ventures (a)	2,982,621	2,218,703
Associates (b)	10,738,120	13,351,174
	13,720,741	15,569,877
Less: Provision for impairment of long-term equity investments	(7,008)	(451,106)
	13,713,733	15,118,771

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(19) Long-term equity investments (Cont'd)

(a) Joint ventures

	Movements in the current period										31 December 2020	shareholding ratio	Provision for impairment
	31 December 2019	Increase in investments	Decrease in investments	Share of net profit/loss under equity method	Share of other comprehensive income	Share of other changes in equity	Subsidiary combined from business combination involving enterprises not under common control	Cash dividends or profits declared	Provision for impairment	Others			
Shanghai FANUC Robotics Co., Ltd.	1,279,145	-	-	165,071	-	-	-	(26,817)	-	-	1,417,399	50%	-
Shanghai Yun Zhong Xin Enterprise Development Co., Ltd.(i)	657,816	-	-	(3,079)	-	-	-	-	-	-	654,737	55%	-
Shanghai Fanuc International Trading Co., Ltd.	138,697	-	-	8,984	-	-	-	-	-	-	147,681	25%	-
Shanghai Yun Hui Enterprise Development Co., Ltd.(ii)	-	222,000	-	(128)	-	-	-	-	-	-	221,872	60%	-
Shanghai Yun Hong Enterprise Development Co., Ltd.	-	297,000	-	-	-	-	-	-	-	-	297,000	45%	-
Others	143,045	3,000	(504)	99,549	-	-	-	(1,158)	-	-	243,932	-	-
	2,218,703	522,000	(504)	270,397	-	-	-	(27,975)	-	-	2,982,621	-	-

Please refer to Note 6(2) for information related to equity in joint ventures.

- (i) Shanghai Electric Group Real Estate Co., LTD., one of the subsidiaries of the Group, holds 55% of the shares in Shanghai Yunzhongxin Enterprise Development Co., Ltd. According to the articles of association of Shanghai Yunzhongxin Enterprise Development co., LTD., major financial and business decisions of the company must be unanimously voted by all shareholders, so it is accounted as a joint venture.
- (ii) Shanghai Electric Group Real Estate Co., LTD., one of the subsidiaries of the Group, holds 60% of the shares in Shanghai Yunhui Enterprise Development Co., Ltd. According to the articles of association of Shanghai Yunhui Enterprise Development co., LTD., major financial and business decisions of the company must be unanimously voted by all shareholders, so it is accounted as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(19) Long-term equity investments (Cont'd)

(b) Associates

	Movements in the current period											31 December 2020	shareholding ratio	Provision for impairment
	31 December 2019	Increase in investments	Decrease in investments	Share of net profit/loss under equity method	Share of other comprehensive income	Subsidiary combined from business combination involving enterprises not under common control	Share of other equity movement	Disposal of subsidiaries into associates	Cash dividends or profits declared	Provision for impairment	Others			
China Energy Engineering Group Co., Ltd.	1,085,711	-	-	(99,076)	-	-	-	-	-	-	-	986,635	20%	-
Shanghai Mitsubishi Electric Shanglin Air Conditioner Electric Co., Ltd.	698,372	-	-	20,300	-	-	-	-	-	-	-	718,672	47.58%	-
Shanghai Electric Investment (Dubai) Co. Ltd	16,918	589,962	-	490	-	-	-	-	-	-	-	607,370	39.20%	-
Shanghai Rail Traffic Equipment Development Co., Ltd.	566,525	-	-	25,638	-	-	-	-	-	-	-	592,163	49%	-
Shanghai Jintai Engineering Machinery Co., Ltd.	550,157	-	-	34,369	-	-	-	-	(41,650)	-	-	542,876	49%	-
Ningxia Ningbo Industrial Investment Fund (Limited Partnership)	490,000	-	-	-	-	-	-	-	-	-	-	490,000	25.91%	-
Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co., Ltd.	456,926	-	-	4,178	-	-	-	-	-	-	-	461,104	40%	-
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	402,915	-	-	33,743	-	-	-	-	(28,271)	-	-	408,387	30%	-
Haitong UniFortune International Leasing Co., Ltd. (i)	294,618	-	-	32,165	-	-	-	-	(31,176)	-	-	295,607	2.88%	-
Shanghai Ri Yong – JEA Gate Electric Co., Ltd	273,198	-	-	20,809	-	-	-	-	(15,000)	-	-	279,007	40%	-
Chongqing Shenhua Thin Film Co., Ltd.	246,348	-	-	(1,786)	-	-	-	-	-	-	-	244,562	20%	-
Shanghai Pudong New Area Zhangjiang Petty Loan Limited Company	402,915	-	-	17,534	-	-	-	-	(15,453)	-	-	226,683	24%	-
Shanghai Nabtesco Hydraulic Co., Ltd.	187,093	-	-	78,770	-	-	-	-	(43,900)	-	-	221,963	33%	-
Zhejiang Zhuji Lianchuang Yongjun Equity Investment Partnership (Limited Partnership)	154,512	42,000	-	(477)	-	-	-	-	-	-	-	196,035	20.92%	-
Legend Electric (Shenyang) Co., Ltd	118,806	-	-	74,371	-	-	-	-	(35,000)	-	-	158,177	35%	-

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(19) Long-term equity investments (Cont'd)

(b) Associates (Cont'd)

	Movements in the current period											31 December 2020	shareholding ratio	Provision for impairment
	31 December 2019	Increase in investments	Decrease in investments	Share of net profit/loss under equity method	Share of other comprehensive income	Subsidiary combined from business combination involving enterprises not under common control	Share of other equity movement	Disposal of subsidiaries into associates	Cash dividends or profits declared	Provision for impairment	Others			
Chongqing Fuling Energy Industry Group Co., Ltd.	168,181	-	-	15,912	-	-	-	-	(1,424)	-	-	182,669	10%	-
Shanghai Siemens Switchgear Co., Ltd.	162,248	-	-	95,054	-	-	-	-	(76,064)	-	-	181,238	45%	-
Nanjing Panneng Power Technology Co., Ltd.	179,653	-	-	1,870	-	-	-	-	(7,500)	-	-	174,023	25%	-
Shanghai Marathon Innovation Electric Co., Ltd.	154,603	-	-	19,478	-	-	-	-	(18,833)	-	-	155,248	45%	-
Shanghai KSB Pump Co., Ltd.	124,971	-	-	16,196	-	-	-	-	(6,200)	-	-	134,967	20%	-
Shanghai Voith Siemens Hydropower Equipment Co., Ltd.	137,970	-	-	21,400	-	-	-	-	(27,267)	-	-	132,103	20%	-
Shanghai Danfoss Hydrostatic Transmission Co., Ltd.	123,025	-	-	36,374	-	-	-	-	(31,902)	-	-	127,497	40%	-
Rudong Haixiang Offshore Wind Power Co., Ltd. (iii)	-	118,800	-	-	-	-	-	-	-	-	-	118,800	18%	-
Zhongfu Lianzhong (Shanghai) Wind Power Technology Co., Ltd.	83,486	-	-	19,376	-	-	-	-	-	-	-	102,862	40%	-
Guangrao Guoxin Equity Investment Fund Management Center (Limited Partnership) (iv)	100,000	-	-	(4)	-	-	-	-	-	-	-	99,996	12.50%	-
Nabtesco (China) Precision Equipment Co., Ltd.	80,164	-	-	16,275	-	-	-	-	-	-	-	96,439	33%	-
Shanghai Clyde Bergemann Machinery Co., Ltd.	91,792	-	-	3,490	-	-	-	-	-	-	-	95,282	30%	-
Shanghai Huaduo Equity Investment Fund Partnership (Limited Partnership)	96,304	-	-	(1,975)	-	-	-	-	-	-	-	94,329	22.94%	-
Shanghai ABB Motor Co., Ltd.	89,557	-	-	24,535	-	-	-	-	(20,029)	-	-	94,063	25%	-
Carrier Air Conditioning Sales Service (Shanghai) Co., Ltd.	82,428	-	-	3,170	-	-	-	-	-	-	-	85,598	30%	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(19) Long-term equity investments (Cont'd)

(b) Associates (Cont'd)

	Movements in the current period											31 December 2020	shareholding ratio	Provision for impairment
	31 December 2019	Increase in investments	Decrease in investments	Share of net profit/loss under equity method	Share of other comprehensive income	Subsidiary combined from business combination involving enterprises not under common control	Share of other equity movement	Disposal of subsidiaries into associates	Cash dividends or profits declared	Provision for impairment	Others			
Shanghai ABB Transformer Co., Ltd.	72,578	-	-	37,092	-	-	-	-	(27,197)	-	-	82,473	49%	-
Shanghai Electric Alstom Baoshan Transformer Co., Ltd.	85,129	-	-	(2,957)	-	-	-	-	-	-	-	82,172	50%	-
Shanghai Schneider Power Distribution Electrical Apparatus Co., Ltd.	76,232	-	-	122,425	-	-	-	-	(124,418)	-	-	74,239	20%	-
Shanghai Schneider Industrial Control Co., Ltd.	65,184	-	-	62,866	-	-	-	-	(57,501)	-	-	70,549	20%	-
AnsaldoEnergiaS.PA(note 8(h))	2,400,679	-	(2,336,687)	(63,992)	-	-	-	-	-	-	-	-	-	-
Shenzhen Yinghe Technology Co., Ltd.	959,022	1,148,466	-	-	-	(2,107,488)	-	-	-	-	-	-	-	-
Others	1,800,161	434,823	(67,480)	(25,544)	-	(10,168)	158,838	-	(170,329)	-	(2,977)	2,117,324	-	(7,008)
	12,900,068	2,334,051	(2,404,167)	642,069	-	(2,117,656)	158,838	-	(779,114)	-	(2,977)	10,731,112	-	(7,008)

Please refer to Note 6(2) for related information on interests in associates.

The Group calculates the investment income at its % of shareholding based on the net profit in the financial statements of their management. The net profit in the financial statements of their management is a reasonable approximation of that in the audited statutory financial statements.

- (i) Although Shanghai Electric Hong Kong Limited, a subsidiary of the Group, holds 2.88% of shares in Haitong UniFortune International Leasing Co., Ltd, the Group has the right to appoint directors to exert significant influence on the company, so it is accounted as an associate.
- (ii) Although China National Machinery Power Engineering Co., Ltd., a subsidiary of the Group, holds 10% shares in Chongqing Fuling Energy Industry Group Co., Ltd, but the Group has the right to appoint directors to the company, thus having a significant influence on the company, so it is accounted as an associate.
- (iii) Although Shanghai Electric Wind Power Group Co., Ltd., a subsidiary of the Group, holds 18% of shares in Rudong Haixiang Offshore Wind Power Co., Ltd., but the Group has the right to appoint directors to the company, thus having a significant influence on the company, so it is accounted as an associate.
- (iv) Although Suzhou Thvow Technology Co., Ltd., a subsidiary of the Group, holds 12.5% of the shares in Guangrao Guoxin Equity Investment Fund Management Center (Limited Partnership), but the Group has the right to appoint directors to the company, thus having a significant influence on the company, so it is accounted as an associate.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(20) Other non-current financial assets

	31 December 2020	31 December 2019
Equity investments in unlisted companies	5,029,887	5,041,934
Stock and fund investments	527,286	390,368
	<u>5,557,173</u>	<u>5,432,302</u>

(a) The unlisted equity investments held by the Group mainly include:

Company	31 December 2020	31 December 2019	shareholding ratio	Cash dividends
Company 1	1,741,405	1,886,901	2.02%	51,184
Company 2	1,658,040	1,524,496	19.00%	38,000
Company 3	628,882	514,000	7.40%	-
Others	<u>1,001,560</u>	<u>1,116,537</u>		<u>66</u>
	<u>5,029,887</u>	<u>5,041,934</u>		<u>89,250</u>

(b) The stocks and fund investments held by the Group mainly include:

Stock、fund	Total market capitalization	31 December 2020	31 December 2019
Stock1	30.08 billion	255,000	275,250
Stock2	9.17 billion	35,673	40,099
Stock3	117.63 billion	25,490	30,854
Stock4	24.56 billion	14,137	15,730
Stock5	1.52 billion	14,935	14,935
Other		<u>182,051</u>	<u>13,500</u>
		<u>527,286</u>	<u>390,368</u>

The above stock and fund investments are included in other non-current financial assets due to the Group plans to hold on long-term basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(21) Investment properties

	31 December 2019	Transfer from fixed assets	Additions due to acquisition of subsidiaries	Increase in the current period	Decrease in the current period	31 December 2020
Cost	1,995,332	7,038	89,343	32,716	(285,534)	1,838,895
Accumulated depreciation	860,668	654	-	87,810	(10,687)	938,445
Provision for impairment	273	-	-	-	-	273
Net book value	<u>1,134,391</u>	-	-	-	-	<u>900,177</u>

For the year ended 31 December 2020, depreciation charged to investment properties was RMB 87,810,000 (2019: RMB 88,108,000).

For the year ended 31 December 2020, the Group disposed of certain investment properties with an original carrying amount of RMB108,213,000, resulting in a gain of RMB19,410,000 (2019: the Group disposed of certain investment properties with a carrying amount of RMB66,309,000, resulting in a loss of RMB32,006,000) (Note 4(67)). In addition, certain investment properties with a carrying amount of RMB177,321,000 were transferred to assets held for sale (Note 4(13)).

As at 31 December 2020, the carrying amounts of investment properties leased to associates and third parties were RMB 56,519,000 and RMB 843,658,000 respectively. It is mainly used for its production and operation, and the Group conducts daily maintenance and management of the investment real estate.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(22) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Office equipment and others	Total
Cost					
31 December 2019	13,146,705	17,561,755	512,228	1,775,637	32,996,325
Increase in the current period					
Purchase	384,331	520,184	90,734	248,121	1,243,370
Transfers from construction in progress	1,112,031	880,884	7,405	100,476	2,100,796
Additions due to acquisition of subsidiaries	635,559	236,255	23,015	21,071	915,900
Decrease in the current period					
Disposal and retirement	(766,722)	(889,375)	(101,453)	(213,852)	(1,971,402)
Transfer-out due to disposal of subsidiaries	(652,654)	(315,853)	(356)	(656)	(969,519)
Transfer to investment properties	(7,038)	-	-	-	(7,038)
Currency translation differences	4,955	44,262	73	11,667	60,957
31 December 2020	13,857,167	18,038,112	531,646	1,942,464	34,369,389
Accumulated depreciation					
31 December 2019	4,090,634	10,365,648	366,480	1,200,651	16,023,413
Increase in the current period					
Provision	673,708	996,183	72,782	202,626	1,945,299
Decrease in the current period					
Disposal and retirement	(397,185)	(715,496)	(54,188)	(144,858)	(1,311,727)
Transfer-out due to disposal of subsidiaries	(30,745)	(29,491)	(338)	(597)	(61,171)
Transfer to investment properties	(654)	-	-	-	(654)
Currency translation differences	5,139	29,471	143	9,928	44,681
31 December 2020	4,340,897	10,646,315	384,879	1,267,750	16,639,841
Provision for impairment					
31 December 2019	86,333	170,557	13	372	257,275
Increase in the current period					
Provision	28	1,393	588	1,134	3,143
Decrease in the current period					
Disposal and retirement	(1,204)	(67,591)	-	(44)	(68,839)
31 December 2020	85,157	104,359	601	1,462	191,579
Carrying amount					
31 December 2020	9,431,113	7,287,438	146,166	673,252	17,537,969
31 December 2019	8,969,738	7,025,550	145,735	574,614	16,715,637

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(22) Fixed assets (Cont'd)

- (a) As at 31 December 2020, intangible assets with the carrying amount of RMB118,252,000 (31 December 2019: RMB12,289,000) and fixed assets with the carrying amount of RMB222,686,000 (31 December 2019: RMB97,428,000) were pledged for short-term borrowings of RMB138,000,000 (31 December 2019: RMB117,000,000). As at 31 December 2020, fixed assets with the carrying amount of RMB113,373,000 (31 December 2019: RMB474,330,000) and intangible assets with the carrying amount of RMB162,142,000 were pledged for long-term borrowings of RMB861,354,000. Fixed assets with the carrying amount of RMB54,822,000 were pledged for long-term borrowings of RMB49,947,000. For the year ended 31 December 2020, no buildings were pledged for issuance of bank acceptance notes. As at 31 December 2020, fixed assets with the carrying amount of RMB378,019,000 were pledged for banking facilities.
- (b) For the year ended 31 December 2020, depreciation charged to fixed assets amounted to RMB 1,945,299,000 (2019: RMB 1,674,266,000), including RMB 1,329,322,000, RMB 14,667,000, RMB 410,567,000 and RMB 190,743,000 (2019: RMB 1,055,590,000, RMB 19,936,000, RMB 470,566,000 and RMB 128,174,000) charged to operating cost, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.
- (c) The costs of fixed assets transferred from construction in progress amounted to RMB 2,100,796,000 (for the year ended 31 December 2019: RMB 1,774,162,000).
- (d) As at 31 December 2020, the carrying amounts of fixed assets lent out through operating leases were analysed as follows:

	31 December 2020	31 December 2019
Machinery and equipment	22,282	16,908

- (e) Temporarily idle fixed assets

As at 31 December 2020, machinery and equipment with a carrying amount of approximately RMB 859,000 (a cost of RMB 16,711,000) (31 December 2019: machinery and equipment with a carrying amount of RMB 103,224,000 and a cost of RMB 287,235,000) were temporarily idle.

- (f) As at 31 December 2020, the Group's buildings with a net carrying amount of RMB 223,593,000 were under processing for property certificate due to recent renovation or government planning. Management of SEC believes that there is no substantive legal obstacle for these property certificates, which will not adversely affect the Group's operations.
- (g) There were no terms of guaranteed residual values specified in the lease contract for machinery and equipment signed by the Group as the lessor.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(23) Construction in progress

	31 December 2020			31 December 2019		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Qidong water environment comprehensive control project	1,702,407	-	1,702,407	1,035,265	-	1,035,265
Yumen Xinneng CSP Project	1,393,935	-	1,393,935	1,360,339	-	1,360,339
Shanghai Electric Guoxuan New Energy Technology Project	1,082,793	-	1,082,793	488,117	-	488,117
Lithium battery automation equipment production line	695,933	-	695,933	-	-	-
Maanshan Water Treatment Project	508,702	-	508,702	457,636	-	457,636
Wind power offshore wind turbine manufacturing base project	462,034	(24,155)	437,879	140,581	(24,155)	116,426
Rudong Township Sewage Treatment Bid Section	405,183	-	405,183	218,720	-	218,720
Shanghai Electric Nantong Central Research Institute	375,336	-	375,336	164,994	-	164,994
Rudong Rural Domestic Sewage Treatment Bid Section	375,260	-	375,260	224,194	-	224,194
Huaiyuan County Rural Sewage Treatment Project	293,879	-	293,879	-	-	-
Wujiang Taihu Lake Relocation Project	282,172	-	282,172	200,775	-	200,775
Dandong Municipal Solid Waste Treatment Incineration Power Generation Project	269,734	-	269,734	6,069	-	6,069
Xiangshui Biomass Power Generation Project	181,319	-	181,319	5,571	-	5,571
Mitsubishi production line equipment installation	266,475	-	266,475	161,525	-	161,525
Suixi Biomass Thermal Power Project	170,925	-	170,925	12,549	-	12,549
Construction of one network unified management technical service project in Yangpu District	132,893	-	132,893	-	-	-
Ningbo Haifeng Comprehensive Safe Landfill Treatment	127,165	-	127,165	229,382	-	229,382
Golmud Meiman New Energy Technology Energy Storage Power Station	92,981	-	92,981	-	-	-
Construction project of R&D experimental platform for power transmission and distribution equipment	80,328	-	80,328	69,586	-	69,586
Rugao Factory Project	75,165	-	75,165	37,329	-	37,329
Rugao waste incineration thermal power project	-	-	-	507,282	-	507,282
220KV Convergence Station Project	-	-	-	96,365	-	96,365
Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Plant Project	-	-	-	88,388	-	88,388
Taixing automated assembly line	-	-	-	86,601	-	86,601
Rugao automated assembly line	-	-	-	70,009	-	70,009
Other	624,774	(1,687)	623,087	1,693,856	(7,278)	1,686,578
	9,599,393	(25,842)	9,573,551	7,355,133	(31,433)	7,323,700

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(23) Construction in progress (Cont'd)

(a) Movements in significant construction in progress

Project name	31 December 2019	Additions due to acquisition of subsidiaries	Increase in the current period	Transfer to fixed assets in the current period	Transfer to intangible assets in the current period	decrease due to disposal of subsidiaries	Other decrease	Currency translation differences	31 December 2020	Accumulated capitalised borrowing costs	Including: Capitalised borrowing costs in the current period	Source of funds
Qidong water environment comprehensive control project	1,035,265	-	667,142	-	-	-	-	1,702,407	-	-	-	Self-owned funds
Yumen Xinneng thermal power generation project	1,360,339	-	33,596	-	-	-	-	1,393,935	68,027	22,341	22,341	Self-owned, financing
Shanghai Electric Guoxuan New Energy Technology Project	488,117	-	594,676	-	-	-	-	1,082,793	-	-	-	Self-owned funds
Construction of Lithium Battery Automation Equipment Production Line	-	518,757	177,176	-	-	-	-	695,933	-	-	-	Self-owned funds
Ma'anshan water treatment works	457,636	-	51,066	-	-	-	-	508,702	16,803	9,580	9,580	Financing
Offshore wind power mechanism base project	140,581	-	389,103	(67,650)	-	-	-	462,034	27,659	6,461	6,461	Self-owned, financing
Rudong Township Sewage Treatment Bid Section	218,720	-	186,463	-	-	-	-	405,183	983	983	983	Self-owned, financing
Shanghai Electric Nantong Central Research Institute	164,994	-	210,342	-	-	-	-	375,336	-	-	-	Self-owned funds
Rudong Rural Domestic Sewage Treatment	224,194	-	151,066	-	-	-	-	375,260	1,149	1,149	1,149	Self-owned, financing
Huaiyuan County Rural Sewage Treatment Project	-	-	293,879	-	-	-	-	293,879	-	-	-	Self-owned funds
Wu Jiang Taihu relocation and transformation project	200,775	-	81,397	-	-	-	-	282,172	9,718	7,515	7,515	Self-owned, financing
Dandong Municipal Domestic Waste Treatment Project	6,069	-	263,665	-	-	-	-	269,734	-	-	-	Self-owned funds
Xiangshui Biomass Power Generation Project	5,571	-	175,748	-	-	-	-	181,319	1,315	1,315	1,315	Self-owned, financing
Equipment installation for Mitsubishi production line	161,525	-	229,534	(124,584)	-	-	-	266,475	-	-	-	Self-owned funds
Shanghai Electric Suixi Biomass Thermal Power Project	12,549	-	158,376	-	-	-	-	170,925	5,446	5,446	5,446	Financing
Construction of one network unified management technical service project in Yangpu District	-	-	132,893	-	-	-	-	132,893	-	-	-	Self-owned funds
Ningbo Hi-Firm integrated landfill treatment project	229,382	-	95,371	(197,588)	-	-	-	127,165	23,470	4,834	4,834	Self-owned, financing
Golmud Meiman New Energy Technology Energy Storage Power Station	-	-	92,981	-	-	-	-	92,981	-	-	-	Self-owned funds
Construction project of R&D experimental platform for power transmission and distribution equipment	69,586	-	10,742	-	-	-	-	80,328	-	-	-	Self-owned funds
Rugao Factory Project	37,329	-	62,237	(24,401)	-	-	-	75,165	-	-	-	Self-owned funds
Rugao Waste Incineration Thermal Power Project	507,282	-	514,048	-	(1,021,330)	-	-	-	7,939	7,407	7,407	Self-owned, financing
220KV Convergence Station Project	96,365	-	-	(96,365)	-	-	-	-	-	-	-	Self-owned funds
Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Plant Project	88,388	-	-	-	-	(88,388)	-	-	-	-	-	Self-owned funds
Taixing automated assembly line	86,601	-	-	(86,601)	-	-	-	-	-	-	-	Self-owned funds
Rugao automated assembly line	70,009	-	-	(70,009)	-	-	-	-	-	-	-	Self-owned funds
Others	1,693,856	26,716	1,213,156	(1,433,598)	(44,958)	(827,301)	(3,097)	624,774	71,569	40,183	40,183	
	<u>7,355,133</u>	<u>545,473</u>	<u>5,784,657</u>	<u>(2,100,796)</u>	<u>(1,066,288)</u>	<u>(915,689)</u>	<u>(3,097)</u>	<u>9,599,393</u>	<u>234,078</u>	<u>107,214</u>	<u>107,214</u>	

For the year ended 31 December 2020, the capitalised interest amounted to RMB 107,214,000 (2019: RMB 83,250,000).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(23) Construction in progress (Cont'd)

(b) Budget of major construction in progress

Project name	budget	31 December 2019	Additions due to acquisition of subsidiaries	Increase in the current period	Transfer to fixed assets in the current period	Transfer to intangible assets in the current period	Other decrease	Currency translation differences	31 December 2020	Project investment as a percentage of budget	project progress (%)	capitalised interest	including: the capitalised interest in current year	capitalised rate(%) in current year	Source of funds
Qidong Water Environment Comprehensive Improvement Project	2,799,000	1,035,265	-	667,142	-	-	-	-	1,702,407	84	84	-	-	-	Self- owned funds
Yumen Xinneng CSP Project	1,790,120	1,360,339	-	33,596	-	-	-	-	1,393,935	78	78	68,027	22,341	4.83	Financing
Shanghai Electric Guoxuan New Energy Technology Project	1,337,820	488,117	-	594,676	-	-	-	-	1,082,793	90	90	-	-	-	Self- owned funds
Construction of Lithium Battery Automation Equipment Production Line	1,131,828	-	518,757	177,176	-	-	-	-	695,933	55	55	-	-	-	Self- owned funds
Maanshan Water Treatment Project Rudong Township Sewage Treatment Bid Section	554,000	457,636	-	51,066	-	-	-	-	508,702	89	89	16,803	9,580	4.64	Financing
	498,780	218,720	-	186,463	-	-	-	-	405,183	89	89	983	983	6.71	Financing
Shanghai Electric Nantong Central Research Institute	533,800	164,994	-	210,342	-	-	-	-	375,336	48	48	-	-	-	Self- owned funds
Rudong Rural Domestic Sewage Treatment	412,180	224,194	-	151,066	-	-	-	-	375,260	89	89	1,149	1,149	3.91	Self- owned, financing

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(24) Right-of-use assets

	Buildings	Machinery and equipment	Motor vehicles	Computers and electronic equipment	Land Use Rights	Total
Cost						
31 December 2019	1,335,506	253,139	35,412	28,905	25,142	1,678,104
Increase in the current period						
New lease contracts	337,260	48,488	28,257	9,744	136	423,885
Additions due to acquisition of subsidiaries	100,502	-	-	-	14,879	115,381
Change of lease contracts	3,545	880	-	-	-	4,425
Decrease in the current period						
Change of lease contracts	(192,065)	(177,104)	(4,430)	(6,653)	(4,202)	(384,454)
Others	(37,638)	(7,118)	-	-	-	(44,756)
Currency translation differences	2,006	7,777	1,172	467	-	11,422
31 December 2020	1,549,116	126,062	60,411	32,463	35,955	1,804,007
Accumulated depreciation						
31 December 2019	529,313	155,681	17,240	15,907	7,864	726,005
Increase in the current period						
Provision	255,790	42,743	21,496	8,592	1,144	329,765
Decrease in the current period						
Change of lease contracts	(181,559)	(153,734)	(2,904)	(6,653)	(4,196)	(349,046)
Others	(23,404)	(4,060)	(782)	-	-	(28,246)
Currency translation differences	535	6,004	549	247	-	7,335
31 December 2020	580,675	46,634	35,599	18,093	4,812	685,813
Provision for impairment						
31 December 2019	-	-	-	-	-	-
31 December 2020	-	-	-	-	-	-
Carrying amount						
31 December 2020	968,441	79,428	24,812	14,370	31,143	1,118,194
31 December 2019	806,193	97,458	18,172	12,998	17,278	952,099

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(25) Intangible assets and development expenditures

(a) Intangible assets

	Land use rights	Franchising	Patent and licence	Technology transfer fees	Computer software and others	Total
Cost						
31 December 2019	6,643,031	1,211,475	1,534,450	648,713	745,269	10,782,938
Increase in the current year						
Addition	107,734	15,504	18,746	670	23,455	166,109
Additions due to acquisition of subsidiaries	489,174	-	435,087	-	49,989	974,250
Transfers from construction in progress	16,076	1,021,934	-	-	28,278	1,066,288
Transfer from development expenditures	-	-	5,917	3,330	23,688	32,935
Decrease in the current year						
Disposal	(504,673)	(26,021)	(18,829)	(60)	(179,046)	(728,629)
Decrease due to disposal of subsidiaries	(45,596)	-	-	-	(43)	(45,639)
31 December 2020	6,705,746	2,222,892	1,975,371	652,653	691,590	12,248,252
Accumulated amortisation						
31 December 2019	1,143,855	230,617	566,686	503,580	401,386	2,846,124
Increase in the current period						
Provision	179,680	90,031	93,466	28,111	166,800	558,088
Decrease in the current period						
Disposal	(96,862)	(1,984)	(7,712)	(27)	(164,053)	(270,638)
Decrease due to disposal of subsidiaries	(4,050)	-	-	-	(30)	(4,080)
31 December 2020	1,222,623	318,664	652,440	531,664	404,103	3,129,494
Provision for impairment						
31 December 2019	5,939	-	63,466	-	2,930	72,335
Increase in the current period						
Provision	-	-	26,972	-	-	26,972
Decrease in the current period						
Disposal	-	-	-	-	-	-
31 December 2020	5,939	-	90,438	-	2,930	99,307
Carrying amount						
31 December 2020	5,477,184	1,904,228	1,232,493	120,989	284,557	9,019,451
31 December 2019	5,493,237	980,858	904,298	145,133	340,953	7,864,479

For the year ended 31 December 2020, amortisation of intangible assets amounted to RMB 558,088,000 (2019: RMB 599,656,000).

As at 31 December 2020, the Group had no land use rights of which a land use rights certificate was not obtained (31 December 2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(25) Intangible assets and development expenditures

(a) Intangible assets (Cont'd)

As at 31 December 2020, intangible assets with the carrying amount of RMB118,252,000 (31 December 2019: RMB12,289,000) and fixed assets with the carrying amount of RMB222,686,000 (31 December 2019: RMB97,428,000) were pledged for short-term borrowings of RMB138,000,000 (31 December 2019: RMB117,000,000). As at 31 December 2020, fixed assets with the carrying amount of RMB113,373,000 (31 December 2019: RMB474,330,000) and intangible assets with the carrying amount of RMB162,142,000 were pledged for long-term borrowings of RMB861,354,000. Long-term receivables with the carrying amount of RMB2,025,587,000 (31 December 2019: RMB1,700,135,000) and intangible assets with the carrying amount of RMB87,396,000 (31 December 2019: RMB72,451,000) were pledged for long-term borrowings of RMB2,512,055,000. As at 31 December 2020, intangible assets with the carrying amount of RMB120,000,000 were pledged for banking facilities.

(b) Development expenditures

Project name	31 December 2019	Increase in the current period	decrease in the current period		31 December 2020
			Included in profit and loss	Transfer to intangible assets	
CAP1400 reactor	85,317	-	(57,756)	-	27,561
Academia Sinica Industrial Automation System	47,282	462,831	(501,171)	-	8,942
PMC Overseas R&D and strong base projects	18,281	23,884	-	(29,605)	12,560
Others	19,508	352,723	(334,452)	(3,330)	34,449
	<u>170,388</u>	<u>839,438</u>	<u>(893,379)</u>	<u>(32,935)</u>	<u>83,512</u>

As at 31 December 2020, the balance of the Group's development expenditure was RMB 83,512,000 (31 December 2019: RMB 170,388,000). For the year ended 31 December 2020, the development expenditure of the Group was recognized as an intangible asset of RMB 32,935,000 (2019: RMB 13,897,000).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(26) Goodwill

	31 December 2019	Increase in the current period	Decrease in the current period	Currency translation differences	31 December 2020
Goodwill					
Nedschroef	1,490,845	-	-	39,959	1,530,804
ShenZhen YingHe Technology Co.,Ltd.(note)	-	1,497,236	-	-	1,497,236
TEC4AERO GmbH	1,057,237	-	-	11,983	1,069,220
Ningbo Hi-Firm Environmental Protection Company Limited	576,047	-	-	-	576,047
Suzhou Thvow Technology Co., Ltd.	323,080	-	-	-	323,080
Wujiang Taihu Industrial Wastes Treatment Company Limited	278,538	-	-	-	278,538
Shanghai Nanqiao Transformer Co., Ltd.	73,234	-	-	-	73,234
Guoxuan New Energy (Suzhou) Co., Ltd.	49,480	-	-	-	49,480
Shanghai Cyeco Environmental Technology Co., Ltd.	41,966	-	-	-	41,966
Shanghai Dahua electrical equipment Co., Ltd.	28,654	-	-	-	28,654
Clean Technology Universe AG ("CTU")	20,252	-	-	-	20,252
Shanghai Huapu Cable Co., Ltd.	19,446	-	-	-	19,446
Zhangjiagang teen Cable.Co., Ltd	-	18,331	-	-	18,331
Shanghai Nanhua-Lanling Electrical Co., Ltd.	14,464	-	-	-	14,464
Shanghai Tianhong Miniature Bearing Co., Ltd.	16,193	-	-	-	16,193
Shanghai Najie Electrical Complete Sets Co., Ltd	11,394	-	-	-	11,394
Shanghai Electric Fuji Electric Electric Technology Co., Ltd.	10,060	-	-	-	10,060
Shanghai United Bearing Co., Ltd.	8,818	-	-	-	8,818
Shanghai Electric (Jiangsu) Integrated Energy Service Co., Ltd.	-	7,651	-	-	7,651
Shanghai Electric Wind Power Group Co., Ltd.	7,093	-	-	-	7,093
Shanghai Feihang Electric Wire & Cable Co., Ltd.	6,577	-	-	-	6,577
Nantong Weiminguan Construction Engineering Co., Ltd.	3,650	-	-	-	3,650
Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd.	-	3,078	-	-	3,078
Wujiang Transformer Co., Ltd.	1,267	-	-	-	1,267
	4,038,295	1,526,296	-	51,942	5,616,533
Less: Provision for impairment					
Zhangjiagang Teenchi Cable Co., Ltd.	-	(18,331)	-	-	(18,331)
Shanghai Dahua Electrical Equipment Co., Ltd.	-	(28,654)	-	-	(28,654)
Shanghai Najie Electric Complete Co., Ltd.	-	(11,394)	-	-	(11,394)
Shanghai Feihang Wire and Cable Co., Ltd.	-	(6,577)	-	-	(6,577)
Nedschroef	-	(316,426)	-	-	(316,426)
TEC4AERO GmbH	(240,297)	(150,000)	-	-	(390,297)
Shanghai South Bridge Transformer Co., Ltd.	(73,234)	-	-	-	(73,234)
Shanghai Electric Marine Research & Environmental Technology Co., Ltd.	(28,233)	-	-	-	(28,233)
Clean Technology Universe AG	(20,252)	-	-	-	(20,252)
Shanghai Maple Cable Co., Ltd.	(19,446)	-	-	-	(19,446)
Shanghai Nanhua-Lanling Electrical Co., Ltd.	(14,464)	-	-	-	(14,464)
Wujiang Transformer Co., Ltd.	(1,267)	-	-	-	(1,267)
Suzhou Thvow Technology Co., Ltd.	-	(20,000)	-	-	(20,000)
Subtotal	(397,193)	(551,382)	-	-	(948,575)
Total	3,641,102	974,914	-	51,942	4,667,958

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(26) Goodwill (Cont'd)

Note: The Company merged with Yinghe Technology in March 2020, resulting in a goodwill of RMB1,497,236,000 (Note 5(3)). Its operating segment is energy equipment. In 2020, the recoverable amount of asset groups of Yinghe Technology was determined as the net amount of fair value using the market method less costs to sell. When applying the market method, the fair value of asset groups was estimated based on the necessary adjustments to the share price of the listed company. The key assumptions involved are mainly the share price of the listed company and the controlling interest premium. As at 31 December 2020, the management conducted a goodwill impairment test to asset groups of Yinghe Technology and concluded that there was no need to make provision for goodwill impairment.

Yinghe Technology announced in January 2021 that the former chairman of Yinghe Technology has been criminally detained by the public security agency for suspected of manipulating the securities and futures markets. As of the reporting date of this financial statement, Yinghe Technology's stock price has fluctuated significantly. The management is continuously evaluating the recoverable amount of Yinghe Technology Asset Group.

The goodwill allocated to the asset groups and groups of asset groups are summarised by operating segments (Note 7) as follows:

Asset group	Operating segment	31 December 2020		Carrying value
		Cost	Provision	
Industrial equipment	Industrial Basic Parts	1,597,781	(344,659)	1,253,122
	Intelligent manufacturing equipment	1,069,220	(390,297)	678,923
	Large and medium-sized motors	10,060	-	10,060
Energy equipment	Energy Storage	1,546,716	-	1,546,716
	Power Grid	155,036	(155,036)	-
	Manufacturing of power transmission and distribution	18,331	(18,331)	-
Integration service	Environmental Engineering and Service	877,915	(20,252)	857,663
	Energy Engineering and Service	323,080	(20,000)	303,080
	Wind Power	7,093	-	7,093
	Manufacturing of power transmission and distribution	7,651	-	7,651
Others	Others	3,650	-	3,650
		5,616,533	(948,575)	4,667,958

The recoverable amount of the asset group and the asset group combination is based on the three to five-year budget approved by the management, and then estimated based on a fixed growth rate (as described in the following table), and calculated using the cash flow forecasting method.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(26) Goodwill (Cont'd)

The main assumptions applied in calculating discounted future cash flows are as follows:

2020	Industrial Basic Parts	Intelligent manufacturing equipment	Environmental Engineering and Service	Energy Engineering and Service
Growth rates in the forecast period	2.5%~20.0%	3.0%-24.0%	1%~224.54%	10.30%~115.82%
Growth rates in the stable period	1.0%~2.0%	1.23%	0%	0%
Gross margins	17.0%~55.0%	15.0%~22.8%	29%~35%	9.04%-9.14%
Discount rates	11.5% ~14.0%	11.7%	11.8%-14.5%	14%

2019	Industrial Basic Parts	Intelligent manufacturing equipment	Environmental Engineering and Service	Energy Engineering and Service
Growth rates in the forecast period	1%~30.4%	5.57%-33.07%	1.0%~211.58%	9.44%
Growth rates in the stable period	1.5%~2.0%	1.73%	0%	0%
Gross margins	22.0%~53.0%	19.9%~23.7%	49.74%~65.35%	16.7%~17.5%
Discount rates	12.3%~14.0%	10.6%	11.8%-14.5%	12.97%

The Group determines growth rates and gross margins based on past experience and forecast on future market development. Long-term sales growth rate is the weighted average growth rates applied by the Group to extrapolate cash flows beyond the three-to-five-year forecast periods, which do not exceed the long-term average growth rates of each product in the industry report. The discount rates used by the Group are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups and groups of asset groups.

TEC4AERO GmbH belongs is in the segment of industrial equipment. As at 31 December 2020, TEC4AERO GmbH used the present value of estimated future cash flows as the recoverable amount. As the development, prevention and control of COVID-19 have caused significant uncertainty in the market and industry in which the enterprise is operated, the present value of future cash flows is expected to be calculated using various economic scenarios. The key assumptions for calculating the present value of estimated future cash flows include forecast and long-term sales growth rates, gross margin rate, discount rate, various economic scenarios and weights. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discounted rate of 11.7% (2019:10.6%). In 2020, the economic scenario weights of "benchmark", "unfavourable" and "favourable" accounted for 60%, 5% and 35% respectively. The parameters of key assumptions used in various scenarios were as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(26) Goodwill (Cont'd)

respectively. The parameters of key assumptions used in various scenarios were as follows:

	Economic scenario		
	Benchmark	disadvantage factor	advantage factor
Growth rates in the forecast period	6.2%-22.2%	3.0%-16.3%	10.6%-24.0%
Growth rates in the stable period	1.23%	1.23%	1.23%
Gross margins	15.0%-22.8%	15.0%-18.0%	15.0%-22.8%
Discount rates	11.7%	11.7%	11.7%

In 2020, an impairment provision of RMB150,000,000 was made for the current year due to the decline in the estimated future sales revenue of TEC4AERO GmbH.

Nedfast Investment B.V. ("Nedfast") is in the business segment of industrial equipment. As at 31 December 2020, Nedfast used the present value of estimated future cash flows as the recoverable amount. The key assumptions for the value-in-use calculations include discount rates and sales growth rates during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 11.5% (2019: 12.39%) per annum. The cash flows beyond the five-year period are extrapolated using a 1.0% (2019: 1.5%) sales growth rate per annum. The increase of the sales growth rate is based on industry growth forecast and does not exceed the average long-term sales growth rate for the industry. An impairment provision of RMB316,426,000 was made for the current year due to the decline in the estimated future sales revenue of Nedfast.

(27) Long-term prepaid expenses

	31 December 2019	Additions due to acquisition of subsidiaries	Increase in the current period	Amortisation in current period	Other decrease	31 December 2020
Renovation expenditures	227,974	2,100	131,771	(36,497)	(58)	325,290
Decoration expenditures	39,957	9,442	57,557	(39,554)	(208)	67,194
Improvements to fixed assets held under leases	13,047	-	10,802	(3,630)	(12,851)	7,368
Others	65,368	49,598	83,600	(74,426)	(43,952)	80,188
	<u>346,346</u>	<u>61,140</u>	<u>283,730</u>	<u>(154,107)</u>	<u>(57,069)</u>	<u>480,040</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(28) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	31 December 2020		31 December 2019	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible tax losses	Deferred tax assets
Asset impairment and provisions	19,870,871	3,789,753	16,407,655	3,372,542
Accrued expenses	14,009,018	2,499,966	10,816,534	1,891,516
Deductible losses	2,791,852	633,222	3,523,422	714,109
Profits from internal transactions offsetting	459,526	110,272	230,191	57,548
Others	802,044	197,180	697,428	178,393
	<u>37,933,311</u>	<u>7,230,393</u>	<u>31,675,230</u>	<u>6,214,108</u>

Including:

Expected to be recovered within one year (inclusive)	4,523,705	3,559,197
Expected to be recovered after one year	<u>2,706,688</u>	<u>2,654,911</u>
	<u>7,230,393</u>	<u>6,214,108</u>

(b) Deferred tax liabilities before offsetting

	31 December 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of financial instruments	2,706,195	680,680	2,295,057	577,422
Asset evaluation appreciation	749,436	187,359	754,197	188,549
Fair value adjustment for business combinations	1,842,969	432,510	1,804,081	416,267
Others	866,708	215,582	640,283	161,570
	<u>6,165,308</u>	<u>1,516,131</u>	<u>5,493,618</u>	<u>1,343,808</u>

Including:

Expected to be recovered within one year (inclusive)	896,261	774,727
Expected to be recovered after one year	<u>619,870</u>	<u>569,081</u>
	<u>1,516,131</u>	<u>1,343,808</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(28) Deferred tax assets and deferred tax liabilities (Cont'd)

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2020	31 December 2019
Deductible temporary differences	4,246,951	3,635,868
Deductible losses	3,212,873	3,983,474
	<u>7,459,824</u>	<u>7,619,342</u>

(d) Deductible tax losses that are not recognised as deferred tax assets will be expired in following years:

	31 December 2020	31 December 2019
2020	-	489,557
2021	167,804	200,464
2022	187,103	266,394
2023	238,956	345,581
2024	590,467	689,197
2025 and after	2,028,543	1,992,281
	<u>3,212,873</u>	<u>3,983,474</u>

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2020		31 December 2019	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	661,864	6,568,529	442,918	5,771,190
Deferred tax liabilities	661,864	854,267	442,918	900,890

(29) Other non-current assets

	31 December 2020	31 December 2019
Contract assets (Note 4(12))	10,750,890	8,801,748
Investment prepayment	1,023,832	1,023,832
Others	113,324	126,378
	<u>11,888,046</u>	<u>9,951,958</u>
Less: Provision for impairment of contract assets (Note 4(12))	(316,760)	(384,478)
	<u>11,571,286</u>	<u>9,567,480</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(30) Provision for asset impairment

Provision for credit impairment losses	31 December 2019	Increase in the current period Provision	Decrease in the current period						31 December 2020
			Reversal	Write-off/ Disposal	Decrease due to disposal of joint ventures Company	Deconfirmation of receivables transfer out	Transfer to hold for sale	Currency translation differences	
Bad debt provision for notes receivable	44,990	11,563	-	-	-	-	-	-	56,553
Including: Provision for bad debts of notes receivable made on the individual basis	-	-	-	-	-	-	-	-	-
Provision for bad debts of notes receivable made on the grouping basis	44,990	11,563	-	-	-	-	-	-	56,553
Provision for bad debts of accounts receivable measured at amortized cost	7,381,026	1,526,483	(978,698)	(52,234)	-	(305,982)	(191,064)	-	7,379,531
Including: Provision for bad debts of accounts receivable made on the individual basis	901,067	273,102	(104,475)	-	-	-	-	-	1,069,694
Provision for bad debts of accounts receivable made on the grouping basis	6,479,959	1,253,381	(874,223)	(52,234)	-	(305,982)	(191,064)	-	6,309,837
Provision for credit impairment of accounts receivable financing	6,994	584,149	-	-	-	(57,494)	-	-	533,649
Provision for impairment of other debt investments	-	8,141	-	-	-	-	-	-	8,141
Provision for impairment of other receivables	184,407	296,350	-	-	-	-	(19,374)	-	461,383
Provision for impairment of assets held for sale	-	-	-	-	-	-	210,438	-	210,438
Estimated liabilities-expected credit impairment of off-balance sheet operations	121,474	90,010	-	-	-	-	-	-	211,484
Provision for impairment of loans	443,215	21,586	(61,765)	-	-	-	-	-	403,036
Provision for impairment of discounted notes	18,961	48,079	-	-	-	-	-	-	67,040
Provision for bad debts of long-term receivables (including current portion)	1,326,048	187,985	-	-	-	-	-	-	1,514,033
Others	18,318	-	-	-	-	-	-	-	18,318
subtotal	9,545,433	2,774,346	(1,040,463)	(52,234)	-	(363,476)	-	-	10,863,606
Provision for impairment of inventory	2,043,199	822,172	(371,804)	(554,824)	-	-	(60,500)	(3,142)	1,875,101
Provision for impairment of investment properties	273	-	-	-	-	-	-	-	273
Provision for impairment of contract assets	1,047,052	223,046	(155,042)	-	-	-	-	(201)	1,114,855
Provision for impairment of assets held for sale	-	-	-	-	(444,098)	-	504,598	-	60,500
Provision for impairment of fixed assets	257,275	3,143	-	(68,839)	-	-	-	-	191,579
Provision for impairment of construction in progress	31,433	-	-	(5,591)	-	-	-	-	25,842
Provision for impairment of intangible assets	72,335	44,810	-	(17,838)	-	-	-	-	99,307
Provision for impairment of long-term equity investments	451,106	-	-	-	-	-	(444,098)	-	7,008
Provision for impairment of goodwill	397,193	551,382	-	-	-	-	-	-	948,575
Subtotal	4,299,866	1,644,553	(526,846)	(647,092)	(444,098)	-	-	(3,343)	4,323,040
	13,845,299	4,418,899	(1,567,309)	(699,326)	(444,098)	(363,476)	-	(3,343)	15,186,646

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(31) Short-term borrowings

	31 December 2020	31 December 2019
Credit borrowings	12,623,359	12,444,960
Mortgage borrowings(a)	138,000	234,000
Pledge borrowings(b)	150,000	-
Guaranteed borrowings(c)	2,716,025	3,700,983
Discount borrowings(d)	-	81,833
Factoring borrowings(e)	-	272,168
	<u>15,627,384</u>	<u>16,733,944</u>

(a) As at 31 December 2020, the Group used intangible assets with a book value of RMB 118,252,000 (31 December 2019: RMB 12,289,000) and fixed assets with a book value of RMB 222,686,000 (31 December, 2019: RMB 97,428,000) pledged to obtain short-term loans of RMB 138,000,000 (31 December 2019: RMB 117,000,000). The Group has no inventory (31 December 2019: RMB 400,000,000) pledged to obtain short-term loans (31 December 2019: RMB 117,000,000).

(b) As at 31 December 2020, the Group pledged long-term receivables with a book value of RMB 192,078,000 (31 December 2019: Nil) to obtain short-term bank loans of RMB 150,000,000 (31 December 2019: Nil).

(c) As at 31 December 2020, the company and its subsidiaries provided guarantees of RMB 2,716,025,000 for short-term loans of certain subsidiaries (31 December 2019: RMB 3,700,983,000).

(d) As at 31 December 2020, the Group did not discount trade acceptance notes to obtain short-term bank loans (31 December 2019: RMB 81,833,000).

(e) As at 31 December 2020, the Group did not sign a recourse factoring contract with banks to obtain bank loans (31 December 2019: RMB 272,168,000).

As at 31 December 2020, the Group had no short-term loans that were due and outstanding (31 December 2019: Nil).

As at 31 December 2020, the annual interest rate for short-term loans was 0.81% to 5.30% (31 December 2019: the annual interest rate was 0.8% to 5.64%).

(32) Financial liabilities held for trading

	31 December 2020	31 December 2019
Financial liabilities held for trading	<u>37,582</u>	<u>33,097</u>

As at 31 December 2020, financial liabilities held for trading comprised the fair value of the equities held by investors other than the Group in the structured entities included in the consolidation scope.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(33) Notes payable

	31 December 2020	31 December 2019
Trade acceptance notes	7,799,338	4,152,231
Bank acceptance notes	4,284,360	4,354,762
	<u>12,083,698</u>	<u>8,506,993</u>

(34) Accounts payable

	31 December 2020	31 December 2019
Accounts payable (i)	<u>65,853,292</u>	<u>57,922,655</u>

- (i) As at 31 December 2020, accounts payable with aging over one year amounted to RMB 13,805,707,000 (31 December 2019: RMB 11,507,770,000), which mainly comprised payables for construction projects and payables for materials. Such accounts are unsettled for the projects are still under construction.

The aging analysis of accounts payable based on invoice date is as follows:

	31 December 2020	31 December 2019
Within 3 months	43,152,754	35,975,627
3 months to 6 months	3,789,332	5,513,777
6 months to 1 year	5,105,499	4,925,481
1 to 2 years	7,406,554	6,466,453
2 to 3 years	3,161,517	1,676,034
Over 3 years	<u>3,237,636</u>	<u>3,365,283</u>
	<u>65,853,292</u>	<u>57,922,655</u>

(35) Advances from customers

	31 December 2020	31 December 2019
Share advances	<u>621,736</u>	<u>535,048</u>

As at 31 December 2020, advances from customers with aging over 1 year amounted to RMB 332,839,000, which represented share transfer price received in advance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(36) Contract liabilities

	31 December 2020	31 December 2019
Advances from goods and services	45,362,212	38,584,900

The balance of the Group's contract liabilities as of 31 December 2020 is expected to be transferred to operating income in 2021.

(37) Deposits from customers, banks and other financial institutions

	31 December 2020	31 December 2019
Current deposits	3,559,376	6,503,455
Deposits received	730,300	705,500
	4,289,676	7,208,955

(38) Employee benefits payable

		31 December 2020	31 December 2019
Short-term employee benefits payable	(a)	4,325,576	3,539,483
Defined contribution plans payable	(b)	155,741	76,947
Termination benefits payable	(c)	84,604	23,830
		4,565,921	3,640,260

(a) Short-term employee benefits

	31 December 2019	Additions due to acquisition of subsidiaries	Increase in the current period	Decrease in the current period	31 December 2020
Wages and salaries, bonus, allowances and subsidies	2,493,975	45,661	8,551,144	(7,971,068)	3,119,712
Staff welfare	98,962	-	311,038	(306,106)	103,894
Staff welfare and incentive funds	853,188	-	109,173	(8,073)	954,288
Social security contributions	18,512	60	496,946	(467,339)	48,179
Including: Medical insurance	16,454	48	458,370	(432,238)	42,634
Work injury insurance	920	8	18,870	(16,848)	2,950
Maternity insurance	1,138	4	19,706	(18,253)	2,595
Housing funds	14,333	489	565,246	(545,441)	34,627
Labour union funds and employee education funds	60,513	477	155,310	(151,424)	64,876
	3,539,483	46,687	10,188,857	(9,449,451)	4,325,576

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(38) Employee benefits payable (Cont'd)

(b) Defined contribution plans

	31 December 2019	Additions due to acquisition of subsidiaries	Increase in the current period	Decrease in the current period	31 December 2020
Basic pensions	28,035	161	604,584	(534,426)	98,354
Unemployment insurance	3,099	3	22,155	(20,605)	4,652
Supplementary pensions	45,813	-	367,882	(360,960)	52,735
	<u>76,947</u>	<u>164</u>	<u>994,621</u>	<u>(915,991)</u>	<u>155,741</u>

(c) Termination benefits payable

	31 December 2020	31 December 2019
Termination benefits	<u>84,604</u>	<u>23,830</u>

(39) Taxes payable

	31 December 2020	31 December 2019
VAT payable	1,429,552	1,404,064
Enterprise income tax payable	1,404,977	1,724,567
City maintenance and construction tax payable	37,515	58,388
Individual income tax payable	10,032	18,593
Real estate tax payable	8,145	10,604
Land use tax payable	4,442	6,939
Others	44,749	49,036
	<u>2,939,412</u>	<u>3,272,191</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(40) Other payables

	31 December 2020	31 December 2019
Transfer of factored accounts receivable	3,421,186	782,439
Sales commission	1,068,706	1,229,909
Factoring fee	688,111	486,014
Guarantees and deposits	682,862	610,275
Technical royalties	418,551	391,395
Repurchase obligations under share incentive scheme (notes 4(51))	382,271	404,741
Maintenance cost within warranty period of elevators	267,150	250,708
Construction and fixed assets purchase expenses payable	267,095	779,468
Other interest payable	243,347	174,376
Dividends payable to minority shareholders	220,579	217,086
Interest on bonds payable	127,782	118,624
Payable to related parties	82,200	140,071
Relocation compensations and personnel replacement fees	66,775	152,136
Dividends due to the parent company	171	171
Others	3,327,115	3,064,471
	11,263,901	8,801,884

As at 31 December 2020, dividends payable with Aging over one year amounted to RMB 58,014,000 (31 December 2019: RMB 62,958,000).

(41) Current portion of non-current liabilities

	31 December 2020	31 December 2019
Current portion of long-term borrowings (Note 4(43))	4,140,751	3,718,623
Current portion of long-term payables (Note 4(46))	1,971,243	1,688,887
Current portion of bonds payable (Note 4(44))	4,119,056	4,688,134
Current portion of lease liabilities (Note 4(45))	406,888	238,016
Current portion of other non-current liabilities (Note 4(49))	424	105
	10,638,362	10,333,765

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(42) Other current liabilities

	31 December 2020	31 December 2019
Accrued expenses (a)	5,941,668	5,351,220
Provisions (b)	4,240,121	3,126,084
	<u>10,181,789</u>	<u>8,477,304</u>

(a) Accrued expenses

	31 December 2020	31 December 2019
Provision for the cost of spare parts	4,538,540	4,170,725
Others	1,403,128	1,180,495
	<u>5,941,668</u>	<u>5,351,220</u>

(b) Provisions

	31 December 2019	Increase in the current period	Reversal in the current period	Use in the current period	31 December 2020
Expected contractual loss	1,648,612	1,882,007	(385,714)	(659,063)	2,485,842
Product warranty expenses	2,680,404	1,357,322	(14,537)	(630,690)	3,392,499
Expected credit impairment for off-balance sheet operations	121,474	90,010	-	-	211,484
(Note 4 (30))	<u>111,625</u>	<u>160,521</u>	<u>-</u>	<u>(83,188)</u>	<u>188,958</u>
Others	<u>4,562,115</u>	<u>3,489,860</u>	<u>(400,251)</u>	<u>(1,372,941)</u>	<u>6,278,783</u>
Less: Long-term provisions					
- Product warranty expenses	<u>(1,436,031)</u>				<u>(2,038,662)</u>
	<u>3,126,084</u>				<u>4,240,121</u>

Note: Factors such as commodity price and industry competition can have a significant impact on the profitability of the contracts. As at 31 December 2020, the Group assessed on whether unavoidable estimated total costs of meeting contractual obligations have exceeded the economic benefits expected to be received, and makes provision for these onerous contracts based on the estimated least net cost of exiting from the contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(43) Long-term borrowings

	31 December 2020	31 December 2019
Credit borrowings	7,000,230	4,889,269
Mortgage borrowings (a)	861,354	209,658
Pledge borrowings(b)	3,267,011	2,576,260
Factoring borrowing(c)	120,738	185,789
Guaranteed borrowings(d)	8,299,870	7,126,065
	<u>19,549,203</u>	<u>14,987,041</u>
Less: Current portion of long-term borrowings		
Credit borrowings	(1,349,656)	(1,192,129)
Mortgage borrowings	(219,375)	(135,751)
Pledge borrowings	(252,131)	(1,417,171)
Factoring borrowing	(67,876)	(65,050)
Guaranteed borrowings	(2,251,713)	(908,522)
	<u>15,408,452</u>	<u>11,268,418</u>

(a) As at 31 December 2020, the Group used fixed assets with a book value of RMB 113,373,000 (31 December 2019: RMB 474,330,000) and intangible assets with a book value of RMB 162,142,000 to obtain long-term loans of RMB 861,354,000.

(b) The Group used long-term receivables with a book value of RMB 2,025,587,000 (31 December 2019: RMB 1,700,135,000) and intangible assets with a book value of RMB 87,396,000 (31 December 2019: RMB 72,451,000) pledged to obtain a long-term loan of RMB 2,512,055,000. The Group pledged fixed assets with a book value of RMB 54,822,000 to obtain long-term loans of RMB 49,947,000.

As at 31 December 2020, the Group pledged the future collection rights of four projects to the bank to obtain long-term loans of RMB 705,009,000 (31 December 2019: RMB 251,362,000).

(c) As at 31 December 2020, the Group signed a recourse factoring contract with banks to obtain bank loans of RMB 120,738,000 (31 December 2019: RMB 185,789,000).

(d) As at 31 December 2020, the company and its subsidiaries provided guarantees amounting to RMB 8,299,870,000 for long-term loans of certain subsidiaries (31 December 2019: RMB 7,126,065,000).

As at 31 December 2020, the Group had no long-term loans that were due but not repaid (31 December 2019: None).

As at 31 December 2020, the interest rate range for long-term borrowings was 2.70% to 5.635% (31 December 2019: 0.78% to 5.64%).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(44) Bonds payable

	31 December 2019	Increase in the current period	Exchange differences	Interest accrued at par value	Amortisation of premium or discount	Repayment in the current period	Share transfer in the current period	Transfer to interests payable	31 December 2020
Electric convertible bond (a)	4,437,675	-	-	66,017	48,935	-	(367,554)	(66,017)	4,119,056
Super & Short-term Commercial Paper(b)	-	1,500,000	-	5,881	-	(1,500,000)	-	(5,881)	-
Electric Eurobond (c)	4,688,134	-	125,669	21,260	1,197	(4,815,000)	-	(21,260)	-
18 Electric MTN001 (d)	2,480,052	-	-	104,034	5,090	-	-	(104,034)	2,485,142
	<u>11,605,861</u>	<u>1,500,000</u>	<u>125,669</u>	<u>197,192</u>	<u>55,222</u>	<u>(6,315,000)</u>	<u>(367,554)</u>	<u>(197,192)</u>	<u>6,604,198</u>
Less: Current portion of bonds payable	(4,688,134)								(4,119,056)
	<u>6,917,727</u>								<u>2,485,142</u>

- (a) The Group issued convertible bonds of RMB 6 billion on February 2, 2015, which will mature in 2021. The annual coupon rate is: 0.2% in the first year, 0.5% in the second year, 1.0% in the third year, 1.5% in the fourth year, 1.5% in the fifth year, 1.6% in the sixth year, and a lump sum repayment at maturity.

The convertible bonds issued this time can be converted into A shares of the company from August 3, 2015. The initial conversion price of the convertible bonds is RMB 10.72 per share. Since the Group implemented the 2014 Annual cash dividend plan (a cash dividend of RMB 0.05873 per share), so the conversion price is adjusted to RMB 10.66 per share. As the Group issued shares on August 29, 2016 to purchase assets and added A shares, the conversion price of the electrical convertible bonds was adjusted to RMB 10.65 per share from November 28, 2016. As the Group issued shares on October 19, 2017 to purchase assets and added A shares, the conversion price of the electrical convertible bonds was adjusted to RMB 10.46 per share from October 24, 2017. Due to the non-public offering of new A shares by the Group on November 6, 2017, the conversion price of the electrical convertible bonds has been adjusted to RMB 10.37 per share since November 9, 2017. On August 28, 2018, the Group revised downward the conversion price of electrical convertible bonds to RMB 10.28 per share. On December 12, 2018, the Group revised downwards the conversion price of electrical convertible bonds to RMB 5.19 per share. On August 8, 2019, the Group revised downwards the conversion price of electrical convertible bonds to RMB 5.13 per share.

The convertible bond is a convertible bond with a sale-back clause. Starting from the last two interest-bearing years of the convertible bond, if the closing price of the company's stock is lower than 70% of the current conversion price for 30 consecutive trading days, the convertible bond The holder has the right to sell back all or part of the convertible bond held by him to the company at 103% of the face value (including the current interest-bearing annual interest).

After deducting the issuance costs of convertible bonds of RMB 6 billion, the debt portion of RMB 4,745,903,000 was included in the bonds payable, and the equity portion of RMB 1,214,919,000 was included in the capital reserve (Note 4 (51)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(44) Bonds payable (Cont'd)

- (b) On 27 September 2020, the Group issued super short-term financing bonds of Shanghai Electric Group Company Limited for the year 2020 with a maturity of 90 days. The actual total amount issued was RMB1.5 billion, with interest rate of 2.35% and underwriting rate of 0.1% per annum, which was fully repaid on 2 December 2020.
- (c) On 22 May, 2015, Shanghai Electric New Era Co., Ltd., a wholly-owned subsidiary of the Group, issued 600 million euro bonds, which were listed and traded on the Irish Stock Exchange on 25 May, 2015. The Group provided guarantee for the term For 5 years, the interest rate is 1.125%.

The Group has repaid the 600 million euro bond principal and corresponding interest on 22 May, 2020.

- (d) The Group issued the first phase of 2018 medium-term notes of Shanghai Electric Group Co., Ltd. on December 13, 2018, with a maturity of 5 years. The value date is 17 December, 2018, and the redemption date is December 17, 2023. The total issuance is RMB 2.5 billion, and the actual total issuance is RMB 2.5 billion; the issuance interest rate is 4.15% (the Shanghai Interbank Offered Rate for the three months on December 14, 2018 rose by 1%), and the issuance is based on the face value.

(45) Lease liabilities

	31 December 2020	31 December 2019
Lease liabilities	1,157,196	972,529
Less: Current portion of non-current liabilities (Note 4(41))	(406,888)	(238,016)
	<u>750,308</u>	<u>734,513</u>

- (a) As at 31 December 2020, the Group had no lease payable related to lease contracts signed but not yet performed.

(46) Long-term payables

	31 December 2020	31 December 2019
Loans of related parties	1,540,598	1,578,600
Guarantees for finance leases	783,007	933,177
Payables for equity acquisition	727,800	727,800
Scientific research projects subsidies	12,547	37,203
Others	386,813	128,485
	<u>3,450,765</u>	<u>3,405,265</u>
Less: Current portion of long-term payables	(1,971,243)	(1,688,887)
	<u>1,479,522</u>	<u>1,716,378</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(47) Deferred income

	31 December 2020	31 December 2019
Deferred income	1,774,593	1,631,710

As at 31 December 2020, liability items related to government grants were as follows:

Government grants	31 December 2019	Increase in the current period	Decrease in the current period	31 December 2020	Asset related/
Guoxuan Energy Storage System Base	285,000	-	(15,000)	270,000	Assets related
Goss China's new plant	139,472	-	(8,999)	130,473	Assets related
PMC relocation subsidy	111,776	-	(5,819)	105,957	Assets related
Purchase subsidiary for R&D assets of turbine blade	61,141	-	(3,959)	57,182	Assets related
Support funds for Nantong Guohai comprehensive development	53,505	-	(1,439)	52,066	Assets related
High-speed elevator core technology research and experimental platform construction project	49,500	-	-	49,500	Assets related
Support special funds for strategic emerging industry	43,280	4,500	-	47,780	Income related
Machine Tool Plant relocation and reconstruction	13,129	27,944	-	41,073	Assets related
Yinghe lithium-ion power battery project	-	43,674	(4,324)	39,350	Income related
Technological transformation II	36,800	-	(1,533)	35,267	Assets related
Other government grants related to assets	368,940	130,254	(52,215)	446,979	Assets related
Other government grants related to income	469,167	1,055,547	(1,025,748)	498,966	Income related
Total	1,631,710	1,261,919	(1,119,036)	1,774,593	

(48) Long-term employee benefits payable

	31 December 2020	31 December 2019
Termination benefits(a)	95,017	107,685
Defined benefit plan(b)	159,545	150,760
	254,562	258,445

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(48) Long-term employee benefits payable (Cont'd)

(a) Termination benefits

Some employees of the Group have already handled internal retirement. As at the balance sheet date, the main actuarial assumptions adopted by the Group to pay early retirement benefits are:

	31 December 2020
Discount rate	2.43%~3.25%
Salary growth rate	10.36%

The early retirement benefits included in the current profit and loss are:

	For the year ended 31 December 2020
General and administrative expenses	(4,228)
Financial expenses	1,904

(b) Defined benefit plan

The defined benefit plan requires employee contributions. Contributions are made in two ways, namely, contributions to the plan based on the number of years of service and a fixed percentage of the employee's salary. Employees can also contribute to the plan at their discretion.

This plan exposes the Group to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

The present value of defined benefit plan liabilities is calculated at a discount rate determined with reference to the yield of high-quality corporate bonds. If the return on the plan's assets is lower than the discount rate, the plan will incur a deficit. Due to the long-term nature of plan liabilities, the Pension Fund Committee believes that it is appropriate to invest a reasonable portion of plan assets in funds invested by insurance companies to take advantage of the returns generated by the funds.

Interest rate risk

The reduction in bond interest rates will lead to an increase in planned debt; however, this will be partially offset by an increase in the return on the planned debt investment.

Longevity risk

The present value of defined benefit plan liabilities is calculated by referring to the best estimate of the mortality rate of plan members during and after the employment period. An increase in the life expectancy of plan members will result in an increase in plan liabilities.

Salary risk

The present value of defined benefit plan liabilities is calculated by referring to the future salary of plan members. As a result, an increase in the salary of plan members will lead to an increase in plan liabilities.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(48) Long-term employee benefits payable (Cont'd)

(b) Defined benefit plan (Cont'd)

The composition of the defined benefit plan is as follows:

	31 December 2020	31 December 2019
Non-current liabilities	159,545	150,760
Current liabilities	6,629	6,478
	<u>166,174</u>	<u>157,238</u>

The main actuarial assumptions adopted at the end of the reporting period are as follows:

	31 December 2020	31 December 2019
Discount rate	1.00%	1.30%
Expected future increase in retirement cost ratio	1.75%	1.75%
Expected salary ratio increase	2.00%	2.25%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(48) Long-term employee benefits payable (Cont'd)

(b) Defined benefit plan (Cont'd)

The amount of the above defined benefit plan recognized in the statement of profit and loss and other comprehensive income is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Service cost:		
Current service cost:	3,886	7,149
Net interest expense	1,691	2,628
Expected return on plan assets	(79)	(217)
Defined benefit cost composition recognized in profit or loss	5,498	9,560
Remeasured net defined benefit liabilities:		
Obligation actuarial loss	5,531	16,538
Actuarial loss of planned assets	150	(225)
Defined benefit cost composition recognized in other prehensive expenses	5,681	16,313
Total	11,179	25,873

Changes in the present value of defined benefit obligations are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Defined benefit obligation at the beginning of the year	168,809	147,471
Current service cost:	3,886	7,149
Interest expenses	1,691	2,628
Obligation actuarial loss	5,531	16,538
Benefits paid	(6,946)	(6,497)
Exchange differences for overseas plans	4,763	1,520
Defined benefit obligation at the end of the year	177,734	168,809

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(48) Long-term employee benefits payable (Cont'd)

(b) Defined benefit plan (Cont'd)

The changes in the fair value of plan assets are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Fair value of planned assets at the beginning of the year	11,571	11,033
Expected return	79	217
Actuarial gain/(loss) of planned assets	(150)	225
Contributions by employers and plan members	-	265
Benefits paid	(246)	(128)
Exchange differences for overseas plans	306	(41)
Fair value of planned assets at the end of the year	11,560	11,571

The fair value of plan assets classified by category at the end of the reporting period is as follows:

	31 December 2020	31 December 2019
Insurance company investment funds	11,560	11,571

(49) Other non-current liabilities

	31 December 2020	31 December 2019
Other non-current liabilities	15,954	9,268
Less: Current portion of other non-current liabilities	(424)	(105)
	15,530	9,163

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(50) Share capital

	31 December 2019	Movements in the current period					31 December 2020
		Shares newly issued	Bonus share	Transfer from capital surplus	Others (a)	Sub-total	
Ordinary shares denominated in RMB	12,179,551	-	-	-	28,890	28,890	12,208,441
Foreign shares listed overseas	2,972,912	-	-	-	-	-	2,972,912
	15,152,463	-	-	-	28,890	28,890	15,181,353

	31 December 2018	Movements in the current period					31 December 2019
		Shares newly issued	Bonus share	Transfer from capital surplus	Others (a)	Sub-total	
Ordinary shares denominated in RMB	11,752,276	-	-	-	427,275	427,275	12,179,551
Foreign shares listed overseas	2,972,912	-	-	-	-	-	2,972,912
	14,725,188	-	-	-	427,275	427,275	15,152,463

- (a) Electric convertible bond had been converted into shares of 84,736,000 shares in 2020. In addition, on 6 May 2019, the company granted an equity incentive plan of 133,578,000 shares of RMB common stock (Note 4 (75)). On 18 September 2020, the company completed the repurchase and cancellation of the granted but not unlocked restricted A shares of 95 incentive objects that no longer meet the scope of incentives, and the total 7,416,000 shares of repurchase and cancellation restrictions were set at RMB 3.03 per share. In addition, the company completed the repurchase of 48,430,000 H shares from 10 September 2020 to 30 October 2020.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(51) Capital surplus

	31 December 2019	Increase in the current period	Decrease in the current period	31 December 2020
Share premium (a)	15,417,324	236,164	-	15,653,488
Effect of convertible bond on equity	1,214,919	-	-	1,214,919
Capital contribution of shareholders due to equity incentive (b)	271,163	-	(15,054)	256,109
Subsidiary relocation compensation	259,414	38,089	-	297,503
Profit commitment compensation	232,002	-	-	232,002
Amount recorded in owners' equity arising from share-based payment arrangements (b)	66,656	91,159	-	157,815
Others (c)	2,514,437	-	(988,133)	1,526,304
	19,975,915	365,412	(1,003,187)	19,338,140

	31 December 2018	Increase in the current period	Decrease in the current period	31 December 2019
Share premium	12,594,996	2,822,328	-	15,417,324
Effect of convertible bond on equity	1,214,919	-	-	1,214,919
Capital contribution of shareholders due to equity incentive (b)	-	271,163	-	271,163
Subsidiary relocation compensation	-	259,414	-	259,414
Profit commitment compensation	232,002	-	-	232,002
Amount recorded in owners' equity arising from share-based payment arrangements (b)	-	66,656	-	66,656
Others	2,514,890	-	(453)	2,514,437
	16,556,807	3,419,561	(453)	19,975,915

- (a) The impact of electric convertible bond on the capital surplus is mainly due to the increase of share capital from A-share convertible bonds in this year, which makes the amount of the equity premium increasing RMB 282,818,000 (2019: RMB 1,008,465,000).

As of 31 December 2020, according to the repurchase of H shares mentioned in note 1, the company has completed the repurchase of 48,430,000 H shares from 10 September 2020 to 30 October 2020, which makes the amount of the equity premium decreasing RMB 46,654,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(51) Capital surplus (Cont'd)

- (b) For the year ended 2019, according to the Company's equity incentive plan as mentioned in Note 1, the Company obtained capital contribution of RMB 404,741,000 from 2194 participants. After recognising share capital of RMB 133,578,000, the Company recognised the difference of RMB 271,163,000 as capital surplus in the Company's financial statements. On 18 September 2020, the company completed the repurchase and cancellation of the granted but not unlocked restricted A shares of 95 incentive objects that no longer meet the scope of incentives, and the total 7,416,000 shares of repurchase and cancellation restrictions were set at RMB 3.03 per share, which makes the amount of the equity premium decreasing RMB 15,054,000. The granted shares can be vested in three equal tranches on 30 June 2022, 2023 and 2024 respectively. For the year ended 2020, the Company recognised an expense of RMB 91,159,000 in relation to the share-based payment, and adjusted capital surplus upwards accordingly.
- (c) On 6 March 2020, pursuant to the resolution at the shareholders' meeting, Yinghe Technology issued 88,378,000 RMB-denominated ordinary shares with a par value of RMB1 per share in a non-public manner, with an issue price of RMB22.63 per share, upon the approval of CSRC in the Reply to the Approval of the Non-public Offering of Shenzhen Yinghe Technology Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1244). Shanghai Electric subscribed for 88,378,000 shares at a consideration of RMB1,999,999,000, with a share of net assets of RMB968,436,000. The difference adjusted to capital reserve was RMB1,031,563,000.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(52) Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in the income statement				
	31 December 2019	Attributable to the parent company - net of tax	31 December 2020	Amount incurred before income tax for the current period	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to the minority shareholders - net of tax
Other comprehensive income items which will not be reclassified to profit or loss								
Changes arising from remeasurement of defined benefit plan	(2,110)	(2,190)	(4,300)	(5,681)	-	(1,704)	(2,190)	(1,787)
Other comprehensive income items which will be reclassified to profit or loss								
Fair value changes in other debt investments	49,330	12,434	61,764	248,993	230,243	4,687	12,434	1,629
Fair value changes in receivables financing	(76,801)	(137,616)	(214,417)	(503,791)	(130,256)	(74,861)	(137,616)	(161,058)
Other debt investment (including receivables financing) credit impairment provision	6,994	385,760	392,754	592,290	57,494	45,957	385,760	103,079
Gains or losses on cash flow hedge	19,122	1,095	20,217	1,521	-	426	1,095	-
Differences on translation of foreign currency financial statements	(142,815)	(222,814)	(365,629)	(358,397)	(131,204)	-	(222,814)	(4,379)
Hedges of net investments overseas	131,204	(131,204)	-	-	131,204	-	(131,204)	-
Other comprehensive income that can be converted to profit or loss under the equity method	(30,908)	-	(30,908)	-	-	-	-	-
Others	10,397	-	10,397	-	-	-	-	-
	(35,587)	(94,535)	(130,122)	(25,065)	157,481	(25,495)	(94,535)	(62,516)

Note: The impact of differences on translation of foreign currency financial statements on AEN's net investment due to exchange rate changes during the current period was RMB 131,204,000. The effective portion of hedges of net investments in a foreign operation is RMB 131,204,000. The above-mentioned differences on translation of foreign currency financial statements and the effective portion of hedges of net investments in a foreign operation have zero net impact on other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(52) Other comprehensive income (Cont'd)

	Other comprehensive income in balance sheet				Other comprehensive income in the income statement			
	31 December 2018	Attributable to the parent company - net of tax	31 December 2019	Amount incurred before income tax for the current period	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Attributable to the parent company - net of tax	Attributable to the minority shareholders - net of tax
Other comprehensive income items which will not be reclassified to profit or loss								
Changes arising from remeasurement of defined benefit plan	4,157	(6,267)	(2,110)	(16,314)	-	(4,931)	(6,267)	(5,116)
Other comprehensive income items which will be reclassified to profit or loss								
Fair value changes in other debt investments	32,930	16,400	49,330	182,727	158,498	6,057	16,400	1,772
Fair value changes in receivables financing	(40,764)	(36,037)	(76,801)	(919,556)	(811,266)	(28,688)	(36,037)	(43,565)
Other debt investment (including in receivables financing) credit impairment provision	-	6,994	6,994	124,061	117,067	-	6,994	-
Gains or losses on cash flow hedge	17,686	1,436	19,122	1,995	-	559	1,436	-
Differences on translation of foreign currency financial statements	(273,196)	130,381	(142,815)	136,403	-	-	130,381	6,022
Hedges of net investments overseas	116,222	14,982	131,204	14,982	-	-	14,982	-
Other comprehensive income that can be converted to profit or loss under the equity method	-	(30,908)	(30,908)	(30,908)	-	-	(30,908)	-
Others	10,397	-	10,397	-	-	-	-	-
	<u>(132,568)</u>	<u>96,981</u>	<u>(35,587)</u>	<u>(506,610)</u>	<u>(535,701)</u>	<u>(27,003)</u>	<u>96,981</u>	<u>(40,887)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(53) Surplus reserve

	31 December 2019	Appropriation in the current period	Decrease in the current period	31 December 2020
Statutory surplus reserve	3,991,471	105,139	-	4,096,610
Discretionary surplus reserve	29,816	-	-	29,816
Reserve fund	303,715	-	-	303,715
Enterprise expansion fund	349,926	-	-	349,926
Provision for general risk of Finance Company	1,045,767	80,690	-	1,126,457
	<u>5,720,695</u>	<u>185,829</u>	<u>-</u>	<u>5,906,524</u>

	31 December 2018	Appropriation in the current period	Decrease in the current period	31 December 2019
Statutory surplus reserve	3,692,360	299,111	-	3,991,471
Discretionary surplus reserve	29,816	-	-	29,816
Reserve fund	303,715	-	-	303,715
Enterprise expansion fund	349,926	-	-	349,926
Provision for general risk of Finance Company	868,283	177,484	-	1,045,767
	<u>5,244,100</u>	<u>476,595</u>	<u>-</u>	<u>5,720,695</u>

In accordance with the Company Law of the PRC and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to the resolution of the board of directors, the company will allocate 10% of the net profit in 2020 to the statutory surplus reserve of RMB 105,139,000 (2019: 10% of the net profit, totaling RMB 299,111,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(54) Retained earnings

	31 December 2020	31 December 2019
Retained earnings at the beginning of the year (before adjustments)	22,806,876	20,766,833
Adjustments	-	(12,083)
Retained earnings at the beginning of the year (after adjustments)	22,806,876	20,754,750
Add: Net profit attributable to shareholders of the parent company	3,758,175	3,501,037
Less: Statutory surplus reserve	(105,139)	(299,111)
Withdraw general risk reserves	(80,690)	(177,484)
Appropriation to staff and workers' bonus and welfare fund	(30,325)	(41,046)
Dividends payable to the Company's shareholders	-	(931,270)
Retained earnings at the end of the year	26,348,897	22,806,876

(55) Revenue and operating cost

	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue from main operations	134,091,581	124,127,077
Other operating income	2,448,739	2,520,641
Interest income	742,609	859,042
Fee and commission income	2,127	2,204
	137,285,056	127,508,964

	For the year ended 31 December 2020	For the year ended 31 December 2019
Operating cost from main operations		
Operating cost from other operations	113,034,766	102,315,093
Interest cost	914,539	957,707
Fee and commission cost	77,760	82,932
	765	798
	114,027,830	103,356,530

Revenue from main operations includes revenue from sales of energy equipment, industrial equipment, and Integration service, etc. Operating cost refers to those of products related to main operations. The Group's segment information has listed in Note 7.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(55) Revenue and operating cost (Cont'd)

Details of revenue from main operations are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Sales of goods	89,989,979	86,405,618
Construction services	34,680,047	29,717,699
Rendering of services	9,421,555	8,003,760
	<u>134,091,581</u>	<u>124,127,077</u>

Details of revenue from other operations are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Leasing fixed assets	401,907	462,309
Sales of raw materials	1,236,073	964,848
Finance lease income of Lease Company	507,370	726,338
Rendering of non-industrial services	127,008	157,125
Sales of energy	34,594	32,746
Others	141,787	177,275
	<u>2,448,739</u>	<u>2,520,641</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(55) Revenue and operating cost (Cont'd)

	For the year ended 31 December 2020								
	Products			Projects			Labour	Others	Total
	China	In other Asian countries/ geographical areas	Other regions	China	In other Asian countries/ geographical areas	Other regions			
Revenue from main operations	81,073,822	2,799,971	6,116,186	21,956,119	11,547,298	1,176,630	9,421,555	-	134,091,581
Including: Recognised at a time point	81,073,822	2,799,971	6,116,186	-	-	-	72,345	-	90,062,324
Recognised within a certain period	-	-	-	21,956,119	11,547,298	1,176,630	9,349,210	-	44,029,257
Revenue from other operations	1,235,315	681	77	-	-	-	127,008	1,085,658	2,448,739
	82,309,137	2,800,652	6,116,263	21,956,119	11,547,298	1,176,630	9,548,563	1,085,658	136,540,320

	For the year ended 31 December 2019								
	Products			Projects			Labour	Others	Total
	China	In other Asian countries/ geographical areas	Other regions	China	In other Asian countries/ geographical areas	Other regions			
Revenue from main operations	77,778,019	1,727,533	6,900,066	21,152,686	6,302,615	2,262,398	8,003,760	-	124,127,077
Including: Recognised at a time point	77,778,019	1,727,533	6,900,066	-	-	-	419,343	-	86,824,961
Recognised within a certain period	-	-	-	21,152,686	6,302,615	2,262,398	7,584,417	-	37,302,116
Revenue from other operations	964,114	662	72	-	-	-	157,125	1,398,668	2,520,641
	78,742,133	1,728,195	6,900,138	21,152,686	6,302,615	2,262,398	8,160,885	1,398,668	126,647,718

- (i) As at 31 December 2020, the group's income corresponding to the performance obligations that have been signed but not yet fulfilled or not yet fulfilled is RMB 181,091,217,000, of which RMB 82,234,011,000 is expected to be recognized in 2021 and RMB 98,857,206,000 in 2022 and beyond.
- (ii) In 2020, the group did not receive any additional rewards for the early completion of labour. The group's material sales revenue is recognized at a time point.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(56) Taxes and surcharges

	For the year ended 31 December 2020	For the year ended 31 December 2019
City maintenance and construction tax	133,083	138,935
Real estate tax	122,124	111,224
Educational surcharge	107,548	119,132
Stamp tax	121,072	97,403
Land use tax	31,162	26,378
Others	32,774	27,601
	<u>547,763</u>	<u>520,673</u>

The payment criterion is set out in Note 3.

(57) Selling and distribution expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Product warranty expenses	1,357,322	750,818
Labour costs	997,897	956,406
Agency fee and commission	499,206	515,362
Agent and technical service fees	211,510	259,668
Freight and package fees	296,715	255,938
Office expenses and market development expenses	321,358	320,411
Bid service fee	148,275	34,387
After-sales service fee	43,877	49,216
Travel expenses	144,092	207,529
Depreciation of right-of-use assets	2,714	1,198
Others	302,766	192,275
	<u>4,325,732</u>	<u>3,543,208</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(58) General and administrative expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Labour costs	4,436,801	4,358,233
Depreciation and amortisation	1,047,605	899,672
General office expenses	538,386	568,878
Professional service fees	530,101	769,635
Depreciation of right-of-use assets	174,554	158,762
Rental fees	126,833	82,735
Travel expenses	118,365	183,808
Repair expenses	115,523	190,721
Power energy expenses	63,773	69,073
Others	950,538	910,228
	<u>8,102,479</u>	<u>8,191,745</u>

(59) Research and development expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Labour costs	2,047,100	1,797,077
Direct input material costs	1,725,664	1,504,494
Outsourced research expenses	241,389	196,464
Depreciation and amortisation	242,984	173,502
Depreciation of right-of-use assets	5,623	5,022
Others	591,324	411,914
	<u>4,854,084</u>	<u>4,088,473</u>

(60) Financial expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest costs	2,151,120	1,739,012
Add: Interest expenses on lease liabilities	30,639	48,897
Less: Capitalized interest	(107,214)	(83,250)
Subtotal:	<u>2,074,545</u>	<u>1,704,659</u>
Less: Interest income	(450,029)	(392,022)
Exchange losses/(gains)	82,318	(59,588)
Others	163,517	217,110
	<u>1,870,351</u>	<u>1,470,159</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(61) Expenses by nature

The operating cost, interest costs, fee and commission expenses, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Consumption of raw materials	59,838,564	54,316,634
Machinery and services purchased	48,996,274	44,738,063
Labour costs	11,225,853	9,891,073
Depreciation and amortisation	2,745,304	2,466,174
Freight and package fees	1,355,844	1,367,471
Warranty expenses	1,357,322	750,818
General office expenses	814,536	840,128
Power energy expenses	705,219	683,771
Agency fee and commission	570,426	584,433
Rental fees	296,947	296,108
Travel expenses	364,737	446,732
Technology commission fees and technical service fees	431,139	411,665
Consultation fee	272,410	392,159
Depreciation of right-of-use assets	329,765	316,179
Property cost	389,831	255,162
Market development fee	257,176	119,529
Auditor fees-audit services	28,900	29,800
-non-audit services	1,950	1,614
Others	1,327,928	1,272,443
Total	131,310,125	119,179,956

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(62) Asset impairment losses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Impairment losses on inventory	450,368	1,029,459
Impairment losses on contract assets	68,004	6,684
Impairment losses on fixed assets	3,143	27,987
Impairment losses on constructions in progress	-	30,444
Impairment losses on intangible assets	44,810	-
Impairment losses on goodwill	551,382	88,566
	<u>1,117,707</u>	<u>1,183,140</u>

(63) Credit impairment losses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Impairment losses on accounts receivable at amortised cost, other receivables and receivables financing	1,428,284	1,161,334
Impairment losses on long term receivables	187,985	463,237
(Reversal of losses) / Impairment losses on loan receivables	(40,179)	61,585
Impairment losses on notes receivable	11,563	44,990
Impairment losses on discounted notes receivable	48,079	8,495
Impairment losses / (Reversal of losses) on Off-Balance-Sheet activities	90,010	(19,476)
Others	8,141	-
	<u>1,733,883</u>	<u>1,720,165</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(64) Other income

	For the year ended 31 December 2020	For the year ended 31 December 2019	
Epidemic support funds directly paid by Shanghai municipal government	121,017	-	Income related
Special funds for the development of SMEs	114,328	1,666	Income related
Nantong finance bureau technology award	84,280	-	Income related
Support funds for Shanghai Zizhu Hi-Tech Industrial	57,300	54,930	Income related
Development of ultra supercritical secondary reheat boiler	50,000	-	Income related
Tax refund	37,356	52,611	Income related
Nuclear power main pump localization development	35,393	8,875	Income related
Financial support in Jing'an district	22,550	-	Income related
Huizhou yinghe technology co., ltd. embedded software tax rebate	21,242	-	Income related
Wujiang transformer high-quality development support fund	20,000	-	Income related
Other government grants related to income	466,606	905,123	Income related
Other government grants related to assets	88,964	154,743	Assets related
	<u>1,119,036</u>	<u>1,177,948</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(65) Investment income

	For the year ended 31 December 2020	For the year ended 31 December 2019
Investment income from long-term equity investment under equity method	912,466	759,329
Investment income obtained during the holding of other debt investments	34,900	26,074
Investment income obtained during the holding of other non-current financial assets	104,576	94,964
Investment income obtained during the period of holding financial assets measured at amortized cost	43,809	-
Investment income obtained during the period of holding held-for-trading financial assets	126,114	88,681
Investment income from disposal of subsidiaries	184,235	122,647
Investment income from disposal of held-for-trading financial assets	98,943	55,975
Investment income from the disposal of other debt investments	230,244	158,498
Disposal of investment income from associates	207,184	9,325
Losses arising from derecognition of financial assets measured at amortized cost	(36,529)	(175,428)
Losses arising from derecognition of receivables financing	(259,096)	(694,199)
Others	30,810	(16,086)
	<u>1,677,656</u>	<u>429,780</u>

There is no significant restriction on recovery of investment income of the Group.

(66) Gains on changes in fair value

	For the year ended 31 December 2020	For the year ended 31 December 2019
Financial assets that are measured at fair value and change through profit and loss	23,286	28,640
Derivative financial instruments	(8,041)	(4,022)
	<u>15,245</u>	<u>24,618</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(67) Gains on disposal of assets

	For the year ended 31 December 2020	For the year ended 31 December 2019	Amount recognised in non-recurring profit or loss in 2020
Gains on disposal of intangible assets (a)	2,281,612	1,694,024	2,281,612
Gains on disposal of fixed assets, construction in progress and etc.	265,427	157,735	265,427
	<u>2,547,039</u>	<u>1,851,759</u>	<u>2,547,039</u>

- (a) In 2020, the gains on disposal of assets group mainly comes from the net income of land acquisition, storage and transfer from the company and its subsidiary Shanghai Blower Works Co., Ltd., the total price of land acquisition and storage contract is RMB 2,871,720,000, and the corresponding intangible assets disposal income is RMB 2,281,612,000. As of 31 December 2020, the company and Shanghai Blower Works Co., Ltd. have completed the transfer of all the above assets and received most of the money.

(68) Non-operating income

	For the year ended 31 December 2020	For the year ended 31 December 2019
Insurance claims	48,790	24,915
Unpayable payables	29,527	33,092
Contract compensation income	27,915	84,306
Others	255,833	63,177
	<u>362,065</u>	<u>205,490</u>

(69) Non-operating expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Compensation expenditures	38,091	17,658
Donation expenditures	7,536	5,159
Others	33,036	18,759
	<u>78,663</u>	<u>41,576</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(70) Income tax expenses

	For the year ended 31 December 2020	For the year ended 31 December 2019
Current income tax calculated based on tax law and related regulations	2,094,594	2,058,547
Income tax annual filing difference for the current period	(5,990)	(114,475)
Deferred income tax	(1,008,168)	(664,911)
	<u>1,080,436</u>	<u>1,279,161</u>

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

	For the year ended 31 December 2020	For the year ended 31 December 2019
Total profit	<u>6,346,439</u>	<u>7,091,771</u>
Income tax expenses calculated at applicable tax rates provided by law (Note 1)	1,586,610	1,772,943
Effect of preferential tax rates of certain subsidiaries	(186,102)	(239,370)
Adjustments for current income tax of prior periods	(5,990)	(114,475)
Effect on share of profit of joint ventures and associates	(205,196)	(189,832)
Income not subject to tax	(100,780)	(81,740)
Non-deductible expenses	68,960	120,232
Preferential tax for qualified expenses	(231,617)	(184,330)
Utilisation of temporary difference and deductible losses that are not recognised as deferred tax assets in previous years	(54,037)	(70,854)
Deductible temporary difference and deductible losses that are not recognised as deferred tax assets in the current year	<u>208,588</u>	<u>266,587</u>
Income tax expenses	<u>1,080,436</u>	<u>1,279,161</u>

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

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(71) Earnings per share

(a) Basic earnings per share

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

Basic earnings per share are calculated as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Consolidated net profit attributable to ordinary shareholders of the parent company	3,758,175	3,501,037
Weighted average number of ordinary shares outstanding (i) (Unit: 1,000 shares)	15,174,280	14,908,821
Basic earnings per share	0.25 yuan	0.23 yuan
Including:		
- Basic earnings per share from continuing operations (i):	0.25 yuan	0.23 yuan
- Basic earnings per share from discontinued operations:	-	-

- (i) As mentioned in Note 1, the Company implemented an equity-based restricted share incentive scheme. In the calculation of basic earnings per share, the numerator is the consolidated net profit attributable to shareholders of ordinary shares less net profit attributable to restricted shares that are expected to be unlocked in the future; the denominator does not include the number of restricted shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(71) Earnings per share (Cont'd)

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. For the year ended 31 December 2020, the convertible bonds issued and the share-based payment implemented by the Company had a dilution effect on the Group's earnings per share. The calculation is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Consolidated net profit attributable to ordinary shareholders of the parent company	3,758,175	3,501,037
Net interest expenses after tax due to the conversion of convertible bonds to shares (Note)	64,374	181,274
Weighted average number of ordinary shares outstanding (Unit: 1,000 shares)	15,174,280	14,908,821
Weighted average number of ordinary shares increased from convertible bonds to shares (Unit: 1,000 shares) (Note)	802,935	870,987
Weighted average number of ordinary shares increased from share-based payment to shares (Unit: 1,000 shares) (Note)	28,147	-
Weighted average number of ordinary shares outstanding after dilution	16,005,362	15,779,808
Diluted earnings per share	0.24 yuan	0.23 yuan
Including:		
- Diluted earnings per share from continuing operations:	0.24 yuan	0.23 yuan
- Diluted earnings per share from discontinued operations:	-	-

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

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(72) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net increase in transfers of factored accounts receivable	2,638,747	-
Net decrease in financial lease receivables from Lease Company	2,314,079	771,366
Income from government grants	1,261,919	1,461,756
Cash for interest, agency fee and commission	755,716	858,992
Interest income from parties excluding Financial Company and Lease Company	450,029	392,022
Income from leasing fixed assets	401,907	462,309
Net decrease in loans and advances to customers	214,578	-
Net increase in customer deposits and interbank deposits	-	2,763,785
Net decrease in financial assets purchased under resale agreements	-	2,277,912
Net decrease in deposits with central banks and interbanks	-	105,619
Others	699,154	754,488
	<u>8,736,129</u>	<u>9,848,249</u>

(b) Cash paid relating to other operating activities

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net decrease in customer deposits and interbank deposits	2,919,279	-
General and administrative expenses	2,345,105	2,707,575
Selling and distribution expenses	2,405,063	2,563,964
Research and development expenses	2,559,972	2,112,872
Net decrease in deposits with central banks	692,464	-
Cash for payment of interest, agency fee and commission	78,525	83,730
Net increase in loans and advances to customers	-	973,685
Others	766,801	236,540
	<u>11,767,209</u>	<u>8,678,366</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(72) Notes to the cash flow statement

(c) Cash received relating to other investing activities

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net decrease in restricted cash at bank and on hand	463,520	-

(d) Cash paid relating to other investing activities

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net increase in time deposit over three months	1,984,662	973,855
Net increase in borrowing to related parties	-	858,672
Net increase in restricted cash at bank and on hand	-	280,815
Others	-	10,160
	1,984,662	2,123,502

(e) Cash received relating to other financing activities

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net increase in loans received from SEC	-	1,578,600
Net increase in loans received from companies controlled by the parent company	521,998	-
	521,998	1,578,600

(f) Cash paid relating to other financing activities

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net increase in loan repayments to SEC and its subsidiaries	560,000	-
Repayment of lease liabilities	248,671	348,264
Repurchase of H share	95,084	-
Repurchase of Share incentive	22,470	-
Cash paid to minority shareholders for capital reduction of subsidiaries	-	169,672
	926,225	517,936

In 2020, the total cash outflow related to leasing paid by the group is RMB 545,618,000, except for the above amount of payment of leasing liabilities included in financing activities, the rest of the cash outflow is included in operating activities.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(73) Supplementary information to the cash flow statement

(g) *Supplementary information to the cash flow statement*

Reconciliation from net profit to cash flows from operating activities

	For the year ended 31 December 2020	For the year ended 31 December 2019
Net profit	5,266,003	5,812,610
Add: Asset impairment losses	1,117,708	1,176,456
Credit impairment losses	1,733,883	1,726,849
Depreciation of right-of-use assets	329,765	316,179
Depreciation of investment properties	87,810	88,108
Depreciation of fixed assets	1,945,299	1,674,266
Amortisation of intangible assets	558,088	599,656
Amortisation of long-term prepaid expenses	154,107	104,144
Gains on disposal of fixed assets, intangible assets and other long-term assets	(2,547,039)	(1,851,759)
Financial expenses	1,346,326	1,645,072
Exchange gains	-	(22,290)
Gains on changes in fair value	(15,245)	(24,618)
Investment income	(1,973,282)	(1,299,407)
Changes in deferred tax assets	(673,264)	(510,058)
Changes in deferred tax liabilities(decrease)/increase	(181,758)	18,888
Amortisation of deferred income	(1,119,036)	(1,177,948)
Changes in inventories	(2,608,021)	2,007,069
Changes in contract assets	(6,187,134)	(6,205,295)
Changes in contract liabilities	6,776,314	(1,788,702)
Changes in operating receivables	(12,345,768)	(6,148,370)
Changes in operating payables	13,024,187	14,363,441
Increase in special reserve	7,255	847
Net cash flows from operating activities	4,696,198	10,505,138

Major operating, investment and financing activities not involving cash receipts and payments

	For the year ended 31 December 2020	For the year ended 31 December 2019
Purchase of inventory paid by bank acceptance notes	1,232,863	1,033,538
Newly added right-of-use assets in the current period	547,615	749,843
	1,780,478	1,783,381

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(73) Supplementary information to the cash flow statement (Cont'd)

(h) Cash and cash equivalents

	31 December 2020	31 December 2019
Cash	56,566,385	50,758,284
Including: Cash on hand	1,487	2,206
Cash at bank that can be readily drawn on demand	19,957,985	17,332,318
Placements with banks and other financial institutions	36,593,978	33,339,823
Other cash balances that can be readily drawn on demand	12,935	83,937
Less: Time deposit over three months	(10,311,470)	(8,326,808)
Cash and cash equivalents at the end of the period	46,254,915	42,431,476

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(73) Supplementary information to the cash flow statement (Cont'd)

(i) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash and cash equivalents in business combination incurred and paid in the current period	1,479,332	30,000
Including: Nantong Weimingquan Construction Engineering Co., Ltd.	-	30,000
Shenzhen Yinghe Technology Co., Ltd.	1,148,466	-
Zhangjiagang Teenchi Cable Co., Ltd.	234,144	-
Qingdao Huachen Weiye Power Technology Engineering Co., Ltd.	23,000	-
Shanghai Electric Group Guokong Global Engineering Co., Ltd.	18,563	-
Shanghai Electric (Jiangsu) Integrated Energy Service Co., Ltd.	16,000	-
Golmud Meiman New Energy Technology Co., Ltd.	924	-
Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd.	32,853	-
Shanghai Electric Baolv Environmental Protection Technology Co., Ltd.	5,382	-
Cash and cash equivalents held by subsidiaries at acquisition date	(1,333,773)	(1,328,820)
Including: Suzhou Thvow Technology Co., Ltd.	-	(1,266,327)
Shanghai Electric Concrete Construction Technology Group Co., Ltd.	-	(47,330)
Shanghai Electric Fuji Electric Technology Co., Ltd.	-	(14,334)
Shanghai Electric Qingyuan (Tianjin) water Co., Ltd.	-	(829)
Zhangjiagang Teenchi Cable Co., Ltd.	(55,903)	-
Shanghai Electric Group Guokong Global Engineering Co., Ltd.	(2,101)	-
Qingdao Huachen Weiye Power Technology Engineering Co., Ltd.	(15,826)	-
Shenzhen Yinghe Technology Co., Ltd.	(1,228,371)	-
Shanghai Electric (Jiangsu) Integrated Energy Service Co., Ltd.	(17,131)	-
Golmud Meiman New Energy Technology Co., Ltd.	(1)	-
Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd.	(14,355)	-
Shanghai Electric Baolv Environmental Protection Technology Co., Ltd.	(85)	-
Net cash received / (paid) from subsidiaries and other business units	145,559	(1,298,820)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(73) Supplementary information to the cash flow statement (Cont'd)

(i) Acquisition or disposal of subsidiaries (Cont'd)

(ii) Disposal of subsidiaries

	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash and cash equivalents received from disposal of subsidiaries in the current period	440,704	178,157
Including: Shanghai marine crankshaft Co., Ltd	-	170,227
Wuxi Power Station Boiler Equipment Co., Ltd	-	7,930
Haojiang District, Shantou Haidian Phase 6 New Energy Development Co., Ltd.	5,000	-
Haojiang District, Shantou Haidian Phase 7 New Energy Development Co., Ltd.	5,000	-
Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd.	5,000	-
China National Energy Power Engineering Co., Ltd.	5,870	-
Zhanghuaji Yili Heavy Equipment Manufacturing Co., Ltd.	215,253	-
Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Co., Ltd.	32,295	-
Zhangjiagang Chengyang Electromechanical Industry Development Co., Ltd.	172,286	-
Less: Cash and cash equivalents held by subsidiaries at the date when control is lost	32,375	2,054
Including: Shanghai marine crankshaft Co., Ltd	-	280
Wuxi Power Station Boiler Equipment Co., Ltd	-	1,774
Haojiang District, Shantou Haidian Phase 6 New Energy Development Co., Ltd.	5,003	-
Haojiang District, Shantou Haidian Phase 7 New Energy Development Co., Ltd.	4,903	-
Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd.	4,940	-
Shanghai Shengru Cable Accessories Co., Ltd.	1,659	-
China National Energy Power Engineering Co., Ltd.	3	-
Zhanghuaji Yili Heavy Equipment Manufacturing Co., Ltd.	13,905	-
Zhangjiagang Chengyang Electromechanical Industry Development Co., Ltd.	1,959	-
Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Co., Ltd.	3	-
Net proceeds from disposal of subsidiaries	408,329	176,103

Consideration for disposal of subsidiaries for the year ended 31 December 2020

Haojiang District, Shantou Haidian Phase 6 New Energy Development Co., Ltd.	5,000
Haojiang District, Shantou Haidian Phase 7 New Energy Development Co., Ltd.	5,000
Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd.	5,000
China National Energy Power Engineering Co., Ltd.	5,870
Zhanghuaji Yili Heavy Equipment Manufacturing Co., Ltd.	215,253
Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Co., Ltd.	32,295
Zhangjiagang Chengyang Electromechanical Industry Development Co., Ltd.	172,286
	440,704

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(74) Major monetary items denominated in foreign currency

	31 December 2020		
	Foreign currency balances	Exchange rate	RMB balances
Cash at bank and on hand -			
USD	843,252	6.5249	5,502,135
EUR	64,184	8.0250	515,077
MYR	10,505	1.6173	16,990
JPY	1,304,684	0.0632	82,456
VND	35,223,333	0.0003	10,567
HKD	180,166	0.8416	151,628
GBP	968	8.8903	8,606
IDR	39,104,000	0.0005	19,552
BTD	82,630	0.0773	6,387
ETB	3,437	0.1667	573
Accounts receivable -			
USD	764,084	6.5249	4,985,572
EUR	52,438	8.0250	420,815
MYR	10,862	1.6173	17,567
Other receivables-			
MYR	680	1.6173	1,100
USD	51	6.5249	333
Accounts payable -			
USD	44,306	6.5249	289,092
MYR	71,041	1.6173	114,895
EUR	13,385	8.0250	107,415
BTD	101,709	0.0773	7,862
VND	15,280,000	0.0003	4,584

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(74) Major monetary items denominated in foreign currency (Cont'd)

	31 December 2020		
	Foreign currency balances	Exchange rate	RMB balances
Other payables -			
PKR	2,538,325	0.0407	103,310
MYR	28,808	1.6173	46,591
EUR	437	8.0250	3,507
Short-term borrowings -			
EUR	281,227	8.0250	2,256,847
USD	157,887	6.5249	1,030,197
HKD	548,500	0.8416	461,618
Current portion of long-term borrowings -			
EUR	15,130	8.0250	121,418
USD	28,158	6.5249	183,728
CHF	206	7.4006	1,525
Long-term borrowings -			
USD	293,719	6.5249	1,916,487
EUR	188,588	8.0250	1,513,419
Contract liabilities -			
USD	254,647	6.5249	1,661,546
EUR	8,133	8.0250	65,267

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(75) Share-based payment

(a) Equity-settled share-based payment

(i) General information

In accordance with the Proposal on A-share Restricted Shares Incentive Plan of Shanghai Electric Group Co., Ltd. (Draft) and Summary, the Proposal on Assessment Measures for the Implementation of A-share Restricted Shares Incentive Plan of Shanghai Electric Group Co., Ltd. and the Proposal on Submittal to Shareholders' General Meeting for Authorising the Board of Directors to Handle Matters Related to A-share Restricted Shares Incentive Plan approved by the 13th meeting of the 5th Session of the Board of Directors of the Company on 6 May 2019, the 1st interim shareholders' meeting in 2019, the 1st A-share shareholders' meeting in 2019 and the 1st H-share shareholders' meeting in 2019, the date of 6 May 2019 was determined as the grant date and a total of 133,578,000 restricted shares were granted to 2,194 incentive recipients by the Company which were approved by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and confirmed with no objection and recorded by China Securities Regulatory Commission. Such restricted shares were granted at RMB 3.03 per share. After the completion of the subscription of such incentive plan, due to the issuance of new shares, the Company's share capital(Note 4(50)) and capital surplus(Note 4(51)) increased by RMB 133,578,000 and RMB 271,163,000 respectively, treasury stocks increased by RMB 404,741,000, and repurchase obligation under share incentive plan was RMB 404,741,000(Note 4(38)). Capital surplus increased by RMB 66,656,000 based on the cost or expenses recognised during the vesting period in the current year. The lock-up period of the incentive plan to grant restricted shares is 24 months, 36 months and 48 months from the registration date of the shares granted. The restricted shares granted under such plan shall not be transferred, used for guarantee or debt repayment during the lock-up period.

On 29 June 2020, after the deliberation of the company's annual shareholders' meeting in 2019, the 1st A-share shareholders' meeting in 2020 and the 1st H-share shareholders' meeting in 2020, the company completed the repurchase and cancellation of 95 A-share restricted shares that no longer meet the incentive scope, which have been granted but not unlocked on 18 September 2020, with a total of 7,416,000 restricted shares repurchased and cancelled; after the completion of the repurchase and cancellation, 126,162,000 shares of incentive restricted shares remained in all incentive objects.

The Company has set up lock-up period and requirements for unlocking for such non-public issued shares to incentive recipients, and has fully recognised other payables - restricted shares repurchase obligation based on the subscription received under the repurchase obligation and recognised treasury stocks. The Company should repurchase shares at the grant price and deduct treasury stocks if the unlocking requirements are not met under terms of equity incentive plan. Certain restricted shares that meet the unlocking requirements could be applied to deduct treasury stocks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(75) Share-based payment (Cont'd)

(a) *Equity-settled share-based payment (Cont'd)*

(ii) Statement of changes in restricted shares for the year

	For the year ended 31 December 2020	For the year ended 31 December 2019
Number of restricted shares issued at the beginning of the year	133,578,000	-
Number of restricted shares issued in the current year	-	133,578,000
Number of restricted shares exercised in the current year	-	-
Number of restricted shares failed in meeting requirements in the current year	(7,416,000)	-
Number of outstanding restricted shares at the end of the year	126,162,000	133,578,000

(iii) Effect of share-based payment on financial position and financial performance

	For the year ended 31 December 2020	For the year ended 31 December 2019
Accumulated amount in capital surplus for equity-settled share-based payment (Note 4(51))	157,815	66,656
Total expenses recognised by equity-settled share-based payment in the current year	91,159	66,656

5 CHANGES IN THE SCOPE OF CONSOLIDATION

(1) For the year ended 31 December 2020, subsidiaries newly incorporated or acquired and thus included in the consolidation scope are as follows:

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (Unit: RMB)
				Direct	Indirect	
Shanghai Electric (Anhui) Energy Storage Technology Co., Ltd.	Anhui	Anhui	Manufacturing Industry	60.00	-	RMB 50,000,000
Shanghai Electric Group (Fengcheng) Environmental Energy Co., Ltd.	Liaoning	Liaoning	Construction Industry	70.00	-	RMB 89,859,660
Zhangjiagang Teenchi Cable Co., Ltd.	Jiangsu	Jiangsu	Manufacturing Industry	95.00	-	RMB 48,409,850
Qingdao Huachen Weiye Electric Power Technology Engineering Co., Ltd. (Note)	Shandong	Shandong	Technical service industry	46.00	-	RMB 20,408,200
Shenzhen Yinghe Technology Co., Ltd. (Note)	Guangdong	Guangdong	Manufacturing Industry	28.39	-	RMB 649,537,963
Shanghai Electric Group Guokong Global Engineering Co., Ltd.	Shanxi	Shanxi	Construction Industry	-	51.00	RMB 20,408,160
Shanghai Electric Wind Power Group (Haiyang) New Energy Co., Ltd.	Shandong	Shandong	Manufacturing Industry	-	100.00	RMB 624,000,000
Haojiang District, Shantou Haidian Phase 5 New Energy Development Co., Ltd.	Guangdong	Guangdong	Manufacturing Industry	-	100.00	RMB 5,000,000
Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd. (Note)	Guangdong	Guangdong	Manufacturing Industry	-	100.00	RMB 25,000,000
Shanghai Electric Group (Zhangjiagang) Transformer Co., Ltd.	Jiangsu	Jiangsu	Manufacturing Industry	-	50.01	RMB 120,000,000
Shanghai Electric Transmission and Distribution (Hong Kong) Engineering Co., Ltd.	Hong Kong	Hong Kong	Construction Industry	-	100.00	HKD 20,000,000
Shanghai Electric Group (Huaiyuan) Water Treatment Co., Ltd.	Anhui	Anhui	Manufacturing Industry	88.00	-	RMB 144,771,300
Shanghai Xinji Machine Tool Co., Ltd.	Shanghai	Shanghai	Manufacturing Industry	100.00	-	RMB 428,730,000
Shanghai Electric (Jiangsu) Integrated Energy Service Co., Ltd.	Jiangsu	Jiangsu	Construction Industry	-	51.00	RMB 49,000,000
Shanghai Electric Japan Engineering Co., Ltd.	Japan	Japan	Manufacturing Industry	-	100.00	JPY 217,960,000
Shanghai Panxin Enterprise Management Consulting Partnership (Limited Partnership) (Note)	Shanghai	Shanghai	Business service industry	-	20.02	RMB 5,001,000,000
Shanghai Jixin Enterprise Management Consulting Partnership (Limited Partnership) (Note)	Shanghai	Shanghai	Business service industry	-	20.03	RMB 2,501,000,000
Shanghai Jingteng Enterprise Management Consulting Partnership (Limited Partnership) (Note)	Shanghai	Shanghai	Business service industry	-	20.03	RMB 2,501,000,000
Golmud Meiman New Energy Technology Co., Ltd.	Qinghai	Qinghai	Professional technical service industry	-	100.00	RMB 35,290,700
Shanghai Electric Lianchuang International Co., Ltd.	Hong Kong	Hong Kong	Electronic components trading	-	51.00	HKD 50,000,000
Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd. (Note)	Shanghai	Shanghai	Manufacturing Industry	-	38.08	RMB 52,511,000
Shanghai Electric Baolv Environmental Protection Technology Co., Ltd.	Shanghai	Shanghai	Manufacturing Industry	-	100.00	RMB 100,000,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(1) For the year ended 31 December 2020, subsidiaries newly incorporated or acquired and thus included in the consolidation scope are as follows (Cont'd):

Note: the Group has control over significant financial and operating decisions of Shenzhen Yinghe Technology Co., Ltd., Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd., Qingdao Huachen Weiye Electric Power Technology Engineering Co., Ltd., Shanghai Panxin Enterprise Management Consulting Partnership, Shanghai Jixin Enterprise Management Consulting Partnership (Limited Partnership), Shanghai Jingteng Enterprise Management Consulting Partnership (Limited Partnership), Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd.. Therefore, the Group has substantial control over it and includes it in the consolidation scope as a subsidiary.

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(2) Disposal of subsidiaries

(a) Information on disposal of subsidiaries for the year ended 31 December 2020 is summarised as follows:

Subsidiaries	Proceeds from disposal	Disposal proportion	Method of disposal	Timing of losing control	Basis for judgement of timing of losing control	Difference between proceeds from disposal and corresponding shares of net assets in the consolidated financial statements	Amount transferred from other comprehensive income related to initial equity investment to investment income or loss
Haojiang District, Shantou Haidian Phase 6 New Energy Development Co., Ltd.	5,000	80%	The acquirer increases its capital and loses control of its equity dilution	24 February 2020	Property delivery completed	(3)	-
Haojiang District, Shantou Haidian Phase 7 New Energy Development Co., Ltd.	5,000	80%	The acquirer increases its capital and loses control of its equity dilution	9 April 2020	Property delivery completed	(4)	-
Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd.	5,000	80%	The acquirer increases its capital and loses control of its equity dilution	24 November 2020	Property delivery completed	-	-
Shanghai Shengru Cable Accessories Co., Ltd.	-	100%	Liquidation	6 December 2020	Transfer to the court to designate an asset manager	115,707	-
China National Energy Power Engineering Co., Ltd.	5,870	100%	Cancellation	31 December 2020	Completion of industrial and commercial cancellation registration	-	-
Zhanghuaji Yili Heavy Equipment Manufacturing Co., Ltd.	215,253	100%	Equity transfer	31 December 2020	Completion of equity delivery	22,389	-
Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Co., Ltd.	32,295	100%	Equity transfer	31 December 2020	Completion of equity delivery	(76)	-
Zhangjiagang Chengyang Electromechanical Industry Development Co., Ltd.	172,286	100%	Equity transfer	31 July 2020	Completion of equity delivery	46,222	-
Shanghai Shuluo Enterprise Development Co., Ltd.	-	79%	Cancellation	31 December 2020	Completion of industrial and commercial cancellation registration	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(2) Disposal of subsidiaries (Cont'd)

(b) The information of gains or losses on disposal is as follows:

(i) Haojiang District, Shantou Haidian Phase 6 New Energy Development Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Fair value of residual equity	5,000
Less: Share of net assets of Haojiang District, Shantou Haidian Phase 6 New Energy Development Co., Ltd. at the level of consolidated financial statements	(5,003)
Losses on disposal recognised in the income statement	(3)

(ii) Haojiang District, Shantou Haidian Phase 7 New Energy Development Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Fair value of residual equity	5,000
Less: Share of net assets of Haojiang District, Shantou Haidian Phase 7 New Energy Development Co., Ltd. at the level of consolidated financial statements	(5,004)
Losses on disposal recognised in the income statement	(4)

(iii) Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Fair value of residual equity	5,000
Less: Share of net assets of Haojiang District, Shantou Haidian Phase 8 New Energy Development Co., Ltd. at the level of consolidated financial statements	(5,000)
Gains on disposal recognised in the income statement	-

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(2) Disposal of subsidiaries (Cont'd)

(b) The information of gains or losses on disposal is as follows (Cont'd)

(iv) Shanghai Shengru Cable Accessories Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	-
Less: Share of net assets of Shanghai Shengru Cable Accessories Co., Ltd. at the level of consolidated financial statements	115,707
Gains on disposal recognised in the income statement	115,707

(v) China National Energy Power Engineering Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	5,870
Less: Share of net assets of China National Energy Power Engineering Co., Ltd. at the level of consolidated financial statements	(5,870)
Losses on disposal recognised in the income statement	-

(vi) Zhanghuaji Yili Heavy Equipment Manufacturing Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	215,253
Less: Share of net assets of Zhanghuaji Yili Heavy Equipment Manufacturing Co., Ltd. at the level of consolidated financial statements	(192,864)
Losses on disposal recognised in the income statement	22,389

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(2) Disposal of subsidiaries (Cont'd)

(b) The information of gains or losses on disposal is as follows (Cont'd)

(vii) Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	32,295
Less: Share of net assets of Xinjiang Hefeng Zhang Chemical Machinery New Energy Equipment Co., Ltd. at the level of consolidated financial statements	(32,371)
Losses on disposal recognised in the income statement	(76)

(viii) Zhangjiagang Chengyang Electromechanical Industry Development Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	172,286
Less: Share of net assets of Zhangjiagang Chengyang Electromechanical Industry Development Co., Ltd. at the level of consolidated financial statements	(126,064)
Losses on disposal recognised in the income statement	46,222

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(3) Business combinations involving enterprises not under common control

(a) Major subsidiaries in business combinations involving enterprises not under common control for the year ended 31 December 2020

Acquiree	Timing of acquisition	Acquisition cost	Interest acquired (%)	Method of acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Net cash flows of the acquiree from the acquisition date to the end of the period
Shenzhen Yinghe Technology Co., Ltd. (Note)	13 March 2020	2,107,488	17.03%	By purchasing shares, signing the "Letter of Commitment to Give Up All Voting Rights" and controlling relevant authorities	13 March 2020	Transfer of control right	2,211,613	14,817	(1,225,755)
Zhangjiagang Teenchi Cable Co., Ltd.	9 January 2020	234,144	95.00%	By purchasing shares and controlling relevant authorities	9 January 2020	Transfer of control right	533,844	30,184	11,137
Qingdao Huachen Weiye Electric Power Technology Engineering Co., Ltd.	14 January 2020	23,000	46%	By purchasing shares, signing a concerted action agreement and controlling relevant authorities	14 January 2020	Transfer of control right	54,644	4,725	24,984
Shanghai Electric Group Guokong Global Engineering Co., Ltd.	8 January 2020	18,563	51%	By purchasing shares and controlling relevant authorities	8 January 2020	Transfer of control right	101,892	845	191,366
Shanghai Electric (Jiangsu) Integrated Energy Service Co., Ltd.	27 July 2020	16,000	51%	By purchasing shares and signing the "Equity Transfer Agreement"	27 July 2020	Transfer of control right	201,221	13,061	(12,100)
Golmud Meiman New Energy Technology Co., Ltd.	27 May 2020	924	100%	By purchasing shares and signing the "Equity Transfer Agreement"	27 May 2020	Transfer of control right	-	(1,018)	11,016
Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd.	23 July 2020	32,853	38.08%	By purchasing shares, signing a concerted action agreement and controlling relevant authorities	23 July 2020	Transfer of control right	162,367	29,884	13,393
Shanghai Electric Baolv Environmental Protection Technology Co., Ltd.	24 September 2020	10,985	100%	By purchasing shares and controlling relevant authorities	24 September 2020	Transfer of control right	-	8,549	(8,549)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

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

(a) Major subsidiaries in business combinations involving enterprises not under common control for the year ended 31 December 2020 (Cont'd)

Note: In December 2019 and March 2020, the company paid RMB 959,022,000 and RMB 1,148,466,000 to the former largest shareholders of Yinghe Technology, Wang Weidong and Xu Xiaojun, respectively, obtaining 9.73% and 7.3% of Yinghe Technology, totaling 17.03 % Equity. Yinghe Technology completed the reorganization of the board of directors in January 2021. Among the 9 directors, 5 were nominated by the company. In addition, according to the "Letter of Commitment to Waiver of All Voting Rights" signed by Wang Weidong and Xu Xiaojun and his wife, since the date of completion of the reorganization of the board of directors of Yinghe Technology in January 2021, they have waived the right to vote for Yinghe Technology. In summary, the company believes that it will obtain control of Yinghe Technology from March 2020.

(b) The merger costs and the recognition of goodwill are as follows:

	Shanghai Electric (Jiangsu) Integrated Energy Service Co., Ltd.	Shenzhen Yinghe Technology Co., Ltd.	Zhangjiagang Teenchi Cable Co., Ltd.	Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd.	Total
Combined cost-					
Cash	16,000	1,148,466	234,144	32,853	1,431,463
Long-term equity investments	-	959,022	-	-	959,022
Total cost of combination	16,000	2,107,488	234,144	32,853	2,390,485
Less: Fair value of the identifiable net assets obtained	8,349	610,252	215,813	29,775	864,189
Goodwill	7,651	1,497,236	18,331	3,078	1,526,296

	Qingdao Huachen Weiye Electric Power Technology Engineering Co., Ltd.	Shanghai Electric Group Guokong Global Engineering Co., Ltd.	Golmud Meiman New Energy Technology Co., Ltd.	Shanghai Electric Baolv Environmental Protection Technology Co., Ltd.	Total
Combined cost-					
Cash	23,000	18,563	924	5,382	47,869
Long-term equity investments	-	-	-	5,603	5,603
Total cost of combination	23,000	18,563	924	10,985	53,472
Less: Fair value of the identifiable net assets obtained	23,376	18,563	924	10,985	53,848
Non-operating income	(376)	-	-	-	(376)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

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

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

(i) Shenzhen Yinghe Technology Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	1,228,371	1,228,371	714,518
Prepayments	314,044	314,044	73,364
Accounts receivable	1,812,764	1,812,764	1,837,787
Inventories and contract assets	725,431	694,282	656,977
Other current assets	641,330	641,330	442,517
Goodwill	-	298,480	298,480
Other non-current assets	2,514,859	1,745,181	1,655,050
Less: Borrowings	1,365,773	1,365,773	740,516
Accounts payable	1,397,246	1,397,246	1,420,454
Contract liabilities	655,523	655,523	268,587
Other liabilities	234,862	114,738	656,009
Net assets	3,583,395	3,201,172	2,593,127
Less: Minority shareholders' equity	2,973,143	2,661,017	
Net assets acquired	610,252	540,155	

(ii) Zhangjiagang Teenchi Cable Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	55,903	55,903	55,903
Prepayments	1,928	1,928	1,928
Accounts receivable	114,156	114,156	114,156
Inventories and contract assets	32,635	29,799	29,799
Other current assets	2,624	3,112	3,112
Other non-current assets	117,020	73,078	73,078
Less: Accounts payable	82,291	82,291	82,291
Contract liabilities	802	802	802
Other liabilities	14,002	1,954	1,954
Net assets	227,171	192,929	192,929
Less: Minority shareholders' equity	11,358	9,647	
Net assets acquired	215,813	183,282	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

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

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

(iii) Qingdao Huachen Weiye Electric Power Technology Engineering Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	15,826	15,826	15,826
Accounts receivable	30,096	30,096	30,096
Inventories and contract assets	180	180	180
Other current assets	28,460	28,460	28,460
Other non-current assets	8,823	4,030	4,030
Less: Accounts payable	3,100	3,100	3,100
Contract liabilities	352	352	352
Other liabilities	29,116	29,116	29,116
Net assets	50,817	46,024	46,024
Less: Minority shareholders' equity	27,441	24,852	
Net assets acquired	23,376	21,172	

(iv) Shanghai Electric Group Guokong Global Engineering Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	2,101	2,101	2,101
Prepayments	7,416	7,416	7,416
Accounts receivable	76,812	76,812	58,248
Other non-current assets	97,386	96,489	96,489
Less: Accounts payable	65,608	65,608	65,608
Other liabilities	81,708	81,708	81,708
Net assets	36,399	35,502	16,938
Less: Minority shareholders' equity	17,836	17,396	
Net assets acquired	18,563	18,106	

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

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

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

(v) Shanghai Electric (Jiangsu) Integrated Energy Service Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	17,131	17,131	314
Prepayments	25	25	-
Accounts receivable	4,267	4,267	5,365
Other current assets	79	79	-
Other non-current assets	3,858	3,832	2,686
Less: Accounts payable	3,243	3,243	3,739
Other liabilities	5,745	5,746	4,838
Net assets	16,372	16,345	(212)
Less: Minority shareholders' equity	8,023	8,010	
Net assets acquired	8,349	8,335	

(vi) Golmud Meiman New Energy Technology Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	1	1	6
Other non-current assets	945	945	941
Less: Accounts payable	5	5	(25)
Other liabilities	17	17	19
Net assets	924	924	953
Less: Minority shareholders' equity	-	-	
Net assets acquired	924	924	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

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

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

(vii) Shanghai Electric Digital Intelligence Ecological Technology Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	14,355	14,355	5,897
Prepayments	5,249	5,249	8,757
Accounts receivable	88,791	88,791	111,704
Other current assets	11,094	11,094	22,295
Other non-current assets	50,090	50,090	57,947
Less: Accounts payable	51,443	51,443	72,579
Other liabilities	39,945	39,945	48,520
Net assets	78,191	78,191	85,501
Less: Minority shareholders' equity	48,416	48,416	
Net assets acquired	29,775	29,775	

(viii) Shanghai Electric Baolv Environmental Protection Technology Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Book value at 31 December 2019
Cash at bank and on hand	85	85	94
Long term	10,900	10,900	8,400
Net assets	10,985	10,985	8,494
Less: Minority shareholders' equity	-	-	
Net assets acquired	10,985	10,985	

6 INTERESTS IN OTHER ENTITIES

(1) Interests in significant subsidiaries

(a) Constitution of the Group

Subsidiaries	Major business location	Legal person	Place of registration	Nature of business	Information on issued equity and bonds	Shareholding (%)		Method of acquisition
						Direct	Indirect	
SMEI (Note2(31)(a))	Shanghai	Listed	Shanghai	Manufacturing industry	Share capital 1,022,739	48.81	-	Equity contribution
Shanghai Boiler Works Ltd.	Shanghai	Corporate-owned	Shanghai	Manufacturing industry	-	100	-	Equity contribution
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	61	-	Equity contribution
TEC4AERO GmbH	Germany	Other limited liability	Germany	Manufacturing industry	-	-	100	Equity contribution
Shanghai Nanhua-Lanling Electrical Co., Ltd.	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	-	50	Equity contribution
Shanghai Machine Tool Works Ltd.	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	100	-	Equity contribution
Shanghai Mitsubishi Elevator Co., Ltd.	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	-	52	Equity contribution
Shanghai Electric Power Generation Equipment Co., Ltd.	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	-	54.64	Incorporation or investment
Shanghai Electric Wind Power Equipment Co., Ltd.	Shanghai	Corporate-owned	Shanghai	Manufacturing industry	-	99	1	Incorporation or investment
Shanghai Turbine Company, Ltd.	Shanghai	Corporate-owned	Shanghai	Manufacturing industry	-	100	-	Incorporation or investment
Shanghai Electric Nuclear Power Equipment Co., Ltd.	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	57.80	-	Incorporation or investment
Shanghai Electric Transmission and Distribution Group Co., Ltd. (Note2(31)(a))	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	50	-	Incorporation or investment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(a) Constitution of the Group (Cont'd)

Subsidiaries	Major business location	Place of registration	Legal person	Nature of business	Information on issued equity and bonds	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Shanghai Electrical Apparatus Import&Export Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Service industry	-	100	-	Incorporation or investment
Shanghai Electric Hong Kong Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Financial industry	-	100	-	Incorporation or investment
Shanghai Electric Gas Turbine Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	60	-	Incorporation or investment
Shanghai Electric Milling Equipment Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Incorporation or investment
Shanghai Electric Wind Power Yunnan Co., Ltd.	Yunnan	Yunnan	Corporate-owned	Manufacturing industry	-	100	-	Incorporation or investment
Shanghai Institute of Mechanical & Electric Engineering Co., Ltd.	Shanghai	Shanghai	Other limited liability	Service industry	-	51.12	-	Incorporation or investment
Shanghai Najie Complete Sets of Electric Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	85	Incorporation or investment
Shanghai Renmin Electrical Apparatus Works*	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	100	Business combination under common control
Shanghai Electric Power Transmission and Distribution Engineering Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	100	Business combination under common control
Shanghai Blower Works Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Business combination under common control
Financial Company	Shanghai	Shanghai	Other limited liability	Financial industry	-	74.63	13.79	Business combination under common control
Shanghai Panxin Enterprise Management Consulting Partnership (Limited Partnership) (Note 1)	Shanghai	Shanghai	Limited Partnership	Service industry	-	-	20.02	Equity contribution
Shanghai Jinteng Enterprise Management Consulting Partnership (Limited Partnership) (Note 1)	Shanghai	Shanghai	Limited Partnership	Service industry	-	-	20.03	Equity contribution
Shanghai Jixin Enterprise Management Consulting Partnership (Limited Partnership) (Note 1)	Shanghai	Shanghai	Limited Partnership	Service industry	-	-	20.03	Equity contribution

Note 1: The Group holds 67% of the voting rights of Shanghai Qingxin Enterprise Management Consulting Partnership (Limited Partnership), Shanghai Jingteng Enterprise Management Consulting Partnership (Limited Partnership) and Shanghai Jixin Enterprise Management Consulting Partnership (Limited Partnership), It enjoys two votes among the three votes of the Investment Decision Committee, which can lead the major operation and investment decisions of the partnership, so it is accounted for as a subsidiary.

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(a) Constitution of the Group (Cont'd)

Subsidiaries	Major business location	Place of registration	Legal person	Nature of business	Information on issued equity and bonds	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Thales SEC Transportation System Limited Company	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	50.1	-	Business combination under common control
Shanghai Electric Group Asset Management Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Real estate	-	100	-	Business combination under common control
PMC	Shanghai	Shanghai	Listed	Manufacturing industry	Share capital 1,725,943	47.18	7.88	Business combination under common control
Shanghai Electric Power Environmental Engineering Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	95	-	Business combination under common control
Shanghai Electric Industrial Co., Ltd.	Shanghai	Shanghai	Other limited liability	Service industry	-	51.82	-	Incorporation or investment Business combination under common control
Shanghai Electric International Economic & Trading Co., Ltd.	Shanghai	Shanghai	Other limited liability	Service industry	-	80.59	-	Business combination under common control
Shanghai No.1 Machine Tool Works Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	100	-	Business combination under common control
Shanghai Electric Leasing Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Service industry	-	100	-	Business combination under common control
Shanghai Denso Fuel Injection Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	61	-	Business combination under common control
Shanghai FeiHang Wire & Cable Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	60	Business combination not under common control
Shanghai Huapu Cable Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	80	Business combination not under common control

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(a) Constitution of the Group (Cont'd)

Subsidiaries	Major business location	Place of registration	Legal person	Nature of business	Information on issued equity and bonds	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Shanghai Electric Investment Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Financial industry	-	100	-	Incorporation or investment
					Restricted shares outstanding 1,045			
Suzhou Thvow Technology Co., Ltd. (Note2(31)(a))	Jiangsu	Jiangsu	Listed	Manufacturing industry	Outstanding shares 868,330	15.24	-	Business combination not under common control
Shenzhen Yinghe Technology Co., Ltd. (Note2(31)(a), Note 2)	Guangdong	Guangdong	Listed	Manufacturing industry	Share capital 649,537	28.39	-	Business combination not under common control

Note 2: In March 2020, the Group acquired a 17.03% equity interest in Yinghe Technology and obtained its control (Note 5 (3)). In August 2020, the Group made a targeted capital increase of RMB 2 billion to Yinghe Technology and acquired 11.36% of its equity. Therefore, as of 31 December 2020, the Group held 28.39% of the equity of Yinghe Technology.

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(b) Minority interests in significant subsidiaries

- (i) In 2020, the company's subsidiaries Shanghai Electric Investment Co., Ltd. (hereinafter referred to as "Electrical Investment") and Shanghai Electric Group Real Estate Co., Ltd. (hereinafter referred to as "Electrical Properties") initiated the establishment of Shanghai Qingxin Enterprise Management Consulting Partnership (Limited Partnership), Shanghai Jingteng Enterprise Management Consulting Partnership (Limited Partnership) and Shanghai Jixin Enterprise Management Consulting Partnership (Limited Partnership) (hereinafter collectively referred to as "partnerships"), the above partnerships are all long-term existing, of which Electric Property is a general partnership. As a limited partner, Electric Investment subscribes for 20% of the limited partnership share, and other investors subscribe for 80% of the limited partnership share as limited partners. The group holds 67% of the voting rights of the partnership and enjoys two votes out of the three votes of the investment decision-making committee. It can lead the major operation and investment decisions of the partnership, accounting for it as a subsidiary, and the shares paid by other investors as a minority shareholder Equity accounting.

(ii)

Subsidiaries	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders for the year ended 31 December 2020	Dividends paid to minority shareholders for the year ended 31 December 2020	Minority interests as at 31 December 2020
Shanghai Electric Transmission and Distribution Group Co., Ltd.	50.00%	240,213	50,000	2,130,420
SMEI	51.19%	1,234,208	669,778	8,564,664
Shanghai Electric Industrial Co., Ltd.	48.19%	209,595	150,182	5,298,928

- (iii) The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2020				31 December 2019			
	Current assets	Non-current assets	Total assets	Total liabilities	Current assets	Non-current assets	Total assets	Total liabilities
Shanghai Electric Transmission and Distribution Group Co., Ltd.	11,449,271	1,595,102	13,044,373	9,499,361	9,492,217	1,513,261	11,005,478	7,677,703
SMEI	29,680,523	6,491,269	36,171,792	21,784,872	28,974,016	5,579,531	34,553,547	20,777,701
Shanghai Electric Industrial Co., Ltd.	2,285,984	5,252,615	7,538,599	699,149	916,943	5,589,929	6,506,872	575,550

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(b) *Minority interests in significant subsidiaries (Cont'd)*

(iii) The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below (Cont'd):

	For the year ended 31 December 2020				For the year ended 31 December 2019			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shanghai Electric Transmission and Distribution Group Co., Ltd.	12,381,152	351,250	309,373	(208,889)	11,847,757	202,499	207,934	212,035
SMEI	23,394,106	1,785,742	1,784,771	1,096,371	22,287,778	1,783,174	1,783,286	211,022
Shanghai Electric Industrial Co., Ltd.	373,939	286,816	286,816	(38,886)	241,994	320,862	320,862	(24,196)

(2) Interests in joint ventures and associates

(a) *Basic information of important joint ventures and associates*

	Major business location	Place of registration	Nature of business	Shareholding (%)	
				Direct	Indirect
Joint venture -					
Shanghai-Fanuc Robotics Co., Ltd.	Shanghai	Shanghai	Production and manufacture of industrial robots	-	50
Associate -					
Shanghai Jintai Construction Machinery Co., Ltd.	Shanghai	Shanghai	Manufacturing and operating engineering machinery and related equipment	-	49
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	Shanghai	Shanghai	Production of central air-conditioning refrigeration equipment	-	30

The above equity investments are all accounted by using equity method.

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(b) Summarised financial information for significant joint ventures

	31 December 2020
	Shanghai-Fanuc Robotics Co., Ltd.
Current assets	2,966,642
Including: Cash and cash equivalents	1,403,481
Non-current assets	1,209,202
Total assets	4,175,844
Current liabilities	1,341,044
Non-current liabilities	-
Total liabilities	1,341,044
Attributable to shareholders of the parent company	2,834,800
Shares of net assets based on shareholding (i)	1,417,399
Adjustments - Goodwill	-
Carrying amount of investment in joint ventures	1,417,399
Revenue	3,784,978
Net loss	330,142
Other comprehensive income	-
Total comprehensive income	330,142
Dividends received from joint ventures by the Group for the current period	26,817

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(b) Summarised financial information for significant joint ventures(Cont'd)

	31 December 2020
Shanghai Jintai Construction Machinery Co., Ltd.	
Current assets	967,963
Non-current assets	478,803
Total assets	1,446,766
Current liabilities	307,444
Non-current liabilities	31,411
Total liabilities	338,855
Minority shareholders' equity	-
Attributable to shareholders of the parent company	1,107,911
Shares of net assets based on shareholding (i)	542,876
Adjustments - Goodwill	-
Carrying amount of investment in associates	542,876
Revenue	720,892
Net profit	70,141
Other comprehensive income	-
Total comprehensive income	70,141
Dividends received from associates by the Group for the current period	41,650

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(b) Summarised financial information for significant joint ventures(Cont'd)

	31 December 2020
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	
Current assets	1,492,969
Non-current assets	772,725
Total assets	2,265,694
Current liabilities	946,281
Non-current liabilities	-
Total liabilities	946,281
Minority shareholders' equity	-
Attributable to shareholders of the parent company	1,319,413
Shares of net assets based on shareholding (i)	395,824
Adjustments - Goodwill	-
Carrying amount of investment in associates	408,387
Revenue	3,189,641
Net loss	100,610
Other comprehensive income	-
Total comprehensive income	100,610
Dividends received from associates by the Group for the current period	28,271

(c) Summarised financial information for significant associates

- (i) Share of asset is calculated according to shareholding based on the amount attributable to the parent company in the consolidated financial statements of associates. The impact of fair value of identifiable net assets and liabilities of associates at the time of acquisition and unified accounting policies is considered in the amounts in the consolidated financial statements of associates.
- (ii) Other adjustments include provisions for impairment and unrecognised excess loss, etc.

(d) There was no excess deficit incurred in joint ventures and associates in the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

7 SEGMENT INFORMATION

Operating segment

The Group's businesses are organised and managed separately based on business nature and the products and services provided. Each operating segment of the Group is a business group, which, distinctive from other operating segments, has its own risks in products and services and gains its own rewards.

Information of each operating segment is summarised as follows:

- (1) the energy equipment segment: coal-fired power generation and corollary equipment, gas-fired power generation equipment, wind power equipment, nuclear power equipment, energy storage equipment, high-end vessels for chemical industry as well as power grid and industrial intelligent power supply system solutions;
- (2) the industrial equipment segment: elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts, environmental protection equipment and construction industrialization equipment;
- (3) the integrated services segment: energy, environmental protection and automation engineering and services, covering traditional and new energy, comprehensive use of solid wastes, sewage treatment, flue gas treatment, rail transit and etc.; industrial internet services; financial services, covering financing leases and insurance brokerage; international trade services; high-end property services and etc.

Management monitors the results of the business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on reported segment profit. Segment profit is an indicator of adjusted total profit, which is consistent with the Group's total profit but excludes interest income, financial expenses, dividend income, gains from changes in fair value of financial instruments and expenses of headquarters.

Financial assets held for trading, derivatives, dividends receivable, interest receivable, long-term equity investments, debt investments, other debt investments, investment in other equity instruments, other non-current financial assets, goodwill, deferred tax assets and other undistributed assets of headquarters are not included in segment assets, which are under the unified management of the Group.

Financial liabilities held for trading, derivatives, dividends payable, interest payable, borrowings, income taxes payable, deferred tax liabilities and other undistributed liabilities of headquarters are not included in segment liabilities, which are under the unified management of the Group.

Inter-segment transfer prices are measured by reference to the prices of transactions with third parties.

7 SEGMENT INFORMATION (CONT'D)

(a) Segment information as at and for the year ended 31 December 2020 was as follows:

	Energy equipment	Industrial equipment	Integration service	Others	Unallocated	Elimination	Total
Revenue							
Including: Revenue from external customers	49,143,016	39,684,678	48,120,618	262,685	74,059	-	137,285,056
Inter-segment revenue	<u>6,817,044</u>	<u>2,492,598</u>	<u>4,111,142</u>	<u>73,567</u>	<u>95,341</u>	<u>(13,589,692)</u>	<u>-</u>
	55,960,060	42,177,276	52,231,760	336,252	169,400	(13,589,692)	137,285,056
Operating cost	46,452,388	34,988,218	45,982,774	197,572	2,119	(13,595,241)	114,027,830
Credit impairment losses	282,774	365,130	947,020	4,224	185,874	(51,139)	1,733,883
Asset impairment losses	524,376	527,212	48,133	17,986	-	-	1,117,707
Depreciation and amortisation	1,295,511	895,653	502,287	125,306	256,312	-	3,075,069
Financial expenses	-	-	-	-	1,870,351	-	1,870,351
Share of profit of associates and joint ventures	-	-	-	-	912,466	-	912,466
Operating profit/(loss)	<u>1,640,163</u>	<u>1,427,586</u>	<u>4,160,621</u>	<u>(280,105)</u>	<u>(934,699)</u>	<u>49,471</u>	<u>6,063,037</u>
Non-operating income or expenses	-	-	-	-	-	-	283,402
Total profit							<u>6,346,439</u>
Assets and liabilities							
Total assets	<u>111,763,492</u>	<u>68,092,747</u>	<u>176,739,792</u>	<u>1,325,350</u>	<u>70,695,678</u>	<u>(113,214,325)</u>	<u>315,402,734</u>
Total liabilities	<u>75,525,459</u>	<u>39,935,661</u>	<u>126,189,619</u>	<u>789,829</u>	<u>67,147,605</u>	<u>(101,034,781)</u>	<u>208,553,392</u>
Non-cash expenses other than depreciation and amortisation	<u>1,729,566</u>	<u>188,321</u>	<u>1,864,328</u>	<u>5,861</u>	<u>15,303</u>	<u>-</u>	<u>3,803,379</u>
Increase in non-current assets	<u>2,533,930</u>	<u>1,785,692</u>	<u>4,311,921</u>	<u>42,250</u>	<u>100,113</u>	<u>-</u>	<u>8,773,906</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

7 SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the year ended 31 December 2019 was as follows:

	Energy equipment	Industrial equipment	Integration service	Others	Unallocated	Elimination	Total
Revenue							
Including: Revenue from external customers	41,987,786	45,108,260	40,315,903	83,531	13,484	-	127,508,964
Inter-segment revenue	<u>3,955,827</u>	<u>1,300,994</u>	<u>3,999,731</u>	<u>326,984</u>	<u>91,844</u>	<u>(9,675,380)</u>	<u>-</u>
	45,943,613	46,409,254	44,315,634	410,515	105,328	(9,675,380)	127,508,964
Operating cost	37,812,878	38,144,099	36,826,327	310,911	1,045	(9,738,730)	103,356,530
Losses from credit impairment	200,850	195,299	1,493,867	(1,295)	-	(161,872)	1,726,849
Losses from asset impairment	1,056,189	82,315	37,952	-	-	-	1,176,456
Depreciation and amortisation	1,068,859	800,468	590,686	48,147	274,193	-	2,782,353
Financial expenses	-	-	-	-	1,470,159	-	1,470,159
Share of profit of associates and joint ventures	-	-	-	-	759,329	-	759,329
Operating profit/(loss)	<u>427,036</u>	<u>3,265,622</u>	<u>3,845,216</u>	<u>(245,076)</u>	<u>(643,860)</u>	<u>278,919</u>	<u>6,927,857</u>
Non-operating income or expenses							163,914
Total profit							<u>7,091,771</u>
Assets and liabilities							
Total assets	<u>88,552,096</u>	<u>60,645,276</u>	<u>149,395,732</u>	<u>1,330,437</u>	<u>62,457,726</u>	<u>(81,857,678)</u>	<u>280,523,589</u>
Total liabilities	<u>58,966,161</u>	<u>32,093,872</u>	<u>110,187,919</u>	<u>502,651</u>	<u>56,213,265</u>	<u>(69,029,451)</u>	<u>188,934,417</u>
Non-cash expenses other than depreciation and amortisation	<u>1,955,806</u>	<u>179,417</u>	<u>219,589</u>	<u>4,424</u>	<u>11,438</u>	<u>-</u>	<u>2,370,674</u>
Increase in non-current assets	<u>2,579,760</u>	<u>1,789,693</u>	<u>4,377,865</u>	<u>46,247</u>	<u>23,172</u>	<u>-</u>	<u>8,816,737</u>

7 SEGMENT INFORMATION (CONT'D)

(c) Revenue from external customers

	For the year ended 31 December 2020	For the year ended 31 December 2019
Mainland China	115,644,213	110,280,866
Other countries and geographical areas	21,640,843	17,228,098
	<u>137,285,056</u>	<u>127,508,964</u>

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

(d) Total non-current assets

	31 December 2020	31 December 2019
Mainland China	57,194,881	51,818,826
Other countries and geographical areas	11,777,310	10,996,895
	<u>68,972,191</u>	<u>62,815,721</u>

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

In 2020 and 2019, there is no single customer of the Group whose revenue exceeds 10% of the Group's operating revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent company

(a) General information of the parent company

	Place of registration	Nature of business
SEC	Shanghai	Contracting, manufacturing, sales and service

The parent company and ultimate holding company of the Company is SEC.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2019	Increase in the current period	Decrease in the current period	31 December 2020
SEC	9,080,366	100,000	-	9,180,366

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2020		31 December 2019	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
SEC	57.84%	57.84%	59.18%	59.18%

(2) Information of subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6.

(3) Information of joint ventures and associates

The general information and other related information of joint ventures and associates are set out in Note 6.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Information of other related parties

	Relationship with the Group
Shanghai Electric Machine Tool&Engineering Co., Ltd.	Controlled by the parent company
Shanghai Metallurgical Mining Machinery	Controlled by the parent company
Shanghai Schiack Testing Machinery Co., Ltd.	Controlled by the parent company
Shanghai Crane & Conveyor Works Co., Ltd.	Controlled by the parent company
Shanghai No.3 Machine Tool Works	Controlled by the parent company
Shanghai Electric Enterprise Development Co., Ltd.	Controlled by the parent company
Shanghai Machine Tool & Tool (Group) Co., Ltd.	Controlled by the parent company
Shanghai Electric Hydraulics & Pneumatics Co., Ltd.	Controlled by the parent company
Shanghai Electric (Group) Changjiang Company	Controlled by the parent company
Pacific Mechatronic (Group) Co., Ltd	Controlled by the parent company
Pacific Mechatronic Group Shanghai Textile Machinery Co., Ltd.	Controlled by the parent company
Shanghai P&E Import and Export Co., Ltd.	Controlled by the parent company
Shanghai Pacific Textile Complete Equipment Co., Ltd.	Controlled by the parent company
Shanghai Far East Card Clothing Co., Ltd.	Controlled by the parent company
Shanghai Huarong Industrial Company	Controlled by the parent company
Shanghai Zhongfangji Machinery Co., Ltd.	Controlled by the parent company
Shanghai Xintong Puhao Property Co., Ltd.	Controlled by the parent company
Shanghai Electric Property Co., Ltd.	Controlled by the parent company
Shanghai Gongxin Investment Management Co., Ltd.	Controlled by the parent company
Shanghai Mechanical and Electrical Building Management Co., Ltd.	Controlled by the parent company
Shanghai Lvdao Investment Management Co., Ltd.	Controlled by the parent company
Shanghai Electric Human Resources Co., Ltd.	Controlled by the parent company
Shanghai Electric Light Industry Asset Management Co., Ltd.	Controlled by the parent company
Shanghai Enamelware & Stainless Steel Products United Corporation	Controlled by the parent company
Shanghai Shuang'ai Property Management Co., Ltd.	Controlled by the parent company
Shanghai Feiren Xiechang Sewing Machinery Co., Ltd.	Controlled by the parent company
Shanghai Tool Co., Ltd.	Controlled by the parent company
Shanghai Lianhe Wood Industry Co., Ltd.	Controlled by the parent company
Shanghai Jintian Business Co., Ltd.	Controlled by the parent company
Shanghai Hero Industrial Co., Ltd.	Controlled by the parent company
Shanghai Yingshi Property Co., Ltd.	Controlled by the parent company
Shanghai Automation Instrument Co., Ltd.	Controlled by the parent company
Shanghai Shenyong Electrical Equipment Co., Ltd.	Controlled by the parent company
Shanghai Highly (Group) Co., Ltd.	Controlled by the parent company
Shanghai Hitachi Electrical Appliances Co., Ltd.	Controlled by the parent company
Nanchang Highly Electrical Appliances Co., Ltd.	Controlled by the parent company
Nanchang Highly Cooling & Heating Technologies Co., Ltd.	Controlled by the parent company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Information of other related parties (Cont'd)

	Relationship with the Group
Mianyang Highly Electrical Appliances Co., Ltd.	Controlled by the parent company
Highly Electrical Appliances (India) Co., Ltd.	Controlled by the parent company
Shanghai Jinxuan Property Management Co., Ltd.	Controlled by the parent company
Shanghai Highly Foundry Co., Ltd.	Controlled by the parent company
Shanghai Highly Special Cooling Equipment Co., Ltd.	Controlled by the parent company
Shanghai Refrigeration Machine Works Co., Ltd.	Controlled by the parent company
Highly High-tech Japan Corporation	Controlled by the parent company
Shanghai Highly Ruineng Environmental Technology Co., Ltd.	Controlled by the parent company
Shanghai Electric Group Hong Kong Co., Ltd.	Controlled by the parent company
Shanghai Electric Global Investment Co., Ltd.	Controlled by the parent company
Shanghai Electric Sodium-Sulfur Batteries Energy-Storage Co., Ltd.	Controlled by the parent company
Shanghai Dianchuang Investment & Development Co., Ltd.	Controlled by the parent company
Shanghai Electric Wire No. 5 Works Co., Ltd.	Controlled by the parent company
SAIC CCI Valve Co., Ltd.	Controlled by the parent company
Anhui Highly Precision Casting Co., Ltd.	Controlled by the parent company
Hangzhou Fusheng Electrical Appliance Co., Ltd.	Controlled by the parent company
Hangzhou Fusheng Mechatronic Technology Co., Ltd.	Controlled by the parent company
Sichuan Fusheng Electrical Appliance Co., Ltd.	Controlled by the parent company
Shanghai Heavy Machinery Plant Co., Ltd.	Controlled by the parent company
Shanghai Electric (Wuxi) Forging Co., Ltd.	Controlled by the parent company
Shanghai Nuclear Power Technology Equipment Co., Ltd.	Controlled by the parent company
Shanghai Highly New Energy Technology Co., Ltd.	Controlled by the parent company
Shanghai Mingzhen new energy environmental protection engineering Co., Ltd.	Controlled by the parent company
Shanghai Yokogawa Electric Co., Ltd.	Controlled by the parent company
SPX Cooling Technologies (Beijing) Co., Ltd.	Other related enterprises
Shanghai Jianshe Luqiao Machinery Co., Ltd.	Other related enterprises
SIEMENS AG	Other related enterprises
Schneider Electric (China) Co., Ltd.	Other related enterprises
Shanghai Municipal Electric Power Company	Other related enterprises
Morgan AM&T (Shanghai) Co., Ltd.	Other related enterprises
Shanghai Nanyang Cable Co., Ltd.	Other related enterprises
Mitsubishi Electric Corporation	Other related enterprises
Chengyi Equity Investment Co., Ltd.	Other related enterprises
Germany KSB Co., Ltd.	Other related enterprises
Shanghai Hino Engine Co., Ltd.	Other related enterprises
Huaibei Water Affairs Investment Development Co., Ltd.	Other related enterprises
Shanghai Shenxin Wind Power Co., Ltd.	Other related enterprises

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions

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

(a) Purchase and sales of goods, and rendering and receipt of services

Purchase of goods and receipt of services:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Companies controlled by the parent company	227,760	51,640
Joint ventures	25,935	140,053
Associates	2,802,602	2,885,596
Other related enterprises	1,059,710	1,309,899
	<u>4,116,007</u>	<u>4,387,188</u>

Sales of goods and rendering of services:

	For the year ended 31 December 2020	For the year ended 31 December 2019
SEC	2,362	5,873
Companies controlled by the parent company	459,459	164,499
Joint ventures	99,373	-
Associates	544,394	224,106
Other related enterprises	4,174,146	4,358,671
	<u>5,279,734</u>	<u>4,753,149</u>

Construction income from related parties

	For the year ended 31 December 2020	For the year ended 31 December 2019
SEC	35,643	-
Companies controlled by the parent company	2,754,922	-
Associates	2,683,923	-
Other related enterprises	105	2,978,116
	<u>5,474,593</u>	<u>2,978,116</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(b) Leases

The Group as the lessor:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Lease income		
SEC	15,392	6,589
Companies controlled by the parent company	45,665	27,784
Associates	5,305	15,378
Other related enterprises	-	2,668
	<u>66,362</u>	<u>52,419</u>

Right-of-use assets leased in the current period with the Group as the lessee:

	Type of the leased asset	For the year ended 31 December 2020	For the year ended 31 December 2019
Companies controlled by the parent company	Fixed assets	<u>3,524</u>	<u>3,898</u>

Interest expenses on lease liabilities in the current period with the Group as the lessee:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Companies controlled by the parent company	<u>-</u>	<u>238</u>

(c) Loans from related parties to the Group

	For the year ended 31 December 2020	For the year ended 31 December 2019
SEC	-	1,578,600
Companies controlled by the parent company	<u>521,998</u>	<u>-</u>
	<u>521,998</u>	<u>1,578,600</u>

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(d) Loans repaid by related parties to the Group

	For the year ended 31 December 2020	For the year ended 31 December 2019
Joint ventures	33,908	-

(e) Loans from the Group to related parties

	For the year ended 31 December 2020	For the year ended 31 December 2019
Associates	1,015,622	-
Joint ventures	-	858,672
	1,015,622	858,672

(f) Loans repaid by the Group to related parties

	For the year ended 31 December 2020	For the year ended 31 December 2019
SEC	560,000	-

(g) Borrowing guarantees provided by the Group to related parties

	31 December 2020		31 December 2019	
	Cap amount	Actual amount	Cap amount	Actual amount
Nabtesco (China) Precision Machine Co., Ltd.	51,150	31,302	51,150	48,223
Chongqing Shenhua Thin Film Solar Technology Co., Ltd.	300,000	267,479	300,000	238,268
Tianjin Qingyuan Water Treatment Technology Co., Ltd.	253,000	252,993	-	-

A subsidiary of the Group and SEC jointly established Shanghai Electric Investment (Dubai) Co., Ltd. to participate in the power station project. After the project is launched, SEC provides guarantees for the financing of the project company. The Group provides counter-guarantees to SEC according to the indirect shareholding ratio of 20% of the project company. The counter-guarantee is expected to not exceed USD166,800,000 (equivalent to RMB1,090,000,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(h) Transfer of assets

In 2020, in addition to the related transactions with the Electric Corporation disclosed in (a)-(g), it also includes:

- (i) On 20 March 2020, the Group paid RMB29,900,000 of relocation compensation to Shanghai Automation Instrumentation Co., Ltd., a company controlled by SEC, for the land purchase, reserve and transfer of rental buildings, including losses on fixed assets arising from the relocation, shutdown losses and relocation expenses.
- (ii) On 15 April 2020, Shanghai Electric Hong Kong Co., Ltd., a wholly-owned subsidiary of the Group, transferred its equity interest in Ansaldo Energia S.p.A to Shanghai Electric Gas Turbine Hong Kong Co., Ltd., a wholly-owned subsidiary to be established by SEC, with the transfer price of EUR318 million (equivalent to RMB2,531,280,000).
- (iii) On 14 December 2020, the Company held the 45th meeting of the fifth session of the Board of Directors, which reviewed and approved the Proposal on the Company's Acceptance of the Rail Transit Research and Development Project Entrusted by Shanghai Electric (Group) Corporation. The Board agreed that the Company should accept the rail transit R&D project entrusted by SEC, in which the total investments in the "Urban Rail Transit Intelligent Maintenance and Health Management Platform" and in the "Rail Transit Comprehensive Monitoring and Full Lifecycle Management Demonstration Project" were RMB75,700,000 and RMB85,858,500, respectively. The investment in these two research projects paid by SEC to the Company totalled RMB161,558,500. In 2020 these two projects have not yet started.
- (iv) On 9 September 2020, the Company held the 40th meeting of the fifth session of the Board of Directors, which reviewed and approved the Proposal on the Transfer of 100% Equity Interest in Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. from Suzhou Thvow Technology Co., Ltd. to Pacific Mechatronic (Group) Co., Ltd. The Board agreed that Suzhou Thvow would transfer its 100% equity interest in Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. to Pacific Mechatronic, with the estimated transfer price of RMB215,679,000. Such event has been approved by the general meeting of shareholders of Suzhou Thvow Technology Co., Ltd. As of 31 December 2020, the above equity interest transfer had not yet been settled and was expected to be completed in 2021. Therefore, the Group classified the assets and liabilities of Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. as assets and liabilities held for sale (Note 4(13)).
- (v) In 2020, Shanghai Boiler Works Co., Ltd., a subsidiary of the Group, entered into a transfer agreement with Shanghai Electric Enterprise Development Co., Ltd., a subsidiary of SEC, to transfer certain assets to the latter at a transfer price of RMB174,307,000 (among which physical assets are excluding tax) with 30 June 2020 as the base date. The to-be-transferred assets include accounts receivable, long-term prepaid expenses, inventories and other receivables. The to-be-transferred assets meet the recognition criteria for held for sale and are presented as assets held for sale in the balance sheet (Note 4(13)).

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(i) Remuneration of key management

	For the year ended 31 December 2020	For the year ended 31 December 2019
Directors	5,129	5,079
Supervisors	2,654	2,571
Senior management	13,365	13,345
	<u>21,148</u>	<u>20,995</u>

(j) Commitment

CSEEC is a subsidiary of Suzhou Thvow (which itself is a newly-acquired subsidiary of the Company) and acts as an EPC contractor for construction contracts that typically have a long project life cycle. Given that both Suzhou Thvow and SINOMECH (an associate of the Group, which is also one of the shareholders of CSEEC) were willing to provide support to enhance CSEEC's future development, and in order to protect the interests of the shareholders of CSEEC, a commitment was provided by SINOMECH to Suzhou Thvow and CSEEC in 2020. The commitment specifies that SINOMECH will deploy its resources and customer relationship in the industry to continue its obligation to assist CSEEC in collecting the relevant responsibility if the collection within the committed period does not reach the prescribed percentage, and is willing to undertake additional measures including purchasing the related project assets if necessary to accomplish the task. As of 31 December 2020, the above commitment was still within the agreed period.

(k) Other Issue

On December 27, 2019, the Group publicly issued the "Shanghai Electric Accounts Receivable Asset Backed Special Plan" on the Shanghai Stock Exchange. The planned expiration date is June 2022. Electric Corporation assumes the liquidity support obligation for the difference between the special plan account funds that are insufficient to pay the special plan related taxes, related expenses and other payments, the expected income of the priority asset-backed securities and the sum of the principal payable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Receivables from and payables to related parties

Receivables from related parties:

		31 December 2020		31 December 2019	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	SEC	7,353	6,620	13,676	11,643
	Companies controlled by the parent company	1,114,371	9,485	350,698	1,977
	Joint ventures	83,172	1,741	-	-
	Associates	1,072,383	5,264	22,222	561
	Other related enterprises	852,601	5,993	866,512	117
		3,129,880	29,103	1,253,108	14,298
Notes receivable	Companies controlled by the parent company	37,268	-	24,484	-
	Associates	9,000	-	-	-
	Other related enterprises	4,830	-	-	-
		51,098	-	24,484	-
Other receivables	SEC	2	-	4,082	-
	Companies controlled by the parent company	2,625	-	3,156	-
	Joint ventures	2,366	-	29,359	-
	Associates	1,095,674	182,114	2,003	-
	Other related enterprises	22,442	-	19	-
		1,123,109	182,114	38,619	-
Contract assets	Companies controlled by the parent company	8,760	88		
	Associates	40,461	577	80	3
		49,221	665	80	3
Other Non-current Assets-Contract Asset	Other related enterprises	13,336	-	334,827	3,645
Long-Term Accounts Receivable	Joint ventures	1,014,246	211,927	1,094,849	252,148

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Receivables from and payables to related parties (Cont'd)

Receivables from related parties (Cont'd):

		31 December 2020	31 December 2019
Prepayments	SEC	-	2
	Companies controlled by the parent company	24,547	10,528
	Joint ventures	61,490	372,508
	Associates	467,954	365,581
	Other related enterprises	80,841	285,744
		<u>634,832</u>	<u>1,034,363</u>
Dividends receivable	Associates	<u>39,747</u>	<u>82,189</u>

The above prepayments and dividends receivable have not been provided for bad debts.

Current portion of non-current assets	Joint ventures	<u>249,386</u>	<u>52,109</u>
---------------------------------------	----------------	----------------	---------------

Payables to related parties:

		31 December 2020	31 December 2019
Accounts payable	SEC	-	142
	Companies controlled by the parent company	157,370	279,514
	Joint ventures	681	151,347
	Associates	6,684	299,467
	Other related enterprises	288,704	153,883
		<u>453,439</u>	<u>884,353</u>
Notes payable	Companies controlled by the parent company	6,845	26,897
	Associates	<u>84,188</u>	<u>126,041</u>
		<u>91,033</u>	<u>152,938</u>
Advances from customers	Other related enterprises	<u>-</u>	<u>10,554</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Receivables from and payables to related parties (Cont'd)

Payables to related parties (Cont'd):

		31 December 2020	31 December 2019
Contract liabilities	SEC	185	185
	Companies controlled by the parent company	98	37,927
	Associates	7,591	-
	Other related enterprises	19,403	26,267
		<u>27,277</u>	<u>64,379</u>
Other payables	SEC	-	25,285
	Companies controlled by the parent company	7,986	28,199
	Joint ventures	33,459	30,857
	Associates	20	20
	Other related enterprises	40,735	60,078
		<u>82,200</u>	<u>144,439</u>
Dividends payable	SEC	171	171
	Companies controlled by the parent company	21	38
	Other related enterprises	58,014	53,400
		<u>58,206</u>	<u>53,609</u>
Current portion of long-term payables	SEC	459,000	560,000
	Companies controlled by the parent company	327,899	328
	Other related enterprises	4,324	4,324
	Associates	24,249	379,294
		<u>815,472</u>	<u>943,946</u>
Long-term payables	SEC	559,600	1,018,600
	Companies controlled by the parent company	195,747	1,320
	Associates	-	1,991
		<u>755,347</u>	<u>1,021,911</u>
Lease Liability	Companies controlled by the parent company	<u>3,424</u>	<u>3,875</u>

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(7) Deposit and loan services provided by Financial Company to related parties

Deposits from customers

	31 December 2020	31 December 2019
SEC	1,028,715	2,304,341
Companies controlled by the parent company	2,874,525	2,511,685
Associates	53,994	68,785
Other related enterprises	35,881	2,192,245
	<u>3,993,115</u>	<u>7,077,056</u>

Interest costs

	For the year ended 31 December 2020	For the year ended 31 December 2019
SEC	13,910	6,950
Companies controlled by the parent company	35,589	24,950
Associates	245	444
Other related enterprises	553	2,332
	<u>50,297</u>	<u>34,676</u>

Loans

	31 December 2020	31 December 2019
SEC	5,767,000	6,957,000
Companies controlled by the parent company	1,014,300	54,500
Associates	111,000	1,131,000
Other related enterprises	20,000	-
	<u>6,912,300</u>	<u>8,142,500</u>

Discounting

	31 December 2020	31 December 2019
Companies controlled by the parent company	531,728	374,414
Associates	-	16,402
	<u>531,728</u>	<u>390,816</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(7) Deposit and loan services provided by Financial Company to related parties (Cont'd)

Interest income from loans and discount of notes

	For the year ended 31 December 2020	For the year ended 31 December 2019
SEC	199,900	182,395
Companies controlled by the parent company	14,496	85,575
Associates	30,224	53,808
	<u>244,620</u>	<u>321,778</u>

Non-financial guarantee letters issued for related parties

	For the year ended 31 December 2020	For the year ended 31 December 2019
Associates	-	581

Bank acceptance notes issued for related parties

	For the year ended 31 December 2020	For the year ended 31 December 2019
Companies controlled by the parent company	<u>1,305,190</u>	<u>1,293,733</u>

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(8) Directors' interests

(a) Remuneration of directors and CEO

The remuneration of each director, supervisor and CEO in 2020 is as follows:

Name of Directors	Title	Fees	Salaries and benefits	Pension Scheme	Bonus	Other benefits	Compensation for other services provided to the Group	Total
Mr. Zheng Jianhua	Chairman and CEO	-	927	25	139	-	-	1,091
Mr. Huang Ou	Executive director, President	-	1,372	25	83	-	-	1,480
Mr. Zhu Zhaokai	executive director	-	813	25	-	-	-	838
Mr. Zhu bin	executive director	-	813	25	111	-	-	949
Mrs. Yao Minfang	Non executive director	-	-	-	-	-	-	-
Mr. Li An	Non executive director	-	-	-	-	-	-	-
Mr. Xi juntong	Independent non executive director	250	-	-	-	-	-	250
Mr. Xu Jianxin	Independent non executive director	250	-	-	-	-	-	250
Mr. Chu Junhao	Independent non executive director (retired)	229	-	-	-	-	-	229
Mr. Liu Yunhong	Independent non executive director	42	-	-	-	-	-	42
Mr. Zhou Guoxiong	supervisory board chairman	-	-	-	-	-	-	-
Mr. Hua Xingsheng	Vice chairman of the board of supervisors	-	530	12	95	-	-	637
Mrs. Zhang Yan	Staff Supervisor	-	1,065	25	41	-	-	1,131
Mr. Yuan Shengzhou	Staff Supervisor	-	847	25	14	-	-	886
Mr. Han Quanzhi	supervisor	-	-	-	-	-	-	-
Mr. Dong Jianhua	vice president	-	1,257	125	-	-	-	1,382
Mr. Chen Ganjin	vice president	-	1,061	25	43	-	-	1,129
Mr. Gu Zhiqiang	vice president	-	1,232	25	-	-	-	1,257
Mr. Jin Xiaolong	vice president	-	1,065	25	-	-	-	1,090
Mrs. Yanghong	vice president	-	252	9	-	-	-	261
Mr. LV Yachen	Vice President (retired)	-	542	12	111	-	-	665
Mr. Zhang Ke	Vice President (retired)	-	741	21	111	-	-	873
		771	12,517	404	748	-	-	14,440

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(8) Directors' interests (Cont'd)

(a) Remuneration of directors and CEO (Cont'd)

The remuneration of each director, supervisor and CEO in 2019 is as follows:

Name of Directors	Title	Fees	Salaries and benefits	Pension Scheme	Bonus	Other benefits	Compensation for other services provided to the Group	Total
Mr. Zheng Jianhua	Chairman and CEO	-	1,014	23	138	-	-	1,175
Mr. Huang Ou	Executive director, President	-	1,262	23	83	-	-	1,368
Mr. Zhu Zhaokai	executive director	-	695	23	-	-	-	718
Mr. Zhu bin	executive director	-	914	23	111	-	-	1,048
Mrs. Yao Minfang	Non executive director	-	-	-	-	-	-	-
Mr. Li An	Non executive director	-	-	-	-	-	-	-
Mr. Jian Xunming	Independent non executive director (retired)	229	-	-	-	-	-	229
Mr. Chu Junhao	Independent non executive director (retired)	250	-	-	-	-	-	250
Mr. Xi juntong	Independent non executive director	250	-	-	-	-	-	250
Mr. Xu Jianxin	Independent non executive director	42	-	-	-	-	-	42
Mr. Zhou Guoxiong	supervisory board chairman	-	-	-	-	-	-	-
Mr. Hua Xingsheng	supervisory board vice chairman	-	914	23	95	-	-	1,032
Mr. Li Bin	Employee Supervisor (retired)	-	154	3	-	-	-	157
Mrs. Zhu Qian	Employee Supervisor (retired)	-	783	9	-	-	-	792
Mrs Zhang Yan	Staff Supervisor	-	235	15	42	-	-	292
Mr. Yuan Shengzhou	Staff Supervisor	-	268	16	14	-	-	298
Mr. Han Quanzhi	supervisor	-	-	-	-	-	-	-
Mr. Dong Jianhua	vice president	-	1,383	23	125	-	-	1,531
Mr. Zhang Ke	Vice President (retired)	-	941	23	111	-	-	1,075
Mr. LV Yachen	Vice President (retired)	-	941	23	111	-	-	1,075
Mr. Chen Ganjin	vice president	-	1,231	23	43	-	-	1,296
Mr. Gu Zhiqiang	vice president	-	1,239	23	-	-	-	1,262
Mr. Jin Xiaolong	vice president	-	1,044	23	-	-	-	1,067
		771	13,018	296	873	-	-	14,957

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(8) Directors' interests (Cont'd)

(a) Remuneration of directors and CEO(Cont'd)

(i)

	Provide director services for the company or its subsidiaries		Provide other services for the company or its subsidiaries		Total	
	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019
Director's remuneration	5,129	5,080	-	-	5,129	5,080

(ii) In 2020, no director waived any remuneration (2019: Nil).

The Group provided no other benefits in 2020.

Liu Yunhong, an independent non-executive director, was appointed on 25 November 2020;

Chu Junhao, an independent non-executive director, resigned on 24 November 2020.

(b) Director's retirement benefits

In 2020, the Group provided no retirement benefits arising from provision of director services (2019: Nil), and no retirement benefits arising from provision of other services (2019: Nil).

(c) Director's termination benefits

In 2020, the Board of Directors had no resolution to terminate the appointment of directors of the Company and certain subsidiaries.

(d) Consideration paid to third parties in return for director services

In 2020, the Company made no payments to the company where a director of the Company had previously served (2019: Nil).

(e) Loans, quasi-loans and other transactions provided to directors, legal persons controlled by directors, and associated persons of directors

(i) In 2020, the Group did not provide loans and quasi-loans to directors, legal persons controlled by directors and associated persons of directors (2019: Nil), or did not provide guarantees for loans from directors, legal persons controlled by directors and associated persons of directors (2019: Nil).

(f) Substantial interests of directors in transactions, arrangements or contracts

In 2020, the Company did not sign with other parties any important transactions, arrangements or contracts related to the Company's business within which the directors of the Company directly or indirectly have substantial interests.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(9) The five individuals whose remunerations are the highest

The five individuals whose remunerations were the highest in the Group for 2020 included no directors (2019: no directors) whose remunerations were reflected in Note 8(8). The remunerations payable to the remaining five (2019: five) individuals during the year were as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Salaries, bonuses and allowances received from the Group	14,756	22,554
Pension scheme from the ultimate holding company	-	370
Entry bonus	-	-
Severance compensation	-	-
Others	-	-
	<u>14,756</u>	<u>22,924</u>

	Number of employees	
	For the year ended 31 December 2020	For the year ended 31 December 2019
Range of remuneration:		
RMB 2,000,001 – RMB 2,500,000	2	2
RMB 2,500,001 – RMB 3,000,000	-	-
RMB 3,000,001 – RMB 3,500,000	2	1
RMB 3,500,001 – RMB 4,000,000	-	-
RMB 4,000,001 – RMB 4,500,000	1	-
RMB 5,000,001 – RMB 5,500,000	-	1
RMB 9,500,001 – RMB 10,000,000	-	1

9 CONTINGENCIES

In June 2008, Shanghai Electric signed the Equipment Supply and Service Contract with an Indian owner to provide major equipment and related services to a coal-fired power station project in Sasan, India, with a total contract amount of USD1,311 million, and a guarantee letter from its related parties was provided for the payment obligations under the contract.

In December 2019, due to long-term default in the payment of equipment expenses and other related expenses by the owner, the Company submitted an arbitration application to the Singapore International Arbitration Centre (SIAC), requiring the guarantor to pay the Company at least USD135 million of equipment expenses and other related payables as prescribed in the guarantee letter, and in December 2020, the Company submitted an application to the local High Court for property preservation of the guarantor.

On 23 February 2021, the Company received a notice from SIAC for the acceptance of the arbitration application, and the buyer and its related parties requested the Company to compensate their losses of approximately USD416 million, mainly including the losses of USD132 million in power plant operation, losses of USD221 million in electricity revenue and other related expenses.

Up to now, this arbitration case has not yet been heard. Based on the written confirmation of external lawyers, management believes that the Company is very likely to win above two lawsuits, so no provisions have been made for the above lawsuits.

In addition to the above lawsuits, as at 31 December 2020, the Group's contingent liabilities arising from other pending lawsuits and arbitration amounted to RMB463,500,000 (31 December 2019: RMB260,440,000).

As at 31 December 2020, the Group provided loan guarantees amounting to RMB551,774,000 to the related parties (31 December 2019: RMB351,150,000) (Note 8(5)(g)) and counter guarantee to SEC of the amount which did not exceed USD166.8 million (equivalent to RMB1,090 million) (Note 8(5)(e)). SEG Finance Company had no non-financial guarantees (31 December 2019: RMB581,000) and bank acceptances bills amounting to RMB1,305,190,000 (31 December 2019: RMB1,293,733,000) for the related parties (Note 8(7)). The Group has recognised the above-mentioned related provisions of RMB211,484,000 (Note 4(30)). As at 31 December 2020, non-financial guarantees issued by financial institutions for contracts awarded to the Group amounted to RMB30,333,064,000 (31 December 2019: RMB29,573,434,000). The Group estimates that the possibility of cash outflow arising from the above events is very low, and therefore no related provisions are made.

As at 31 December 2020, there were no significant contingent liabilities related to the equity of joint ventures and associates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

10 COMMITMENTS

(1) Capital commitments

	31 December 2020	31 December 2019
Contracted	2,912,684	2,758,069
Authorised but not contracted	19,548	86,604
	<u>2,932,232</u>	<u>2,844,673</u>

(2) Operating lease commitments

As the lessor

According to the lease contracts signed with the lessee, the Group's minimum future leases receipts from leases are as follows:

	31 December 2020	31 December 2019
Within 1 year (inclusive)	46,215	157,957
1 to 2 years (inclusive)	38,715	103,744
2 to 3 years (inclusive)	34,546	84,272
Over 3 years	198,139	369,206
	<u>317,615</u>	<u>715,179</u>

(3) Investment commitments

	31 December 2020	31 December 2019
Contracted but not fulfilled	<u>412,510</u>	<u>-</u>

11 EVENTS AFTER THE BALANCE SHEET DATE

- (1) On 15 October 2020, Shanghai Prime Mingyu Machinery Technology Co., Ltd. ("Prime Mingyu"), a new wholly-owned subsidiary of the Group, signed the Merger Agreement with Shanghai Prime, the holding subsidiary of the Company. The Group, Prime Mingyu and Shanghai Prime issued a joint announcement to the public that Prime Mingyu intended to privatise Shanghai Prime with the prerequisites by way of absorption and merger. Shanghai Prime Machinery Co., Ltd. held a general meeting of shareholders and a general meeting of H-share shareholders on 11 January 2021 to review and approve relevant proposals on this absorption and merger. As of 11 January 2021, all conditions precedent under the Merger Agreement had been fully met.
- (2) On 26 March 2021, the Company held the 48th meeting of the fifth session of the Board of Directors, which reviewed and approved the proposal that Shanghai Electric Hong Kong International Engineering Co., Ltd., a wholly-owned subsidiary of the Company, would make a contribution of SGD1 million (approximately RMB5 million) to set up Shanghai Electric Hong Kong International Engineering Co., Ltd., a wholly-owned subsidiary in Singapore (The company's name is subject to the business registration).
- (3) On 26 March 2021, the Company held the 48th meeting of the fifth session of the Board of Directors, which reviewed and approved the year 2020 profit distribution plan that will pay a cash dividend at RMB 0.7178 (including tax) per ten shares. The proposed dividend amounted to RMB 1,127,375,000 in total. The above proposal is yet to be approved by the general meeting of shareholders

12 FINANCE LEASES – AS THE LESSOR

As at 31 December 2020, unrealised financing income amounted to RMB 1,465,575,000 (31 December 2019: RMB 1,727,380,000), which was amortised by using the effective interest method over the leasing period. According to the lease contracts signed with the lessee, the minimum leases receipts under irrevocable leases are as follows:

	31 December 2020	31 December 2019
Within 1 year (inclusive)	4,758,809	5,120,117
1 to 2 years (inclusive)	1,858,278	2,727,458
2 to 3 years (inclusive)	1,106,034	1,687,602
Over 3 years	2,171,323	2,427,781
	<u>9,894,444</u>	<u>11,962,958</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's operational activities carried out in Mainland China are denominated in RMB, while the overseas activities are denominated in foreign currencies, including USD and EUR, thus the overseas transactions are exposed to foreign exchange risk. In addition, the Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department 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.

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the subsidiaries of the Group, whose recording currencies are RMB, are expressed in RMB as at 31 December 2020 and 31 December 2019 as follows:

	31 December 2020				
	USD	JPY	EUR	HKD	Total
Financial assets denominated in foreign currency -					
Cash at bank and on hand	5,502,135	82,503	515,076	151,635	6,251,349
Receivables	4,985,573	-	420,811	-	5,406,384
Other Receivables	335	6	-	-	341
	<u>10,488,043</u>	<u>82,509</u>	<u>935,887</u>	<u>151,635</u>	<u>11,658,074</u>
Financial liabilities denominated in foreign currency -					
Payables	289,092	-	107,413	-	396,505
Other payables	902	-	3,505	-	4,407
Short-term borrowings	1,030,194	-	2,256,838	461,638	3,748,670
Long-term borrowings	1,916,488	-	1,513,417	-	3,429,905
Current portion of long-term borrowings	183,727	-	121,427	-	305,154
	<u>3,420,403</u>	<u>-</u>	<u>4,002,600</u>	<u>461,638</u>	<u>7,884,641</u>

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2019				
	USD	JPY	EUR	HKD	Total
Financial assets denominated in foreign currency -					
Cash at bank and on hand	2,541,323	3,943	264,322	134,541	2,944,129
Receivables	4,377,974	-	190,921	-	4,568,895
Other receivables	1,062	-	1,504	-	2,566
	<u>6,920,359</u>	<u>3,943</u>	<u>456,747</u>	<u>134,541</u>	<u>7,515,590</u>
Financial liabilities denominated in foreign currency -					
Payables	302,896	6,472	1,484	-	310,852
Other payables	3,360	-	-	-	3,360
Short-term borrowings	1,478,650	-	277,431	741,706	2,497,787
Long-term borrowings	1,523,864	6,383	1,477,005	-	3,007,252
Current portion of long-term borrowings	31,407	-	72,271	-	103,678
	<u>3,340,177</u>	<u>12,855</u>	<u>1,828,191</u>	<u>741,706</u>	<u>5,922,929</u>

As at 31 December 2020, for the above financial assets and financial liabilities denominated in foreign currencies, if the RMB had strengthened/weakened by 10% against the currency, while all other variables had been held constant and with consideration to the fair value changes in the forward exchange contracts bought by the Company, the Group's net profit would have (decreased)/increased as follows:

	Strengthened	Weakened
EUR	230,003	(230,003)
HKD	23,250	(23,250)
JPY	(6,188)	6,188
USD	(530,073)	530,073

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk (Cont'd)

(b) Interest rate risk

The Group's interest rate risk mainly arises from long-term interest-bearing borrowings including long-term bank borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. On 31 December 2020, the Group's interest-bearing borrowings with floating rates mainly represented floating rate borrowing contracts denominated in RMB, USD and EUR, with the amounts of RMB 11,004,596,000 (31 December 2019: RMB 3,893,175,000) (Note 4(43)).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the year ended 31 December 2020 and the year ended 31 December 2019, the Group did not enter into any significant interest rate swap agreements.

As at 31 December 2020, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB 98,165,000 (31 December 2019: approximately RMB 14,599,000).

(c) Other price risk

The Group's other price risk mainly arises from investments in other equity instruments which are exposed to the risk of price changes on equity instruments.

As at 31 December 2020, if the price of investments in equity instruments had risen/fallen by 5% while all other variables had been held constant, the Group's net profit would have been approximately RMB 48,286,000 (31 December 2019: approximately RMB 48,260,000) higher/lower. There was no (31 December 2019: Nil) impact on other comprehensive income.

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from other financial assets including cash at bank, notes and accounts receivable, other receivables, contract assets, debt investments, other debt investments, finance lease receivables, loans, funds, wealth management products and financial assets held under resale agreements. As at the balance sheet date, the carrying amount of the Group's financial assets represented the maximum credit exposure of the Group; and the maximum credit exposure off the balance sheet was the maximum amount of RMB 2,708,824,000 that need to be paid for fulfilment of financial guarantee obligations.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has policies to limit the credit exposure on notes and accounts receivable, other receivables and contract assets. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions.

The Group only deals with recognised and reputable third parties on the lease business of Lease Company. According to the Group's policy, credit review is required for all customers that trade by using credit methods. The Group continuously monitors the balance of long-term lease payments receivable, to prevent the Group from exposure to significant risk of bad debts.

The loan business provided by Financial Company is dealt with the subsidiaries of SEC. The Group has established a credit quality evaluation system, setting credit limit and determining required pledge value and guarantee level based on borrower's risk level. Risk assessment includes borrower investigation, risk classification, evaluation and setting of credit limit, loan review, post-lending monitoring, etc. The Group conducts risk assessment regularly, to ensure that the Group timely monitors potential risks and adopts proper precautions.

The Group's other financial assets comprise funds, wealth management products, debt investments, other debt investment and financial assets held under resale agreements. The Group implements an access rating system on the banks, trust companies, securities companies and fund companies in cooperation, sets credit limits for the repurchase of rights to trust income, issuers of interbank wealth management products and ultimate financing parties of asset management plans, and manages subsequent risks on a regular basis; reviews and manages the credit risks of individual financial institutions on a regular basis; and sets credit limits for individual banks or non-bank financial institutions which have fund transfers with the Group. The Group manages the credit exposures of the above financial assets by control of investment scale, listing of approved issuers, access rating, post-investment management and other mechanisms.

The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2020, the Group had no significant collateral and other credit enhancements held as a result of the debtor's mortgage.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date were analysed by their maturity dates below at their undiscounted contractual cash flows:

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	15,827,945	-	-	-	15,827,945
Financial liabilities held for trading and derivative financial liabilities	77,861	-	-	-	77,861
Notes payables	14,060,051	-	-	-	14,060,051
Accounts payables	65,503,194	-	-	-	65,503,194
Deposits from customers	4,302,545	-	-	-	4,302,545
Current portion of long-term borrowings	4,370,138	-	-	-	4,370,138
Long-term borrowings	620,294	5,980,803	6,525,688	5,246,227	18,373,012
Bonds payable	6,274,523	2,603,750	-	-	8,878,273
Lease liabilities	1,971,243	822,872	240,878	215,772	3,250,765
Long-term payables	443,941	235,565	359,321	360,427	1,399,254
Other financial liabilities	5,941,668	-	-	-	5,941,668
	<u>119,393,403</u>	<u>9,642,990</u>	<u>7,125,887</u>	<u>5,822,426</u>	<u>141,984,706</u>

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

The financial liabilities of the Group at the balance sheet date were analysed by their maturity dates below at their undiscounted contractual cash flows (Cont'd):

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	17,094,480	-	-	-	17,094,480
Financial liabilities held for trading and derivative financial liabilities	39,193	-	-	-	39,193
Notes payables	8,506,993	-	-	-	8,506,993
Accounts payables	57,922,655	-	-	-	57,922,655
Deposits from customers	7,234,186	-	-	-	7,234,186
Current portion of long-term borrowings	3,841,778	-	-	-	3,841,778
Long-term borrowings	456,423	2,651,153	5,214,990	4,900,426	13,222,992
Bonds payable	4,880,777	6,274,523	2,603,750	-	13,759,050
Long-term payables	1,688,887	255,607	1,236,313	224,458	3,405,265
Lease liabilities	266,803	193,328	334,514	298,860	1,093,505
Other financial liabilities	5,351,220	-	-	-	5,351,220
	107,283,395	9,374,611	9,389,567	5,423,744	131,471,317

- (i) As at the balance sheet date, the Group's financial guarantees provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial guarantee	1,640,127	-	-	-	1,640,127
Acceptance notes	1,305,190	-	-	-	1,305,190
	2,945,317	-	-	-	2,945,317

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial guarantee	1,493,730	-	-	-	1,493,730
Non-financial guarantee letters	581	-	-	-	581
Acceptance notes	1,293,733	-	-	-	1,293,733
	2,788,044	-	-	-	2,788,044

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(3) Liquidity risk (Cont'd)

- (ii) As at the balance sheet date, the cash flow of lease contracts signed but not yet executed by the group is listed as follows according to the maturity date:

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contract cash flow not included in lease liabilities	1,966	328	-	-	2,294

	31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Future contract cash flow not included in lease liabilities	-	-	-	-	-

- (iii) The analysis of repayment period of bank loans and other loans is as follows:

	31 December 2020		31 December 2019	
	Bank Loan	Other Loan	Book value	Other Loan
Within 1 year	20,818,377	11,806,260	21,392,681	12,941,766
1 to 2 years	5,980,803	3,493,062	2,651,153	6,926,851
2 to 5 years	6,525,688	460,921	5,214,990	3,497,864
Over 5 years	5,246,227	360,427	4,900,426	298,860
	38,571,095	16,120,670	34,159,250	23,665,341

14 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

As at 31 December 2020, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	5,369,677	-	-	5,369,677
Investments in equity instrument held for trading	784,568	-	-	784,568
Investments in debenture held for trading	329,898	-	-	329,898
Wealth management products	-	578,238	-	578,238
Non-hedging derivative financial assets	-	325,533	-	325,533
Derivative financial assets -	-	98,146	-	98,146
Accounts receivable financing-				
Notes receivable at fair value through other comprehensive income	-	-	951,913	951,913
Accounts receivable at fair value through other comprehensive income	-	-	9,960,333	9,960,333
Other current assets -				
Interbank deposits	-	8,667,077	-	8,667,077
Assets held for sale	-	-	122,260	122,260
Other non-current financial assets	527,286	-	5,029,887	5,557,173
Other debt investments	-	420,183	-	420,183
Total assets	7,011,429	10,089,177	16,064,393	33,164,999

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (CONT'D)

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

As at 31 December 2020, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities	-	19,258	-	19,258
Financial liabilities held for trading	-	37,582	-	37,582
Liabilities held for sale	-	-	520	520
	-	56,840	520	57,360

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

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading -				
Investments in funds held for trading	4,620,801	-	-	4,620,801
Investments in equity instrument held for trading	857,967	-	55,142	913,109
Investments in debenture held for trading	429,003	-	-	429,003
Wealth management products	-	660,490	-	660,490
Non-hedging derivative financial assets	-	341,349	-	341,349
Derivative financial assets -				
Forward exchange contracts	-	2,381	-	2,381
Accounts receivable financing -				
Notes receivable at fair value through other comprehensive income	-	-	719,663	719,663
Accounts receivable at fair value through other comprehensive income	-	-	4,721,291	4,721,291
Other current assets				
Interbank deposits	-	7,972,990	-	7,972,990
Assets held for sale	-	-	9,788	9,788
Other non-current financial assets	367,440	-	5,064,862	5,432,302
Other debt investments	-	61,729	-	61,729
Total assets	6,275,211	9,038,939	10,570,746	25,884,896

14 FAIR VALUE ESTIMATES (CONT'D)

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

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

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

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. For the financial assets at fair value through profit or loss which are recognised at initial recognition, the valuation models used mainly comprise Monte Carlo simulation model, and the inputs of the valuation technique mainly include stock expected yield and stock expected volatility; the fair value of debt investments and wealth management products are basically obtained from third parties' quoted prices of the same or comparable assets, and the valuation models used mainly comprise discounted cash flow model and market comparable corporate model.

Changes in Level 3 assets and liabilities are analysed below:

	31 December 2019	Purchases	Decrease	Transfer into Level 3	Gains or losses recognised in profit or loss	Gain or losses charged to other comprehensive income	31 December 2020	Assets still held on December 31, 2020 are included in the unrealized gains or changes in losses for the 2020 profit and loss-gains and losses from changes in fair value
Financial assets -								
Financial assets held for trading -	55,142	-	(22,180)	-	(32,962)	-	-	-
Other non-current financial assets	5,064,862	415,702	-	-	(450,677)	-	5,029,887	(450,677)
Assets held for sale	9,788	341,087	-	-	-	-	350,875	-
Receivables Financing	5,440,954	13,474,461	(7,370,538)	-	(259,096)	(373,535)	10,912,246	-
	10,570,746	14,231,250	(7,392,718)	-	(742,735)	(373,535)	16,293,008	(450,677)

- (a) Gains or losses recognised in profit or loss are included in the income statement under the items of gains on changes in fair value respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (CONT'D)

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

Information about the level 3 fair value measurement is as follows:

	Valuation technique	Fair value as at 31 December 2020	Name	Inputs		
				Scope/ Weighted average	Relationship with fair value	Observable/ Unobservable
Other non-current financial assets -						
	Recent financing price method	2,633,985	Investment cost	2,633,985	Positive correlation	Unobservable
	Market multiple method	406,778	Price to book ratio (P/B)	1.4-2.1	Positive correlation	Unobservable
			Price earnings ratio (PE)	19.9-23.9	Positive correlation	Unobservable
			Price sales ratio (PS)	2.2-3.1	Positive correlation	Unobservable
			Others/Scale risk discount	20%-30%	Negative correlation	Unobservable
			Liquidity discount	25%	Negative correlation	Unobservable
	Asset-based approach	1,989,124	Discount due to lack of control	10%-14%	Negative correlation	Unobservable
Assets held for sale	Recent financing price method	122,260	Transaction Cost	122,260	Positive correlation	Unobservable
Notes receivable measured at fair value through other comprehensive income -	Income approach	951,913	Discount rates	4.14%	Negative correlation	Unobservable
Accounts receivable measured at fair value through other comprehensive income -	Income approach	9,960,333	Discount rates	4.79%-6%	Negative correlation	Unobservable
		<u>16,064,393</u>				

14 FAIR VALUE ESTIMATES (CONT'D)

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

Information about the level 2 fair value measurement is as follows:

	Fair value as at 31 December 2020	Valuation technique	Observable inputs	
			Name	Scope/ Weighted average
Derivative financial assets -				
Forward exchange contracts	6,162	Income approach	Forward exchange rate of USD against RMB	Range: 6.6726- 7.1847 Weighted average amount: 6.9006
Other debt investments -				
Local government bonds and treasury bonds	420,183	Market approach	Valuation of the Stock Exchange	-

	Fair value as at 31 December 2019	Valuation technique	Observable inputs	
			Name	Scope/ Weighted average
Derivative financial assets -				
Forward exchange contracts	2,381	Income approach	Forward exchange rate of USD against RMB	Range: 6.6726- 7.1847 Weighted average amount: 6.9098
Other debt investments -				
Local government bonds and treasury bonds	61,729	Market approach	Valuation of the Stock Exchange	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (CONT'D)

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The Group's financial assets and liabilities measured at amortised cost mainly include notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, short-term borrowings, payables, long-term borrowings, bonds payable, long-term payables, etc.

Except for financial assets and liabilities listed below, the carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	16,373,952	16,073,930	11,268,418	11,233,768
Bonds payable	6,604,198	6,968,168	11,605,861	11,657,468
	<u>22,978,150</u>	<u>23,042,098</u>	<u>22,874,279</u>	<u>22,891,236</u>

The fair value of bonds payable that are traded in an active market is determined at quoted prices in the active market, categorised within Level 1 of the fair value hierarchy. The fair value of long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 2 of the fair value hierarchy.

15 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as 'owners' equity' as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2020 and 31 December 2019, the Group's gearing ratio was as follows:

	31 December 2020	31 December 2019
Interest-bearing bank borrowings and other borrowings	35,176,587	31,670,985
Bonds	6,604,198	11,605,861
Lease Liability	1,157,196	972,529
Deposits from customers	4,289,676	7,208,955
Net liabilities	47,227,657	51,458,330
Total equity	106,849,342	91,589,172
Total equity and net liabilities	154,076,999	143,047,502
Gearing ratio	30.65%	35.97%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivable

	31 December 2020	31 December 2019
Trade acceptance notes	57,943	40,726
Bank acceptance notes	356,243	280,552
Less: Provision for bad debts	-	-
	<u>414,186</u>	<u>321,278</u>

(a) As at 31 December 2020, the Company had no pledged notes receivable.

(2) Accounts receivable

	31 December 2020	31 December 2019
Accounts receivable	10,696,075	10,499,219
Less: Provision for bad debts	<u>(2,284,976)</u>	<u>(2,908,109)</u>
	<u>8,411,099</u>	<u>7,591,110</u>

	31 December 2020		31 December 2019	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Individual Provision(c)(iii)	662,098	(662,098)	679,445	(679,445)
Sovereign Credit Portfolio (b)	1,097,017	(891,191)	2,870,973	(1,174,559)
Aging grouping of accounts receivable (c) (iv)	8,936,960	(731,687)	6,948,801	(1,054,105)
	<u>10,696,075</u>	<u>(2,284,976)</u>	<u>10,499,219</u>	<u>(2,908,109)</u>

(a) The aging of accounts receivable

(i) The aging of accounts receivable is analysed as follows:

	31 December 2020	31 December 2019
Not overdue	3,288,907	2,466,252
Overdue within 1 year	2,079,750	1,823,693
Overdue 1 to 2 years	1,414,811	1,479,140
Overdue 2 to 3 years	1,185,091	1,861,041
Overdue 3 to 4 years	1,185,459	1,336,355
Overdue 4 to 5 years	824,778	874,727
Overdue over 5 years	717,279	658,011
	<u>10,696,075</u>	<u>10,499,219</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable (Cont'd)

(a) Accounts receivable (Cont'd)

(ii) The aging of accounts receivable was analysed based on invoice date is as follows:

	31 December 2020	31 December 2019
Within 1 year	5,353,520	4,108,790
1 to 2 years	1,395,077	1,511,063
2 to 3 years	1,195,111	1,954,969
3 to 4 years	1,186,904	1,173,487
4 to 5 years	844,137	1,070,934
Over 5 years	721,326	679,976
	<u>10,696,075</u>	<u>10,499,219</u>

(b) As at 31 December 2020, the original value of accounts receivable was RMB 1,097,017,000, provision for bad debts amounted to RMB 891,191,000, the net book value of accounts receivable was RMB 205,826,000 (31 December 2019: the original value of accounts receivable was RMB 2,870,973,000, provision for bad debts amounted to RMB 1,174,559,000, the net book value of accounts receivable was RMB 1,696,414,000), which was the receivables with sovereign credit risk.

(c) Provision for bad debts

(i) Movements in provision for bad debts of accounts receivable are as follows:

31 December 2019	2,908,109
Provision in the current period	1,264,791
Reversal in the current period	(1,583,472)
Derecognition of accounts receivable	(304,452)
31 December 2020	<u>2,284,976</u>

(ii) As at 31 December 2020, provision for bad debts amounted to RMB 1,264,791,000. The amount recovered or reversed amounted to RMB 1,583,472,000 of which the material recovery or reversal of bad debt was as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

- (iii) As at 31 December 2020, provision for bad debts of accounts receivable on the individual basis was analysed as follows:

	Book value	Lifetime ECL (%)	Provision for bad debts	Reason
Accounts receivable 1	310,853	100%	310,853	Unrecoverable by estimation
Accounts receivable 2	250,797	100%	250,797	Unrecoverable by estimation
Others	100,448	100%	100,448	Unrecoverable by estimation
	<u>662,098</u>		<u>662,098</u>	

- (iv) As at 31 December 2020, except for the accounts receivable with sovereign credit risk mentioned in (b), accounts receivable with provision for bad debts made on the grouping basis were analysed as follows:

	31 December 2020		
	Book value	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	3,612,272	0.1%-1%	26,031
Overdue within 1 year	1,931,792	1%-10%	27,259
Overdue 1 to 2 years	728,520	7%-22%	64,532
Overdue 2 to 3 years	946,706	8%-21%	76,501
Overdue 3 to 4 years	630,672	12%-65%	81,432
Overdue 4 to 5 years	672,433	15%-90%	103,569
Overdue over 5 years	414,565	85%-100%	352,363
	<u>8,936,960</u>		<u>731,687</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

- (v) As at 31 December 2019, accounts receivable with provision for bad debts made on the group basis were analysed as follows:

	31 December 2019		
	Book value	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	2,414,977	0.1%-1%	27,124
Overdue within 1 year	740,955	1%-10%	38,135
Overdue 1 to 2 years	1,010,902	8%-22%	92,603
Overdue 2 to 3 years	839,493	10%-21%	129,359
Overdue 3 to 4 years	709,640	15%-65%	151,229
Overdue 4 to 5 years	835,214	20%-90%	218,035
Overdue over 5 years	397,620	90%-100%	397,620
	<u>6,948,801</u>		<u>1,054,105</u>

(d) Accounts receivable derecognised due to transfer of financial assets were analysed as follows:

For the year ended 31 December 2020, the net book value of the accounts receivable that was derecognised after the Group had applied a non-recourse factoring amounted to RMB 2,433,648,000 (31 December 2019: RMB 61,938,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(3) Receivables financing

	31 December 2020	31 December 2019
Accounts receivable measured at fair value through other comprehensive income	918,755	313,381

(a) The Aging of receivables financing was analysed as follows:

	31 December 2020	31 December 2019
Not overdue	799,601	276,055
Overdue within 1 year	119,154	33,177
Overdue 1 to 2 years	-	4,149
	918,755	313,381

(b) As at 31 December 2020 accounts receivable were factored by part of the Group's subsidiaries for the purpose of daily treasury management, who thereby categorised the balance of accounts receivable as financial assets at fair value through other comprehensive income. The fair value of those accounts receivable was RMB 918,755,000. (31 December 2019: RMB 313,381,000).

For the year ended 31 December 2020, the net book value of the accounts receivable at fair value through other comprehensive income that were derecognised after the Group had applied a non-recourse factoring amounted to RMB 109,733,000 (31 December 2019: nil).

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Other receivables

	31 December 2020	31 December 2019
Receivables from the Company's subsidiaries	3,177,411	3,034,785
Receivables from third parties	1,160,380	409,444
Receivables from associates	1,015,622	1,116
Receivables from SEC and its subsidiaries	2,625	2,625
Dividends receivable	710,556	332,273
	<u>6,066,594</u>	<u>3,780,243</u>
Less: Provision for bad debts	<u>(214,246)</u>	<u>(21,587)</u>
	<u>5,852,348</u>	<u>3,758,656</u>

(a) As at 31 December 2020, receivables from the Company's subsidiaries, receivables from SEC and its subsidiaries and dividends receivable of the Company were in the first stage and no major bad debt provision was made.

(b) Movements in provision for bad debts and other receivables are as follows:

As at 31 December 2020, provision for bad debts of other receivables on the group basis was analysed as follows:

	31 December 2020			31 December 2020		
	Ending balance	Provision for bad debts	Provision ratio	Ending balance	Provision for bad debts	Provision ratio
	Amount	Amount		Amount	Amount	
Stage 1 - 12-month ECL						
Receivables within 1 year from third parties	<u>771,752</u>	<u>34</u>	0.1%-1%	<u>249,122</u>	<u>22</u>	0%-1%
Stage 2 - Lifetime ECL						
Receivables within 1 year from associates	<u>1,015,622</u>	<u>182,114</u>	18%	<u>-</u>	<u>-</u>	-
Stage 3 - Lifetime ECL						
1 to 2 years	210,375	102	0.1%-2%	77,152	80	0%-2%
2 to 3 years	100,326	92	0.1%-2%	33,458	-	0%-2%
Over 3 years	<u>77,927</u>	<u>325</u>	0.1%-2%	<u>49,712</u>	<u>248</u>	0%-2%
	<u>388,628</u>	<u>519</u>		<u>160,322</u>	<u>328</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Other receivables (Cont'd)

(c) Movements in provision for bad debts of other receivables:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Balance at 31 December 2019	22	-	21,565	21,587
Net increase in the current period	12	182,114	10,533	192,659
Balance at 31 December 2020	34	182,114	32,098	214,246

(d) As at 31 December 2020, other receivables from top five debtors in respect of outstanding balance were analysed as follows:

	Nature	Balance	Aging	% of the total balance of other receivables	Provision for bad debts
Other receivables 1	Receivables from subsidiaries	2,094,224	Within 2 year	34.52%	-
Other receivables 2	Related party loans	1,015,622	Within 1 year	16.74%	182,114
Other receivables 3	Land collection and savings	451,920	Within 1 year	7.45%	-
Other receivables 4	Export tax rebate	181,912	Within 1 year	3.00%	-
Other receivables 5	Receivables from subsidiaries	65,360	Within 2 year	1.08%	-
		<u>3,809,038</u>			<u>182,114</u>

(5) Long-term equity investments

	31 December 2020	31 December 2019
Subsidiaries (a)	45,246,273	38,642,690
Joint ventures (b)	219,192	124,164
Associates (c)	<u>3,581,544</u>	<u>4,555,002</u>
	49,047,009	43,321,856
Less: Provision for impairment of long-term equity investments	<u>(152,323)</u>	<u>(152,323)</u>
	<u>48,894,686</u>	<u>43,169,533</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Long-term equity investments (Cont'd)

(a) Subsidiaries

	31 December 2019	Movements for the current period						31 December 2020	Shareholding	Provision for impairment loss	Cash dividends declared in the current period
		New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decrease	Others				
Shanghai Electric Wind Power Group Co., Ltd	4,718,867	-	-	-	-	-	7,393	4,726,260	100%	-	-
Shanghai Electric Hong Kong Co., Ltd	2,985,273	-	1,461,943	-	-	-	534	4,447,750	100%	-	-
Shenzhen Yinghe Technology Co., Ltd	-	2,107,488	2,000,000	-	-	-	-	4,107,488	28%	-	(4,482)
Shanghai Electric Leasing Co., Ltd	3,091,379	-	-	-	-	-	-	3,091,379	100%	-	-
Shanghai Electric Investment Co., Ltd	2,617,000	-	222,047	-	-	-	-	2,839,047	100%	-	-
Shanghai Electric Group Real Estate Co., Ltd	2,153,455	-	66,000	-	-	-	2,190	2,221,645	100%	-	-
Shanghai Electric Nuclear Power Equipment Co., Ltd	2,094,050	-	-	-	-	-	2,591	2,096,641	58%	-	(110,000)
Shanghai Jiyou Machinery Co., Ltd	1,755,559	-	-	-	-	-	-	1,755,559	55%	-	(30,943)
Shanghai Electromechanical Co., Ltd	1,671,054	-	-	-	-	-	-	1,671,054	49%	-	(181,697)
Shanghai Electric Industry Co., Ltd	1,354,722	-	-	-	-	-	1,381	1,356,103	52%	-	(129,066)
Shanghai Electric Group Finance Co., Ltd	1,328,664	-	-	-	-	-	2,508	1,331,172	88%	-	(164,175)
Shanghai Mechanical and electrical design and Research Institute Co., Ltd	1,105,281	-	-	-	-	-	-	1,105,281	51%	-	(67,000)
Shanghai electric power transmission and Distribution Group Co., Ltd	1,007,165	-	-	-	-	-	9,678	1,016,843	50%	-	(50,000)
Shanghai Electric (Nantong) Technology Innovation Center Co., Ltd	826,000	-	-	-	-	-	-	826,000	100%	-	-
Shanghai Boiler Works Co., Ltd	784,490	-	-	-	-	-	4,004	788,494	100%	-	-
Shanghai Electric Group Shanghai Motor Factory Co., Ltd	751,306	-	-	-	-	-	2,925	754,231	61%	-	(154,000)
Shanghai steam turbine works Co., Ltd	728,140	-	-	-	-	-	-	728,140	100%	-	-
Shanghai Electric Technology Venture Capital Co., Ltd	580,438	-	95,000	-	-	-	52	675,490	100%	-	-
Suzhou tianwo Technology Co., Ltd	664,943	-	-	-	-	-	-	664,943	15%	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

	31 December 2019	Movements for the current period						31 December 2020	Shareholding	Provision for impairment loss	Cash dividends declared in the current period
		New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decrease	Others				
Shanghai First Machine Tool Works Co., Ltd	620,159	-	-	-	-	-	1,455	621,614	100%	-	-
Shanghai Electric (Qidong) Water Development Co., Ltd	516,046	-	-	-	-	-	-	516,046	98%	-	-
Shanghai Electric International Economic Trade Co., Ltd	455,807	-	-	-	-	-	591	456,398	81%	-	(149,471)
Shanghai electric fuel injection Co., Ltd	454,960	-	-	-	-	-	-	454,960	61%	-	(35,020)
Shanghai Electric Shangzhong Casting Forging Co., Ltd	450,735	-	-	-	-	-	1,024	451,759	100%	-	-
Shanghai Xinji Machine Tool Co., Ltd	-	428,730	-	-	-	-	-	428,730	100%	-	-
Shanghai Electric Lingang Heavy Machinery Equipment Co., Ltd	408,771	-	-	-	-	-	813	409,584	100%	-	-
Shanghai electric environmental thermal power (Nantong) Co., Ltd	364,663	-	-	-	-	-	-	364,663	100%	-	-
Shanghai electric gas turbine Co., Ltd	360,000	-	-	-	-	-	-	360,000	60%	-	-
Shanghai Power Station Auxiliary Machinery Factory Co., Ltd	356,712	-	-	-	-	-	284	356,996	100%	-	-
Shanghai Electric (Huaibei) Water Development Co., Ltd	324,000	-	-	-	-	-	-	324,000	90%	-	-
Shanghai Electric (Anhui) Investment Co., Ltd	300,000	-	-	-	-	-	-	300,000	100%	-	-
Shanghai Blower Works Co., Ltd	299,347	-	-	-	-	-	-	299,347	100%	-	-
Shanghai Electric GuoXuan New Energy Technology Co., Ltd	237,000	-	-	-	-	-	-	237,000	47%	-	-
Zhangjiagang teenchi Cable Co., Ltd	-	234,144	-	-	-	-	-	234,144	95%	-	-
Shanghai Machine Tool Works Co., Ltd	636,798	-	-	-	-	(428,730)	1,400	209,468	100%	-	-
Shanghai Electric (Xinjiang) New Energy Investment Co., Ltd	202,000	-	-	-	-	-	-	202,000	100%	-	-

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

	31 December 2019	Movements for the current period						31 December 2020	Shareholding	Provision for impairment loss	Cash dividends declared in the current period
		New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decrease	Others				
Shanghai Electric Group Automation Engineering Co., Ltd	200,000	-	-	-	-	-	-	200,000	100%	-	-
Tianwo (Shanghai) power complete equipment Co., Ltd	200,000	-	-	-	-	-	-	200,000	57%	-	-
Shanghai Electric Thales Transportation Automation System Co., Ltd	192,899	-	-	-	-	-	478	193,377	50%	-	(37,813)
Shanghai Electric Group (Dandong) Environmental Protection Technology Co., Ltd	155,130	-	-	-	-	-	-	155,130	88%	-	-
Shanghai Electric Shangzhong grinding special equipment Co., Ltd	150,832	-	-	-	-	-	980	151,812	100%	-	-
Shanghai Machinery Manufacturing Technology Research Institute Co., Ltd	136,175	-	-	-	-	-	-	136,175	100%	-	-
Shanghai Electric Group (Huaiyuan) water treatment Co., Ltd	-	127,399	-	-	-	-	-	127,399	89%	-	-
Shanghai electric spark Engineering Technology Co., Ltd	126,377	-	-	-	-	-	260	126,637	55%	(14,775)	-
Shanghai Electric Group (Ma'anshan) water treatment Co., Ltd	108,900	-	-	-	-	-	-	108,900	90%	-	-
Shanghai Electric Automation Design Institute Co., Ltd	102,296	-	-	-	-	-	693	102,989	100%	-	(4,888)
Shanghai Electric Nuclear Power Group Co., Ltd	50,000	-	43,280	-	-	-	-	93,280	100%	-	-
Shanghai Electric (Rudong) Water Development Co., Ltd	36,582	-	27,437	-	-	-	-	64,019	90%	-	-
Shanghai Electric Group (Fengcheng) environmental protection energy Co., Ltd	-	62,902	-	-	-	-	-	62,902	70%	-	-
Shanghai Electric (India) Co., Ltd	62,285	-	-	-	-	-	-	62,285	100%	-	-
Shanghai Electric Group Digital Technology Co., Ltd	60,850	-	-	-	-	-	1,149	61,999	100%	-	-
Shanghai Electric Group Enterprise Service Co., Ltd	56,983	-	-	-	-	-	1,240	58,223	80%	-	-
Shanghai Centrifugal Machinery Research Institute Co., Ltd	56,258	-	-	-	-	-	-	56,258	100%	(14,629)	-
Shanghai Electric (Rudong) water environment treatment Co., Ltd	31,870	-	23,903	-	-	-	-	55,773	95%	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

	31 December 2019	Movements for the current period						31 December 2020	Shareholding	Provision for impairment loss	Cash dividends declared in the current period
		New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decrease	Others				
Shanghai Electric Group Intelligent Transportation Technology Co., Ltd	53,126	-	-	-	-	-	116	53,242	52%	-	-
Shanghai Electric new era Co., Ltd	50,000	-	-	-	-	-	-	50,000	100%	-	-
Shanghai Electric group battery technology Co., Ltd	22,000	-	22,000	-	-	-	-	44,000	55%	-	-
Shanghai Mutual Inductor Factory Co., Ltd	43,479	-	-	-	-	-	-	43,479	100%	(29,667)	-
Shanghai Electric (Anhui) energy storage technology Co., Ltd	-	30,000	-	-	-	-	-	30,000	60%	-	-
Shanghai Electric Fuji Electric Technology Co., Ltd	25,767	-	-	-	-	-	215	25,982	51%	-	-
Qingdao Huachen Weiye Power Technology Engineering Co., Ltd	-	23,000	-	-	-	-	-	23,000	46%	-	-
Sida Machine Tool Manufacturing Co., Ltd	22,600	-	-	-	-	-	-	22,600	100%	(27,692)	-
Shanghai Electric Communication Technology Co., Ltd	20,000	-	-	-	-	-	-	20,000	40%	-	-
Shanghai Jinshajiang Asset Management Co., Ltd	13,523	-	-	-	-	-	-	13,523	54%	-	-
Shanghai Electric Liangyuan photothermal Engineering Co., Ltd	10,191	-	-	-	-	-	258	10,449	50%	-	-
Shanghai Electric Group Europa Co., Ltd	9,899	-	-	-	-	-	-	9,899	100%	-	-
Shanghai Electric Distributed Energy Technology Co., Ltd	5,250	-	-	-	-	-	-	5,250	70%	-	-
Shanghai Electric Panama Co., Ltd	4,434	-	-	-	-	-	-	4,434	100%	-	-
Others	277,877	-	8,150	-	-	-	4,678	290,705	—	(65,560)	-
	<u>38,490,367</u>	<u>3,013,663</u>	<u>3,969,760</u>	<u>-</u>	<u>-</u>	<u>(428,730)</u>	<u>48,890</u>	<u>45,093,950</u>	<u>—</u>	<u>(152,323)</u>	<u>(1,118,555)</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Long-term equity investments (Cont'd)

(b) Joint ventures

[illegible]

[illegible]

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(5) Long-term equity investments (Cont'd)

(c) Associates (Cont'd)

	Movements for the current period											31 December 2020	Provision for impairment loss
	31 December 2019	Increase in investments	Decrease in investments	Share of net profit/ (loss) under equity method	Share of other comprehensive income	Business combinations involving enterprise not under common control	New associate combined from enterprises not under common control	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment	Others		
Shanghai Electric Fuji Electric Technology (Wuxi) Co., Ltd.	23,805	-	-	4,439	-	-	-	-	-	-	-	28,244	-
ShenZhen YingHe Technology Co., Ltd.	959,022	1,148,466	-	-	-	(2,107,488)	-	-	-	-	-	-	-
Others	671,593	1,995	-	31,455	-	-	-	-	(82,323)	-	-	622,720	-
	<u>4,555,002</u>	<u>1,192,461</u>	<u>-</u>	<u>361,165</u>	<u>-</u>	<u>(2,107,488)</u>	<u>-</u>	<u>-</u>	<u>(419,596)</u>	<u>-</u>	<u>-</u>	<u>3,581,544</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(6) Capital surplus

	31 December 2019	Increase in the current period	Decrease in the current period	31 December 2020
Share premium (4(51))	16,617,391	236,164	-	16,853,555
Effect of convertible bond on equity	1,214,919	-	-	1,214,919
Capital contribution of shareholders due to equity incentive (4(51))	271,163	-	(15,054)	256,109
Amount recorded in owners' equity arising from share-based payment arrangements (4(51))	66,656	91,159	-	157,815
Others	173,104	-	-	173,104
	<u>18,343,233</u>	<u>312,269</u>	<u>-</u>	<u>18,655,502</u>

	31 December 2018	Increase in the current period	Decrease in the current period	31 December 2019
Share premium (4(51))	15,608,926	1,008,465	-	16,617,391
Effect of convertible bond on equity	1,214,919	-	-	1,214,919
Capital contribution of shareholders due to equity incentive (4(51))	-	271,163	-	271,163
Amount recorded in owners' equity arising from share-based payment arrangements (4(51))	-	66,656	-	66,656
Others	173,104	-	-	173,104
	<u>16,996,949</u>	<u>1,346,284</u>	<u>-</u>	<u>18,343,233</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(7) Other comprehensive income

	Other comprehensive income in balance sheet			Other comprehensive income in the income statement for year ended 31 December 2020			
	31 December 2019	Attributable to the parent company - net of tax	31 December 2020	Amount incurred before income tax for the current period	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Amount incurred after income tax for the current period
Other comprehensive income items which will be reclassified to profit or loss							
Fair value changes in provision for bad debts of receivables financing	-	280,607	280,607	280,607	-	-	280,607
Share of other comprehensive income items which will be reclassified to profit or loss under equity method	(30,627)	-	(30,627)	-	-	-	-
	(30,627)	280,607	249,980	280,607	-	-	280,607

	Other comprehensive income in balance sheet			Other comprehensive income in the income statement for year ended 31 December 2019			
	31 December 2018	Attributable to the parent company - net of tax	31 December 2019	Amount incurred before income tax for the current period	Less: Transfer-out of previous other comprehensive income in the current year	Less: Income tax expenses	Amount incurred after income tax for the current period
Other comprehensive income items which will be reclassified to profit or loss							
Share of other comprehensive income items which will be reclassified to profit or loss under equity method	(29,121)	(1,506)	(30,627)	(1,506)	-	-	(1,506)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(8) Surplus reserve

	31 December 2019	Appropriation in the current period	Decrease in the current period	31 December 2020
Statutory surplus reserve	2,534,686	105,139	-	2,639,825

	31 December 2018	Appropriation in the current period	Decrease in the current period	31 December 2019
Statutory surplus reserve	2,235,575	299,111	-	2,534,686

In accordance with the Company Law of the PRC and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to the resolution of the board of directors, the Company will withdraw RMB 105,139,000 from the statutory surplus reserve fund at 10% of the net profit in 2020 (in 2019: withdraw RMB 299,111,000 at 10% of the net profit).

(9) Undistributed profits

	For the year ended 31 December 2020	For the year ended 31 December 2019
Undistributed profits at the beginning of the year (before adjustments)	11,847,763	10,528,372
Adjustments	-	(4,514)
Undistributed profits at the beginning of the year (after adjustments)	11,847,763	10,523,858
Add: Net profit for the year	1,051,384	2,554,286
Less: Appropriation of surplus reserve	(105,139)	(299,111)
Dividends payable	-	(931,270)
Undistributed profits at the end of the period	12,794,008	11,847,763

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(10) Revenue and operating cost

	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue from main operations	26,470,967	29,921,961
Revenue from other operations	348,194	163,216
	<u>26,819,161</u>	<u>30,085,177</u>
Operating cost from main operations	24,467,251	26,417,846
Operating cost from other operations	243,720	113,229
	<u>24,710,971</u>	<u>26,531,075</u>

Revenue from main operations refers to sales income from efficient and clean energy business, modern service industry, new energy business, etc. Operating cost refers to cost of products related to main operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(10) Revenue and operating cost (Cont'd)

	For the year ended 31 December 2020								
	Products			Projects			Labour	Others	Total
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions			
Revenue from main operations	15,813,346	80,003	383	5,446,824	4,984,558	133,532	12,321	-	26,470,967
Including:									
Recognised at point	15,813,346	80,003	383	-	-	-	12,321	-	15,906,053
Recognised over period	-	-	-	5,446,824	4,984,558	133,532	-	-	10,564,914
Revenue from other operations	-	-	-	-	-	-	-	348,194	348,194
	<u>15,813,346</u>	<u>80,003</u>	<u>383</u>	<u>5,446,824</u>	<u>4,984,558</u>	<u>133,532</u>	<u>12,321</u>	<u>348,194</u>	<u>26,819,161</u>

	For the year ended 31 December 2019								
	Products			Projects			Labour	Others	Total
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions			
Revenue from main operations	19,140,429	143,185	22,178	6,070,846	3,088,625	1,263,062	193,636	-	29,921,961
Including:									
Recognised at point	19,140,429	143,185	22,178	-	-	-	-	-	19,305,792
Recognised over period	-	-	-	6,070,846	3,088,625	1,263,062	193,636	-	10,616,169
Revenue from other operations	-	-	-	-	-	-	-	163,216	163,216
	<u>19,140,429</u>	<u>143,185</u>	<u>22,178</u>	<u>6,070,846</u>	<u>3,088,625</u>	<u>1,263,062</u>	<u>193,636</u>	<u>163,216</u>	<u>30,085,177</u>

- (i) As at December 31, 2020, the amount of revenue corresponding to the performance obligations that the Company has signed but has not performed or has not performed is RMB 57,121,913,000, of which the Company expects to recognize revenue of RMB 12,216,891,000 in 2021 and RMB 44,905,022,000 in 2022 and subsequent years.
- (ii) For the year ended 31 December 2020, the Company had no extra award due to the completion of services in advance.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(11) Investment income

	For the year ended 31 December 2020	For the year ended 31 December 2019
Income from long-term equity investments accounted for using the cost method	1,118,555	823,703
Income from long-term equity investments accounted for using the equity method	454,377	498,471
Interest income of entrusted loan	394,763	334,742
Investment income obtained during holding other non-current financial assets	74,002	58,866
Investment income from disposal of subsidiaries	-	96,914
Investment losses during the holding period of financial assets held for trading	-	(317)
Derecognition loss of financial assets measured at amortised cost	(4,153)	(84,268)
Loss on derecognition of receivables financing	(12,334)	(546,412)
Others	-	(214)
	<u>2,025,210</u>	<u>1,181,485</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB'000 Yuan unless otherwise stated)

1 Statement of non-recurring profit or loss

	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit or loss on disposal of non-current assets	2,754,223	1,861,084
Government grants recognised in profit or loss for the current period	1,119,036	1,177,948
Profit or loss from debt restructuring	303	3,817
Recombination expenses, such as staff resettlement expenditure, integration charges and etc.	(221,900)	(157,700)
Gains or losses arising from changes in fair value of financial assets or liabilities at fair value through profit or loss, and investment income from disposal of financial assets or liabilities at fair value through profit or loss, available-for-sale financial assets, debt investments, other debt investments and other non-current financial assets besides those relevant to the effective hedging business related to the Company's normal operations and investment business of Financial Company,	(83,641)	73,506
Reversal of provision for impairment of receivables tested for impairment on an individual basis	158,413	10,409
Reversal of provision for impairment of contract asset tested for impairment on an individual basis	26,688	159,026
Investment income from disposal of subsidiaries	184,235	122,647
Non-operating income and expenses other than aforesaid items	283,099	160,097
	<u>4,220,456</u>	<u>3,410,834</u>
Effect of income tax	(801,943)	(775,553)
Effect of minority interests (net of tax)	(702,170)	(130,551)
	<u>2,716,343</u>	<u>2,504,730</u>

Basis for preparation of statement of non-recurring profit or loss

Pursuant to the Explanatory Announcement for Information Disclosure of Companies Offering Securities to the Public No.1 - Non-recurring Profit or Loss (2008) issued by China Securities Regulatory Commission, non-recurring profit or loss refers to profit or loss arising from transactions and events those are not directly related to the Company's normal course of business, also from transactions and events those even are related to the Company's normal course of business, but will interfere with the right judgement of users of the financial statements on the Company's operation performance and profitability due to their special nature and occasional occurrence.

2 Reconciliation of statement prepared under HKFRS and CAS

On June 29, 2020, with the approval of the company's extraordinary general meeting, the group will use the consolidated financial statements prepared in accordance with China's accounting standards for business enterprises as information disclosure in the stock exchange of Hong Kong since 2020. Therefore, the group does not need to prepare the difference adjustment statement of domestic and foreign financial statements in the current period.

3 Return on equity and earnings per share

	Weighted average return on equity (%)		Earnings per share (RMB Yuan)			
			Basic earnings per share		Diluted earnings per share	
	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019
Net profit attributable to ordinary shareholders of the Company	5.79	5.79	0.25	0.23	0.24	0.23
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.60	1.60	0.07	0.06	0.07	0.06