

2021 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 of the Company for 2021 was

¥ 131,388 million

a decrease of

4.3%

year-on-year



Loss attributable to owners of the Company for 2021 was

¥ 9,988 million

profit attributable to owners of the Company for the corresponding period of last year was

¥ 3,758 million



Basic loss per share of the Company for 2021 was

¥ 0.64 yuan

basic earnings per share of the Company for the corresponding period of last year was

¥ 0.25 yuan



New orders for 2021 amounted to

¥ 144.18 billion

a decrease of


22.3%

year-on-year



CONTENTS

Contents

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

Chairman's Statement



Chairlady and CEO Leng Weiqing

In 2021, as affected by the once-in-a-century pandemic, the changes in the international political and economic systems sped up in evolving and the global situation remained complicated and severe. China's economic development was under triple pressures of "shrinking demand, disrupted supply and weakening expectations". 2021 was also a crucial period with difficulties in the development of the Company. Under the leadership of the new leading group, Shanghai Electric adhered to the development concept of "pursuing progress while ensuring stability, adhering to integrity and innovation and unswervingly following the path of high quality development", with pursuing high-quality development as the top priority, main responsibilities and main businesses as the essential foundation, serving national strategies as the top mission, science and technology innovation as the primary driver and core talents as the premier resources. The Company maintained stable and orderly operation on the whole.

During the reporting period for the year ended 31 December 2021 (the "Reporting Period"), the Company achieved the revenue of RMB131,388 million, representing a year-on-year decrease of 4.3%; and the gross profit margin of the Company was 15.07%, representing a year-on-year decrease of 1.69 percent points, primary due to the increase in the project cost for investment in overseas engineering projects caused by the epidemic and the increase in the price of bulk materials. The net losses attributable to owners of the Company for 2021 was RMB9,988million, and profit attributable to owners of the Company for the corresponding period of last year was RMB3,758 million. The basic loss per share of the Company for 2021 was RMB0.64 yuan, basic earnings per share for the corresponding period of last year was RMB0.25 yuan. During the Reporting Period, the significant year-on-year decrease of net profit of the company was mainly due to: 1) the provision of losses for relevant risk incidents of Shanghai Electric Communication Technology Co., Ltd. ("SECT") a subsidiary of the Company, 2) the increase in operating costs of overseas projects, 3) the increase in costs due to fluctuations in raw material prices, 4) the significant losses of certain associates of the Company accounted for under equity method, 5) the provision of credit impairment loss on assets held by certain subsidiaries related to the Evergrande Group and its member enterprises, 6) the provision of impairment of goodwill of certain subsidiaries.

During the Reporting Period, the Company obtained new orders in the amount of RMB144.18 billion, representing a year-on-year decrease of 22.3%. Among the new orders of the Company, orders for energy equipment amounted to RMB61.26 billion (of which orders for wind power equipment, nuclear power equipment, energy storage equipment and coal-fired power equipment amounted to RMB12.18 billion, RMB8.90 billion, RMB6.51 billion and RMB14.50 billion, respectively), orders for industrial equipment amounted to RMB42.99 billion (of which orders for elevators amounted to RMB23.27

Chairman's Statement

billion), and orders for integrated services amounted to RMB39.93 billion (of which orders for energy engineering and services amounted to RMB26.31 billion). As at the end of the Reporting Period, our orders on hand amounted to RMB286.10 billion, representing an increase of 3.6% from the end of the preceding year. Among our orders on hand by the end of the Reporting Period, orders for energy equipment amounted to RMB 143.25 billion (of which orders for wind power equipment, nuclear power equipment, energy storage equipment and coal-fired power equipment amounted to RMB36.22 billion, RMB27.17 billion, RMB3.03 billion and RMB49.09 billion, respectively), orders for industrial equipment amounted to RMB12.38 billion (of which orders for elevators amounted to RMB4.16 billion), and orders for integrated services amounted to RMB130.47 billion (of which orders for energy engineering and services amounted to RMB109.79 billion).

During the Reporting Period, the principal operation of the Company is as follows:

Focusing on Main Responsibilities and Main Businesses with Stable Development of Core Industries

We actively aligned with the national strategy of "carbon peaking and carbon neutrality" and steadily promoted the development of advantage businesses. We maintained our leading position in China in the field of high-efficient and clean energy. Our main equipment systems for coal-fired power generation constantly refreshed the indicator of the global minimum coal consumption. Our nuclear power business continued to maintain the top position in the industry in terms of the comprehensive market share. We produced and shipped a total of 12 sets of nuclear main equipment during the year, and the steam generator and reactor vessel internals of the demonstration project of "Guohe One" and other first set of products in the world were shipped. For our wind power business, we successfully completed tasks on the rush for instalment of offshore wind turbines, actively promoted the independent development of

offshore floating wind turbines and facilitated technology penetration in blades, driving chains, towers and other components. The energy storage and frequency adjustment project of Guangdong Yuedian Dapu Power Plant (廣東粵電大埔電廠) invested and constructed by us under general contracting has been officially put into commercial operation. During the Reporting Period, Shanghai Mitsubishi Elevator Co., Ltd. ("SMEC"), a subsidiary of the Company, made new progress in service industrialization and strived to develop standardized and professional maintenance business, building high-quality products and services as our competitive advantage. For our business in industrial basic parts such as blades, bearings, fasteners and tools, we focused on the vision of "becoming a world-leading provider of solutions on industrial basic parts and the major force in replacement of imported medium- and high-end basic parts in China", continued to promote business integration and industrial synergy and has developed "professional, refined, featured and innovative" business clusters with high quality. During the Reporting Period, with the focus on the national "Belt and Road Initiative" strategy, we established strong alliance with other domestic enterprises and won bids for various projects in Pakistan under general contracting, including the upgrading and the reconstruction and expansion projects of two 500 kV transformer substations and four 220 kV transformer substations. We strived to overcome the difficulties brought about by the ongoing pandemic and resolutely advanced the construction of overseas engineering projects in United Arab Emirates, Pakistan, Bangladesh, U.K., Malaysia and other countries.

Concentrating on Technology Empowerment and Driving New Competitiveness Through Technology

During the Reporting Period, science and technology innovation achievements in core industries under Shanghai Electric emerged at a faster pace. The demonstration project of Huaneng Shidao Bay Nuclear Power Station with high



temperature gas-cooled reactors, the first nuclear power station with pebble-bed modular high temperature gas-cooled reactors in the world, was successfully put into grid-connected operation. As a key co-developer in the construction, Shanghai Electric provided nuclear and conventional islands and other core equipment. As the "national name card" of China's nuclear power to the world, Fuqing Nuclear Power (福清核電) Unit 5, the world's first "Hualong One" nuclear reactor co-developed by us, was officially put into commercial operation, symbolizing that China has become one of the few countries in the world with independent third-generation nuclear power technology. We have completed technology innovation in 2 material localization, 5 welding technologies, 4 testing technologies and 7 process technologies, and achieved full localization of the manufacturing, processing, assembly and testing of the reactor vessel internals in Fuqing No. 5. Shanghai Electric

Wind Power Group Co., Ltd. ("SEWP"), a subsidiary of the Company, independently developed a 100-meter level carbon fiber blade. SEWP released the Petrel product platform, a self-developed platform purpose-built to withstand changeable and complex marine environments such as high temperatures, humidity, salt as well as typhoons and earthquakes, and launched the first product of the platform, the offshore wind turbine EW11.0-208. It was the largest self-developed direct-drive offshore wind power unit in Asia when the turbine sample was put into operation, symbolizing that China has achieved new breakthroughs in independent innovation in the offshore wind power industry and has officially entered the 10MW+ era. SMEC successfully developed energy-saving and environment-friendly middle-to-high speed energy-feedback elevators with independent intellectual property rights, breaking the technological monopoly of

Chairman's Statement



overseas enterprises in the industry and driving the improvement of technical capacities in the industry. Our self-developed rail transit integrated monitoring platform and intelligent maintenance management platform were successfully put into operation in Shanghai Metro Line 5, Line 7 and Line 18. During the Reporting Period, we continuously stepped up our efforts in the establishment of the technological research and innovation ecosystem, successfully held the first month for technological activities with the theme of "Upgrading Intelligent Manufacturing and Innovation Empowerment" and signed contracts on 22 innovation and technological research projects.

Speeding Up in Upgrading of Intelligent Manufacturing and Improving Digitalization Empowerment Continuously

We focused on intelligent manufacturing, intelligent infrastructure and smart energy and advanced further development through "industrial intelligentization and service industrialization" as the two-wheel drivers. During the Reporting Period, the digitalized production line, which is

the phase-I project of intelligent manufacturing of Shanghai Renmin Electrical Apparatus Works, a subsidiary of the Company, was officially put into operation, achieving significant improvement in production efficiency. We released the version 3.0 of "SEunicloud" Shanghai Electric industrial internet platform, which highlighted its role as a command hub for internal communications and external contact. After upgrading, it has achieved intelligent decision-making and order controlling, and also supported the integrated enhancement of the whole value chain of manufacturing enterprises covering the platform-based research and development, refined production, service-oriented operation and maintenance and intelligent management. "SEunicloud" has gained access to more than 150,000 equipment with a value of over RMB143 billion, including wind turbines, elevators and machine tools, and provided digitalized solutions on wind farms, energy storage, photovoltaic and other fields. During the Reporting Period, we won bids for the phase-II project of the platform construction for the smart energy big data center of Yancheng City. On the basis of the construction of the big data platform in the phase-I project and the pilot access to certain photovoltaic farms and stations,

it will achieve the access, storage, display and intelligent analysis and application of production and operation data of all energy power stations in Yancheng City.

Adhering to Openness and Collaboration and Promoting Win-win Cooperation

Adhering to the development concept of "openness, coordination and win-win cooperation", we actively carried out cooperation with various parties. We and Shenergy (Group) Company Limited ("Shenergy Group") jointly contributed to the establishment of a joint venture, which will fully display the industrial manufacturing advantages of Shanghai Electric and the integration and innovation of the proprietary technologies of Shenergy Group and develop the "Shanghai plan" in serving the upgrading and transformation of coal-fired power generation plant nationwide. During the Reporting Period, we and Shanghai Shentong Metro Co., Ltd. jointly contributed to the establishment of a joint venture with the focus on comprehensive and intelligent maintenance business on urban rail transit. It has won bids for the integrated and maintenance project on electrical facilities and equipment of stations of Shanghai Rail Transit Line 5. During the Reporting Period, we have entered into strategic cooperation agreements with China Bank of Communications Shanghai Branch, China Merchants Bank Co., Ltd., Bank of Shanghai Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Shanghai Rural Commercial Bank Co., Ltd. and other financial institutions as well as Shanghai Lingang Economic Development (Group) Co., Ltd., Shanghai Chengtou Group Corporation and other enterprises to display respective advantages, explore more fields for cooperation and seek progress and development together.

Deepening Reform and Innovation and Promoting the Reform of Institutional Mechanisms Steadily

SEWP, a subsidiary of the Company, was officially listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange in May 2021, making it the first case of spin-off listing as a state-owned company in Shanghai. We steadily

promoted the pilot reform of mixed ownership of subordinate enterprises and successfully implemented the reform of mixed ownership and employee share ownership programs of Shanghai Renmin Electrical Apparatus Works and Shanghai Centrifuge Institute Co., Ltd. We have continuously improved our institutional mechanisms on science and technology innovation and preliminarily established a management mechanism on science and technology innovation with the guidance of plans, the coordination of projects and the intercommunications of talents. We explored an innovative mechanism on the sharing of scientific research assets, the joint research on common technologies and the coordination on significant scientific research projects.

Looking forward, we will seize significant opportunities in China's vigorously supporting the real economies and advanced manufacturing industries, align with "carbon peaking and carbon neutrality" national strategy, focus on main businesses and main responsibilities, develop core competitiveness in technology and actively deploy green, low-carbon and digital economy and other emerging fields. We will adhere to the integration of innovation-driven development and innovative management, improve internal and external synergy and advance the reform of management. We will promote the high-quality development of Shanghai Electric to achieve new performance and embrace the successful convening of the 20th National Congress of the CPC with practical actions in achieving high-quality development.

Leng Weiqing

Chairlady and CEO

Shanghai, the PRC

18 April, 2022

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	Leng Weiqing
Company's authorized representatives	Leng Weiqing, Liu Ping
Company's alternative authorized representative	Zhou Zhiyan
Joint Company Secretaries	Zhou Zhiyan, Leung Kwan Wai

Contact Person and Contact Details

	Secretary to the Board
Name	Zhou Zhiyan
Correspondence address	No. 110 Sichuan Middle Road, Huangpu District, Shanghai
Telephone	+86 (21) 33261888
Fax	+86 (21) 34695780
Email	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

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 Information 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

Share 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	42nd Floor, Qiantan Center, No. 588 Dongyu Road, Pudong New 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

	2017	2018	2019	2020	2021
Revenue and Profit					
Revenue	79,544	101,158	127,509	137,285	131,388
Profit/(Loss) before tax	5,365	6,008	7,263	6,346	(10,290)
Tax	(522)	(677)	(1,279)	(1,080)	50
Profit/(Loss) for the year	4,843	5,331	5,984	5,266	(10,240)
Attributable to:					
Owners of the Company	2,627	2,980	3,720	3,758	(9,988)
Non-controlling interests	2,216	2,351	2,264	1,508	(252)
Dividend	1,354	905	-	1,127	-
Earnings per share attributable to ordinary equity holders of the Company					
Basic profit/(loss) for the year (cents)	18.72	20.24	24.95	24.77	(63.77)
Assets and liabilities					
Non-current assets	54,989	66,794	81,323	87,457	91,026
Current assets	144,357	151,728	199,201	227,946	209,776
Current liabilities	(111,320)	(119,623)	(164,061)	(183,492)	(168,879)
Net current assets	33,037	32,105	35,140	44,454	40,897
Total assets less current liabilities	88,026	98,899	116,463	131,911	131,923
Non-current liabilities	(17,304)	(25,262)	(24,873)	(25,061)	(33,778)
Net assets	70,722	73,637	91,589	106,849	98,144
Equity attributable to owners of the Company	55,537	57,290	63,346	66,401	58,134
Non-controlling interests	15,185	16,347	28,243	40,448	40,010

Note: As approved at 2019 annual general meeting, the Company prepares 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 2017 to 2019 represents the data in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, and the financial summary for the years 2020 and 2021 represents the data in the financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises.

Key Accounting Data and Financial Indicators

Unit: '000 Currency: RMB

Key accounting data and financial indicators	2021	2020	Year-on-year increase/ decrease (%)
Total assets	300,802,190	315,402,734	(4.63)
Net assets attributable to shareholders of the parent company	58,134,328	66,400,834	(12.45)
Net assets per share attributable to shareholders of the parent company (RMB/share)	3.70	4.38	(15.33)
Revenue	131,387,852	137,285,056	(4.30)
Operating profit/(loss)	(10,838,464)	6,063,037	N/A
Profit/(Loss) before tax	(10,289,639)	6,346,439	N/A
Net profit/(loss) attributable to owners of the Company	(9,987,908)	3,758,175	N/A
Basic earnings per share (RMB/share)	(0.64)	0.25	N/A
Weighted average return on net assets (%)	(15.69)	5.79	N/A
Net cash flows generated from operating activities	(10,554,000)	4,696,198	N/A
Net cash flows per share generated from operating activities (RMB/share)	(0.67)	0.31	N/A



Share Capital Structure

As at 31 December 2021	Number of shares	Approximate percentage of issued share capital
A shares	12,781,489,092	81.38%
H shares	2,924,482,000	18.62%
Total	15,705,971,092	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 2021 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	8,603,201,462	Long position	67.31	54.78
	H	Interest of controlled corporation	1	313,642,000	Long position	10.72	2.00
Shanghai Electric Holding Group Co., Ltd.	A	Beneficial owner	1	8,227,400,468	Long position	64.37	52.38
	H	Beneficial owner	1	280,708,000	Long position	9.60	1.79
	H	Interest of controlled corporation	1,2	32,934,000	Long position	1.13	0.21
Shenergy (Group) Company Limited	A	Beneficial owner	1	375,800,994	Long position	2.94	2.39

Notes

- (1) Shanghai Electric Holding Group Co., Ltd. (上海電氣控股集團有限公司) ("SEGC", formerly known as "Shanghai Electric (Group) Corporation (上海電氣 (集團) 總公司)", completed the industrial and commercial change registration on 28 January, 2022) 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 Holding Group Co., Ltd. (上海電氣控股集團有限公司) 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 2021 required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Disclosure of Interests

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

As at 31 December 2021, 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 Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the 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 (%)
Gan Pin	A	Beneficial owner	20,000	Long position	0.000	0.000

Save as disclosed above, as at 31 December 2021, 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

Changes in shareholdings and remuneration of Directors, Supervisors and Senior Management who currently are in office or 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 remuneration received from the Company during the reporting period (RMB in ten thousand) (before tax)
Leng Weiqing	Executive Director, Chairlady of the Board and Chief Executive Officer	Female	53	23 August 2021 (Executive Director and Chairlady of the Board) 27 August 2021 (Chief Executive Officer)	To present (Note 1)					25.77
Gan Pin	Non-executive Director, Vice Chairman of the Board	Male	59	17 May 2021	To present (Note 1)	15,000	20,000	5,000	(Note 2)	40.40
Liu Ping	Executive Director and President	Male	51	8 November 2021 (Executive Director) 23 August 2021 (President)	To present (Note 1)					22.48
Zhu Zhaokai	Executive Director	Male	53	18 September 2018	To present (Note 1)					59.28
Yao Minfang	Non-executive Director	Female	54	18 September 2018	To present (Note 1)					
Li An	Non-executive Director	Female	60	18 September 2018	To present (Note 1)					
Xi Juntong	Independent Non-executive Director	Male	58	18 September 2018	To present (Note 1)					22.50
Xu Jianxin	Independent Non-executive Director	Male	66	14 November 2019	To present (Note 1)					22.50
Liu Yunhong	Independent Non-executive Director	Male	45	25 November 2020	To present (Note 1)					22.50
Cai Xiaoqing	Supervisor, Chairman of the Supervisory Committee	Male	57	28 June 2021	To present (Note 1)					39.34
Han Quanzhi	Supervisor	Male	57	18 September 2018	To present (Note 1)					
Yuan Shengzhou	Supervisor (employee representative)	Male	56	20 May 2019	To present (Note 1)					75.32
Dong Jianhua	Vice president	Male	56	18 September 2018	To present (Note 1)	594,000	594,000	0		88.20
Chen Ganjin	Vice president	Male	53	18 September 2018	To present (Note 1)	594,000	594,000	0		78.40
Gu Zhiqiang	Vice president	Male	57	18 September 2018	To present (Note 1)	594,000	594,000	0		88.20

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 remuneration received from the Company during the reporting period (RMB in ten thousand) (before tax)
Jin Xiaolong	Vice president	Male	54	18 September 2018	To present (Note 1)	594,000	594,000	0		78.40
Yang Hong	Vice president	Female	49	30 September 2020	To present (Note 1)	342,000	342,000	0		78.40
Zhou Zhiyan	Chief Financial officer, secretary to the Board	Male	58	14 January 2022	To present (Note 1)					
Zhang Mingjie	Chief Operating Officer (Note 3)	Male	58	18 September 2018	To present (Note 1)	396,000	396,000	0		113.50
Tong Liping	Chief Legal Officer	Female	50	18 September 2018	To present (Note 1)	396,000	396,000	0		133.73
Fu Min	Chief Auditor	Female	49	18 April 2022	To present (Note 1)					
Zheng Jianhua	Resigned	Male	61	18 September 2018	29 July 2021 (Chairman of the Board and Chief Executive Officer) 23 August 2021 (Executive Director)					39.34
Huang Ou	Resigned	Male	50	18 September 2018	5 August 2021	765,000	765,000	0		65.33
Zhu Bin	Resigned	Male	60	18 September 2018	12 April 2021					19.76
Zhou Guoxiong	Resigned	Male	64	18 September 2018	20 May 2021					
Hua Xingsheng	Resigned	Male	61	18 September 2018	20 May 2021					
Zhang Yan	Resigned	Female	46	20 May 2019	8 October 2021					87.19
Hu Kang	Resigned	Male	58	18 September 2018	14 January 2022	594,000	594,000	0		78.40
Fu Rong	Resigned	Female	51	18 September 2018	8 September 2021	396,000	396,000	0		79.68
Total						5,280,000	5,285,000	5,000		1,358.62

Notes: 1. The terms of the fifth session of the Board and the Supervisory Committee of the Company expired on 17 September 2021. As the nomination of candidates and relevant work for the new session of the Board and the Supervisory Committee have not been completed, the election of the members of the Board and the Supervisory Committee will be postponed so as to maintain the continuity and stability of the work of the Board and the Supervisory Committee. The terms of the special committees of the Board and the senior management of the Company will be extended correspondingly. All the members of the fifth session of the Board and the Supervisory Committee and of the senior management of the Company will continue to fulfill their respective obligations and responsibilities in accordance with the relevant laws and regulations and the articles of association of the Company until the completion of the election of the new session of the Board and the Supervisory Committee.

2. Mr. Gan Pin served as the vice chairman of the Board from 17 May 2021. Before taking office, Mr. Gan Pin held 20,000 A shares of the Company. As at the end of the Reporting Period, there are no changes in the shares of the Company held by Mr. Gan Pin.

3. Mr. Zhang Mingjie served as the chief investment officer of the Company from 18 September 2018. Due to the adjustment of duties, Mr. Zhang Mingjie has served as the chief operating officer of the Company from 23 February 2022 and no longer served as the chief investment officer.

Directors, Supervisors, Senior Management and Staff

Major Work Experience

Leng Weiqing

Ms. Leng currently serves as the secretary of the Party Committee, an executive Director, the chairlady of the Board, the chief executive officer of the Company, and the secretary of the Party Committee and the chairlady of the board of directors of SEGC, a representative to the 15th Shanghai Municipal People's Congress. Ms. Leng served as an assistant researcher at the Enterprise Personnel Division of the Organization Department of Shanghai Municipal Party Committee, where she was also an assistant researcher of the Economic Personnel Division. She was a member of the Party Committee of Shanghai Municipal State-owned Assets Supervision and Administration Commission, the deputy head and the head of the Leading Personnel Management Division of Shanghai Municipal State-owned Assets Supervision and Administration Commission. She was the vice president of SEGC and the secretary of the Party Committee of Shanghai Electric Power Generation Group. She was also a member of the Organization Department, head of the Enterprise Personnel Division, and deputy director of the Organization Department of Shanghai Municipal Party Committee. She served as the head of the office at Shanghai Municipal Party Organization Committee. Ms. Leng obtained a bachelor degree in education, an EMBA degree and the qualification of a senior economist.

Gan Pin

Mr. Gan currently serves as a non-executive Director and vice chairman of the Board of the Company, the chairman of the board of directors and secretary of the Party Committee of Shanghai Microelectronics Equipment (Group) Co., Ltd. Mr. Gan served as the manager and secretary of the Party Committee of the second car plant of Shanghai Volkswagen Co., Ltd., the general manager of Shanghai Bus Manufacturing Co., Ltd., the executive deputy general manager and secretary of Party Committee of Shanghai Shenwo Bus Co., Ltd., the deputy general manager of SAIC Motor Manufacturing Co., Ltd. Mr. Gan held several positions in Shanghai Automobile Co., Ltd., including the head of an Engine Project, the deputy dean of Automotive Engineering Research Institute, deputy director of Technology Center, general manager of Fuel Cell Vehicle Business Unit, deputy leader of New Energy Work Promotion Team, director of Technology Management Office, general manager of New Energy Vehicle Business Unit, and executive director of the New Energy and Technology Management Department. Mr. Gan served as the deputy director and the first-level inspector of the Shanghai Municipal Science and Technology Commission. Mr. Gan graduated from Shanghai Jiao Tong University majoring in marine internal combustion engines. Mr. Gan possesses a master's degree in engineering and business administration and is a professor-level senior engineer.

Liu Ping

Mr. Liu currently serves as an executive Director, the president and the deputy secretary of the Party Committee of the Company, vice chairman of the board of directors of SEGC. Mr. Liu served as the executive vice manager of the Finance Department of Shanghai Textile Holdings (Group) Company, the deputy general manager of Shanghai Dragon Corporation, the deputy general manager of the Commerce Business Department of Shanghai Fosun High Technology (Group) Co., Ltd., the deputy chief accountant of Shanghai Textile Holdings (Group) Company, the general manager of the Assets Operation Department of and the Chief Finance Officer of Shangtex Holding Co., Ltd., the Chief Finance Officer of Shanghai Textile Holdings (Group) Company, the vice president of Shangtex Holding Co., Ltd., a member of the standing committee under and a member of Shanghai Changning District Party Committee, the deputy Changning District chief, the president, the deputy secretary of the Party Committee of and a director of Bright Food (Group) Co., Ltd.. Mr. Liu obtained a master's degree of engineering majoring in mechanical manufacturing from Shanghai Jiao Tong University.

Zhu Zhaokai

Mr. Zhu currently serves as an executive Director and the deputy secretary of the Party Committee of the Company and the chairman of labor union of the Company, a director of SEGC, president of the Party School of SEGC and dean of Li Bin Technician College of SEC. Mr. Zhu has extensive experience in the power generation equipment manufacturing industry. He served as the deputy secretary of the 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 the 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 SEGC from 2011 to 2018 and the secretary of the 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.

Yao Minfang

Ms. Yao currently serves as a non-executive Director of the Company, the deputy chief economist of Shenergy (Group) Company Limited., secretary of the Party Committee and chairman of board of directors 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, the director of the Technical Innovation Center of Shenergy (Group) Company Limited and a director of Board of Shenergy Company Limited from September 2006. Ms. Yao graduated from the dynamics department of the University of Shanghai for Science and Technology with a master's degree and is a senior engineer of professorial level.

Li An

Ms. Li currently serves as a non-executive Director of the Company, an consultant of Shanghai Municipal Government, a director of 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 served as the director and vice president of Shanghai Guosheng Group Company Limited from January 2017 to October 2021. She was appointed as an consultant of Shanghai Municipal Government in June 2021. Ms. Li holds a Bachelor's Degree in Engineering and is an engineer.

Directors, Supervisors, Senior Management and Staff

Xi Juntong

Dr. Xi currently serves as an independent non-executive Director of the Company. He 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 is 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. (上海海得控制系統股份有限公司), independent director of Shanghai Friendess Electronics Technology Co., Ltd. And (上海柏楚電子科技股份有限公司) and independent director of Shang Gong Group Co., Ltd. (上工申貝(集團)股份有限公司), 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., an independent director of Shanghai Shimao Co., Ltd. (上海世茂股份有限公司) and an independent director of QST Corporation Ltd. (上海矽睿科技股份有限公司). From February 1982 to November 1997, Dr. 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.

Cai Xiaoqing

Mr. Cai currently serves as supervisory and the chairman of the supervisory committee of the Company. Mr. Cai was formerly the assistant engineer, engineer, senior engineer, deputy director of the general department, director, research fellow, deputy head (in-charge) and head of the Shanghai Academy of Spaceflight Technology, 805 Research Institute. He was the deputy director of the Integrated Planning Office, director of Science and Technology Division and Equipment Industry Division of Shanghai Municipal Economic Committee. He also served as the deputy district mayor of Minhang District of Shanghai and the president and the deputy secretary of Party Committee of INESA (Group) Co., Ltd. Mr. Cai has a master degree in engineering, a degree in Executive Master of Business Administration (EMBA) and the qualification of research fellow.

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 of the project management department, deputy director and director of general office, director of foreign affairs office, deputy general manager of the real estate branch of Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd., a member of 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.

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 the Party Committee, the secretary of the commission for discipline inspection, the chairman of labor union, the chairman of supervisory committee, the secretary of the Party Committee, and an executive director of Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd., the deputy secretary of the Party Committee and the vice president of Shanghai Electric Environmental Protection Group, and a supervisor of the supervisory committee of SEGC. 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 SEGC 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 SEGC and chairman of the supervisory committee of the Company. Mr. Dong has extensive experience in corporate management and internal audit and supervision. Prior to joining SEGC, Mr. Dong was the assistant to the head and the deputy head of Infrastructure Office, the deputy head and head of the Fixed Assets Investment and Audit Office, the head of the Financial Audit Office of Shanghai Municipal Audit Bureau between 1987 and 2008. Mr. Dong has been involved in professional auditing for more than 20 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 and vice chairman of Shanghai Electric Transmission and Distribution Group Co., Ltd. He has extensive experience in corporate management and was formerly the chairman of the board of directors and the secretary of the Party Committee of Shanghai Boiler Works, Ltd., the general manager of Shanghai Diesel Engine Co., Ltd., the general manager and the secretary of the Party Committee 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 the Company, and the secretary of the Party Committee and general manager of Shanghai Zhangjiang (Group) Company Limited. Mr. Chen 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 the Party Committee of Shanghai Electric Environmental Protection Group, the executive director and the secretary of the Party Committee of Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd, chairman of Shanghai Electric Kangda Medical Instrument Group 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 SEGC in Europe, head of the environmental protection department of the Company, 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 the Party Committee of Shanghai Electric Wind Power Group Co., Ltd, the president and the deputy secretary of the Party Committee of Shanghai Electric Power Generation Group, person in charge of power station branch of Shanghai Electric Group Company Limited, chairman of Shanghai Electric Power Generation Equipment Co., Ltd. He served as 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 the Party Committee and deputy general manager of Shanghai Faiverley Transport Co., Ltd., the secretary of the Party Committee and deputy general manager of Lingang Factory of Shanghai Electric Power Generation, the vice president of Shanghai Electric Power Generation Group, the 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 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 a vice president of the Company, head of science and technology management department of the Company, and the chairlady of the board of directors of Shanghai Automation Instrumentation Co., Ltd (上海自動化儀錶有限公司), the dean of the central research institute of the Company. Ms. Yang used to serve as the chief engineer, the head of technology department, the director of the Design Institute, the secretary of the Party Branch, the general manager and deputy secretary of the 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 graduated from Xi'an Jiaotong University. Ms. Yang holds a master degree in engineering and is a senior engineer at a professor level.

Zhou Zhiyan

Mr. Zhou currently serves as the chief financial officer, secretary to the Board and joint company secretary of the Company, the chairman and deputy secretary of the Party Committee of Shanghai Prime Machinery Company Limited ("SPM"). Mr. Zhou served as chief financial officer of the mechanical basic parts business department, executive deputy head of the overseas business department, deputy head of the assets and finance department, head of the finance department, head of the financial budget department, deputy chief accountant and deputy chief economist of SEGC, general manager and deputy secretary of the Party Committee of Shanghai Electric Industrial Corporation, head of the investment management department, investment director and chief financial officer of Shanghai Electric Assets Management Company Limited, vice chairman and general manager of SPM. Mr. Zhou graduated from the School of Accounting of Shanghai Industry and Commerce Institute majoring in finance and accounting and obtained an MBA degree from Shanghai Jiao Tong University. He is a senior accountant.

Zhang Mingjie

Mr. Zhang is currently the chief operating officer and head of economic operation department 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), the chairman of the board of directors of Shanghai Electric Group Steel Pipe Co., Ltd. (上海電氣集團鋼管有限公司), the chairman of the board of directors and the secretary of the 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 the Party Committee of Shanghai Huatong Switch Factory (上海華通開關廠), the secretary of the 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), head of wind power department of SEGC, the vice chairman of the board of directors of Shanghai Highly (Group) Co., Ltd., the dean and deputy secretary of the Party Committee of central research institute of the Company, a director of SPM, the chief investment officer and head of industry development department of the Company. Mr. Zhang 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 professor level.

Tong Liping

Ms. Tong currently serves as the chief legal officer 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 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 head and head 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.

Fu Min

Ms. Fu is currently the chief auditor and the head of the audit and risk control department of the Company. Ms. Fu Min served as the staff member, deputy principal staff member and principal staff member of the foreign investment application audit division, the assistant to the director, the deputy director and the director of the financial audit division, the director of the regional audit division, the director of the economic responsibility audit division of Shanghai Municipal Audit Bureau and a first-class researcher. Ms. Fu holds a master's degree in business administration from Shanghai University of Finance and Economics and is a senior auditor.

Directors, Supervisors, Senior Management and Staff

Employments with Shareholder Entities of the Company

Name	Name of shareholder entities	Position in shareholder entities	Term of office commencing on	Term of office ending on
Leng Weiqing	SEGC	Secretary of the Party Committee, Chairlady of the board of directors	2021-8	to present
Liu Ping	SEGC	Vice Chairman of the board of directors	2022-1	to present
Zhu Zhaokai	SEGC	Director	2022-1	to present
Dong Jianhua	SEGC	Director	2018-8	to present
Dong Jianhua	Shanghai Highly (Group) Co., Ltd.	Chairman of the board of directors	2017-12	2023-8
Gu Zhiqiang	Shanghai Electric Kangda Medical Instrument Group Co., Ltd	Chairman of the board of directors	2019-11	to present
Yang Hong	Shanghai Automation Instrumentation Co., Ltd.	Chairlady of the board of directors	2020-10	to present
Zhang Mingjie	Shanghai Electric Group Steel Pipe Co., Ltd	Chairman of the board of directors	2021-2	to present
Zhang Mingjie	Tianjin Steel Pipe Manufacturing Co., Ltd.	Secretary of the Party Committee	2020-10	to present
Zhang Mingjie	Tianjin Steel Pipe Manufacturing Co., Ltd.	Chairman of the board of directors	2020-12	to present
Yao Minfang	Shenergy (Group) Company Limited	Deputy chief economist	2020-3	to present
Li An	Shanghai Guosheng Group Company Limited	Vice President	2014-8	2021-10
Li An	Shanghai Guosheng Group Company Limited	Director	2017-1	2021-10



Employments with Other Companies or Organizations

Name	Name of company/organization	Position held	Term of office commencing on	Term of office ending on
Gan Pin	Shanghai Microelectronics Equipment (Group) Co., Ltd	Secretary of the Party Committee	2019-9	to present
Gan Pin	Shanghai Microelectronics Equipment (Group) Co., Ltd	Chairman of the board of directors	2021-3	to present
Yao Minfang	Shanghai LNG Company Ltd.	Chairlady of the board of directors and Secretary of the Party Committee	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	2022-1
Li An	Shanghai Pharmaceuticals Holding Co., Ltd.	Director	2016-6	to present
Li An	Shanghai Lingang Economic Development (Group) Co., Ltd.	Director	2017-3	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(上海智能制造研究院)	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	2024-6
Xi Juntong	Shanghai Friendless Electronics Technology Co., Ltd.	Independent director	2018-7	2024-6
Xi Juntong	Shang Gong Group Co., Ltd.	Independent director	2020-6	2023-6
Xi Juntong	Shanghai Smart Manufacturing R&D and Transformation Functional Platform	General manager	2020-5	to present
Xu Jianxin	Shanghai Purest Investment Management Co., Ltd.	Senior vice president	2015-1	to present
Xu Jianxin	Shanghai Shimao Co., Ltd.	Independent director	2021-6	2024-6
Xu Jianxin	QST Corporation Ltd.	Independent director	2021-6	to present
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.	Independent director	2020-9	2022-5
Liu Yunhong	Everbright Securities Co., Ltd.	Independent director	2020-12	2023-12
Liu Yunhong	Bank of Guiyang Co., Ltd.	Independent director	2018-2	to present

Directors, Supervisors, Senior Management and Staff



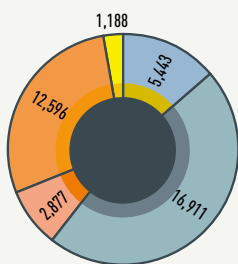
Remunerations of Directors, Supervisors and Senior Management

<p>Procedures for determining the remunerations of Directors, Supervisors and senior management</p>	<p>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.</p>
<p>Basis for determining the remunerations of Directors, Supervisors and senior management</p>	<p>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.</p>
<p>Remunerations paid to Directors, Supervisors and senior management</p>	<p>Remunerations were paid to the Directors, Supervisors and senior management of the Company based on their respective entitlement.</p>
<p>Total actual remunerations received by all Directors, Supervisors and senior management up to the end of reporting period</p>	<p>RMB13,586.2 thousand</p>

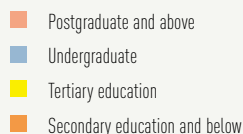
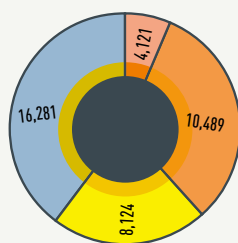
Changes in Directors, Supervisors and senior management of the Company

Name	Position	Change	Reason for the change
Leng Weiqing	Executive Director and Chairlady of the Board	Elected	Work requirements
Leng Weiqing	Chief Executive Officer	Appointed	Work requirements
Gan Pin	Non-executive Director and Vice Chairman of the Board	Elected	Work requirements
Liu Ping	Executive Director	Elected	Work requirements
Liu Ping	President	Appointed	Work requirements
Cai Xiaoqing	Supervisor and Chairman of the Supervisory Committee	Elected	Work requirements
Zhou Zhiyan	Chief Financial Officer and Secretary to the Board	Appointed	Work requirements
Fu Min	Chief Auditor	Appointed	Work requirements
Zheng Jianhua	Former Executive Director, Chairman of the Board, Chief Executive Officer	Resigned	Removed him from the position of the Executive Director at general meeting and chairman ,chief executive officer at board meeting
Huang Ou	Former Executive Director and President	Resigned	Passed away
Zhu Bin	Former Executive Director	Resigned	Age concern
Zhou Guoxiong	Former Supervisor and Chairman of the Supervisory Committee	Resigned	Age concern
Hua Xingsheng	Former Supervisor and Vice Chairman of the Supervisory Committee	Resigned	Age concern
Zhang Yan	Former Supervisor (employee representative)	Resigned	Work adjustment
Hu Kang	Former Chief Financial Officer	Resigned	Adjustment of duties
Fu Rong	Former Secretary to the Board	Resigned	Adjustment of duties

Statistical Chart of Functional classification



Statistical Chart of Education Level



Employees of the Company and Its Major Subsidiaries

Staff

Number of current employees of the Company	256
Number of current employees of the major subsidiaries	38,759
Total number of current employees	39,015
Number of retired employees for whom the Company and its major subsidiaries are responsible for the retirement benefits	492

Functional classification

Categories by function	Number of persons
Production personnel	16,911
Sales personnel	2,877
Technical personnel	12,596
Financial personnel	1,188
Administrative personnel	5,443
Total	39,015

Education Level

Categories by education level	Number of persons
Postgraduate and above	4,121
Undergraduate	16,281
Tertiary education	8,124
Secondary education and below	10,489
Total	39,015

Directors, Supervisors, Senior Management and Staff

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. At the same time, while taking into account the internal fairness of the employee's salary income, the Company adheres to the performance orientation by taking the performance target as the foundation, strengthening the rigid assessment, and deducting all the performance salary of the year for those who fail to pass the annual assessment, so as to reasonably widen the salary gap; In the event of receiving party and government disciplinary punishment for violation of discipline and law, a salary recourse and deduction system has been established. Besides, the Company constantly insists on the general requirement of "Dual Inclination, Dual Care" and implements 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.

Labor Outsourcing

Total remuneration paid for labor outsourcing	RMB115 million
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Services Contracts with 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' Interests 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.

Management Contracts

During the Reporting Period, the Company did not have any subsisting contract (except the service contracts entered into with any Directors, Supervisors or full-time employees of the Company) under which any individual or entity undertakes the management and administration of the whole or any substantial part of the business of the Company.

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.

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 Incentive Scheme"). The purpose of the Incentive Scheme was 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 would make joint efforts for the Company's long-term development. On 6 May 2019, the resolution in respect of the proposed adoption of the 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 Incentive Scheme of the Company with China Securities Depository and Clearing Co., Ltd. Shanghai Branch on 21 June 2019.

Directors, Supervisors, Senior Management and Staff

In accordance with the provisions of the Incentive Scheme, if there is any capitalization issue, bonus issue, dividends distribution, share subdivision, rights issue, additional issue or share consolidation and other matters of the Company affecting the total share capital or the share price of the Company after completion of the registration of the restricted shares granted to the participants, the Company shall make adjustments to the repurchase price of the restricted shares yet to be unlocked accordingly. On 29 April 2020, the Board considered and approved relevant resolution. As the Company implemented the 2018 profit distribution in August 2019, the repurchase price of the Incentive Scheme was adjusted from RMB3.03 per share to RMB2.96854 per share. On 17 December 2021, the Board considered and approved the relevant resolution. As the Company implemented the 2020 profit distribution of the Company in August 2021, the repurchase price of the Incentive Scheme was adjusted from RMB2.96854 per share to RMB2.89676 per share.

On 29 April 2020, the Board considered and approved relevant resolution, pursuant to which, in accordance with the requirements under the restricted share Incentive Scheme, the Company intended to repurchase and cancel the 7,416,000 restricted shares which had 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 had changed and therefore they were 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, 2020 first A share class meeting and 2020 first H share class meeting. Such restricted shares were deregistered with Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 18 September 2020.

On 17 December 2021, the Board considered and approved the relevant resolution. The financial condition of the Company had been significantly and adversely affected due to the material risk events occurred in SECT, and the Company was still under investigation by the relevant regulatory authorities. In the view of the above special reasons, the Company intended to terminate the Incentive Scheme in accordance with the relevant provisions of the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) and other relevant laws and regulations. Pursuant to the relevant requirements of Article 51 of the Administrative Measures on Share Incentives of Listed Companies issued by China Securities Regulatory Commission and the Incentive Scheme, any termination of an incentive scheme by the Company should be subject to consideration and approval at the general meeting, the A share class meeting and the H share class meeting of the Company and the restricted shares that had not yet been unlocked should be repurchased and cancelled. The Company intended to repurchase and cancel all of the 126,162,000 restricted shares which was granted to 2,099 participants but not yet unlocked at a repurchase price of RMB2.89676 per share. The above matters were considered and approved at the 2022 first extraordinary general meeting, the 2022 first A share class meeting and the 2022 first H share class meeting of the Company held on 17 January 2022. On 17 March, 2022, the Company has completed the procedures for the repurchase and cancellation of share at Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the above-mentioned restricted shares.

Corporate Governance Report

The Board 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 2021. The Company was not aware of any non-compliance with the Model Code by any of its employees.

Board of Directors

By the end of the Reporting Period, the Board comprised nine Directors, including three executive Directors, namely

Ms. Leng Weiqing (appointed on 23 August 2021), Mr. Liu Ping (appointed on 8 November 2021) and Mr. Zhu Zhaokai; three non-executive Directors, namely Mr. Gan Pin (appointed on 17 May 2021), Ms. Yao Minfang and Ms. Li An; and three independent non-executive Directors, namely, Dr. Xi Juntong, Dr. Xu Jianxin and Dr. Liu Yunhong. During the Reporting Period, the number of independent non-executive Directors represented no less than 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 2021.

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



Corporate Governance Report

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.

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
Leng Weiqing	No	6	6	4	0	0	No	0
Gan Pin	No	10	10	6	0	0	No	1
Liu Ping	No	1	1	1	0	0	No	0
Zhu Zhaokai	No	16	16	11	0	0	No	2
Yao Minfang	No	16	16	12	1	0	No	1
Li An	No	16	16	10	1	0	No	0
Xi Juntong	Yes	16	16	11	1	0	No	4
Xu Jianxin	Yes	16	16	11	0	0	No	4
Liu Yunhong	Yes	16	16	11	0	0	No	3
Zhu Bin	No	4	4	3	0	0	No	0
Zheng Jianhua	No	10	8	6	0	2	Yes	1
Huang Ou	No	9	9	7	0	0	No	1

Note: Ms. Leng Weiqing attended the second extraordinary general meeting of the company in 2021 as a candidate for executive director of the company.

As a candidate for president and executive director of the company, Mr. Liu Ping attended the third extraordinary general meeting of the company in 2021.

Mr. Zheng Jianhua did not attend the 54th and 55th meeting of the fifth session of the Board of the Company convened on 29 July 2021, 17 August 2021, respectively. On 29 July 2021, the 54th meeting of the fifth session of the Board agreed the following matters. Mr. Zheng Jianhua was suspected of serious violation of the law and disciplines and was currently under disciplinary examination and supervision investigation by the Shanghai Municipal Commission for Discipline Inspection of the Communist Party of China and the Shanghai Municipal Supervision Commission, hence he would not be able to perform the duties as a director. In order to safeguard the operation of the Board of the Company, the Board resolved to propose to remove Mr. Zheng Jianhua as an executive director of the fifth session of the Board according to the articles of association of the Company, subject to the approval by the shareholders of the Company. The Board of the Company agreed to remove Mr. Zheng Jianhua as the chairman of the Board, the chairman and member of the strategy committee and the Chief Executive Officer of the Company. On 23 August 2021, the extraordinary general meeting considered and approved to the proposal of removing Mr. Zheng Jianhua as a director of the fifth session of the Board.

Number of Board meetings convened during the year	16
Of which: Number of on-site meetings	3
Number of meetings convened via other communication means	11
Number of on-site meetings assisted by other communication means	2

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 C.2.1 of the Code concerning the separation of the roles of the chairman and chief executive officer. Pursuant to code provision C.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, except for the short-term vacancy caused by the resignation of the former chairman of the Board, chief executive officer, executive director and president, the chairman of the Board and chief executive officer of the Company were assumed by one person, who was mainly responsible for the strategic decisions of the Company. The executive director and president of the Company were assumed by another person, who was fully responsible for the daily operation and execution of the Company. The Company considers that the roles and responsibilities of the Board and the management are clear and there is no concentration of management power.

The amendments to the CG Code (the "New CG Code") came into effect on 1 January 2022 and the requirements under the New CG code will apply to the Company's corporate governance report in the forthcoming financial year ending 31 December 2022. The Company will continue to review its corporate governance practices with reference to the latest development of corporate governance. The Directors will use their best endeavors to procure the Company to comply with the New CG Code starting from 1 January 2022.

Strategy Committee

The strategy committee of the Board of the Company (the

"Strategy Committee") currently comprises Ms. Leng Weiqing (appointed on 27 August 2021), Mr. Liu Ping (appointed on 17 December 2021), Dr. Xi Juntong and Dr. Xu Jianxin, and is chaired by Ms. Leng Weiqing. During the Reporting Period, Mr. Zheng Jianhua, the former Chairman and a former member of the Strategy Committee, and Mr. Huang Ou, a former member of the Strategy Committee, no longer carried out the related duties from 29 July 2021 and 5 August 2021, respectively.

No meeting was held by the Strategy Committee during the Reporting Period.

Audit Committee

The audit committee of the Board 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 Hong Kong Listing Rules. 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, independent non-executive Directors, and Ms. Yao Minfang, a non-executive Director, and is chaired by Dr. Xu Jianxin, an independent non-executive Director.

Nine 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, discussed of the assessment, response, prevention and control and impact of significant risks of the Company and listened to the report on the 2021 internal audit plan of the Company given by the internal audit department and 2021 risk management plan of the Company given by the risk management department of the Company.

Corporate Governance Report

The attendance record of committee members at the meetings of the Audit Committee during the Reporting Period

Name of Audit Committee Member	Actual attendance/ attendance required
Xu Jianxin (Chairman of the Committee)	9/9
Xi Juntong	9/9
Liu Yunhong	9/9
Yao Minfang	8/9

Nomination Committee

The nomination committee of the Board of the Company (the "Nomination Committee") is mainly responsible for 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 Nomination Committee currently comprises Dr. Xi Juntong, Mr. Zhu Zhaokai and Dr. Xu Jianxin, and is chaired by Dr. Xi Juntong.

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. Three meetings were held by the Nomination Committee during the Reporting Period, at which candidate for executive Directors and 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

Name of Nomination Committee Member	Actual attendance/ attendance required
Xi Juntong (Chairman of the Committee)	3/3
Zhu Zhaokai	3/3
Xu Jianxin	3/3

Remuneration Committee

The remuneration committee of the Board 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. The Remuneration Committee currently comprises Dr. Xi Juntong, Dr. Xu Jianxin and Dr. Liu Yunhong (appointed on 29 January 2021), and is chaired by Dr. Xi Juntong.

Two meetings were held by the Remuneration Committee during the Reporting Period, at which the issues considered were the remuneration proposal for the Directors, Supervisors and the senior management of the Company during the Reporting Period, adjustment to the repurchase price under the Restricted A Share Incentive Scheme of the Company and termination of implementation of Restricted A Share Incentive Scheme of the Company and repurchase and cancellation of restricted A Shares granted but not yet locked. According to clause 11(b) of the Terms of Reference for the Remuneration Committee, 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

Name of Remuneration Committee Member	Actual attendance/ attendance required
Xi Juntong (Chairman of the Committee)	2/2
Xu Jianxin	2/2
Liu Yunhong	2/2



Corporate Governance Report

Directors' and Auditors' Responsibilities for Accounts

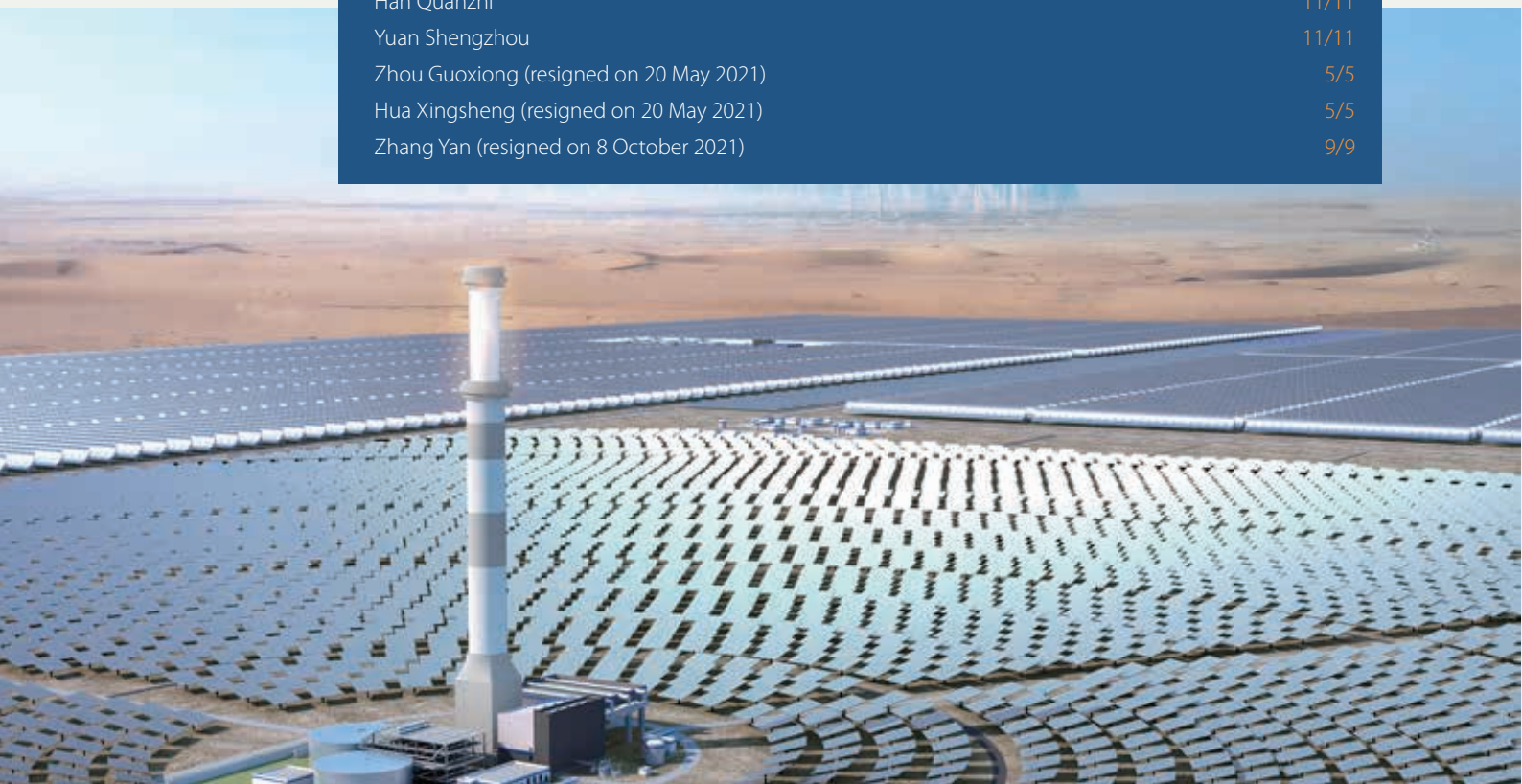
The Directors of the Company acknowledge their responsibilities for the preparation of financial reports for each financial year, which shall give a true and fair view of the financial position, the results and cash flows of the Group for that financial year. In preparing the financial report for the year ended 31 December 2021, 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

Name of Supervisor	Actual attendance/ attendance required
Cai Xiaoqing (Chairman of the Supervisory Committee appointed on 28 June 2021)	6/6
Han Quanzhi	11/11
Yuan Shengzhou	11/11
Zhou Guoxiong (resigned on 20 May 2021)	5/5
Hua Xingsheng (resigned on 20 May 2021)	5/5
Zhang Yan (resigned on 8 October 2021)	9/9



Senior Management

As at the date of this report, the Company has eleven senior management members in total, namely Ms. Leng Weiqing, Mr. Liu Ping, Mr. Dong Jianhua, Mr. Chen Ganjin, Mr. Gu Zhiqiang, Mr. Jin Xiaolong, Ms. Yang Hong, Mr. Zhou Zhiyan, Mr. Zhang Mingjie, Ms. Tong Liping and Ms. Fu Min. 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 continually implement for risk management and internal controls. The Company is of the view that such systems are basically 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. The 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 subsidiaries 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 established basically-improved relevant internal control measures and systems and procedures, 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

Corporate Governance Report

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, response and reporting mechanism of the Company. In 2021, the Company continued to promote the optimization of internal control system and process, updated and issued the negative list of management and control and the list of authorized approval items, revised and improved a number of core business system processes, and urged the subsidiaries to strictly implement the Company's Internal Control Manual and system requirements. 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, in response to the SECT incidents, the Company immediately set up a special team to formulate risk mitigation plans and properly handle major risks in a prudent and orderly manner. The Company organized subsidiaries of the Company to investigate hidden problems to prevent the spread of major risks and to reduce losses and negative impacts with reference to issues identified so as to avoid similar occurrences. By reviewing the internal control system and process, the Company focused on making up for risks in key business areas such as capital, investment and engineering. Meanwhile, the Company carried out special risk assessments for key areas of concern such as corporate management and control, capital security, accounts receivable, overseas projects and various investments, and took effective risk prevention and response measures in a timely manner according to business development needs, and further reviewed and improved relevant internal control systems 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 subsidiaries 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 2021, 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

Mr. Li Chung Kwong Andrew resigned as the company secretary of the Company for the reason of age on 17 December 2021. 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.

Mr. Zhou Zhiyan has been appointed as the joint company secretary of the Company with effect from 17 December 2021, and the term of office for him as the joint company secretary shall be three years. Ms. Leung Kwan Wai has been appointed as another joint company secretary of the Company, to assist Mr. Zhou in discharging his duties as joint company secretary, for a term of three years commencing from 17 December 2021. Ms. Leung Kwan Wai participated in the relevant training during the Reporting Period and the time for training was no less than 15 hours in total. Mr. Zhou Zhiyan reviewed the relevant training materials and participated in the qualification training for secretary to the board of Shanghai Stock Exchange.

Ms. Leung Kwan Wai possesses the requisite qualifications of a company secretary as required under Rule 3.28 of the Listing Rules. Mr. Zhou Zhiyan currently does not possess the requisite qualifications set out in Rule 3.28 of the Listing Rules. In relation to the appointment of Mr. Zhou Zhiyan as a joint company secretary of the Company, the Company applied to the Stock Exchange for, and the Stock Exchange granted, a waiver (the "Waiver") from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period of three years from the date of Mr. Zhou Zhiyan's appointment as a joint company secretary of the Company (the "Waiver Period") on the conditions that (i) Mr. Zhou Zhiyan must be assisted by Ms. Leung Kwan Wai as a joint company secretary during the Waiver Period in discharging his functions as joint company secretary of the Company; and (ii) the Waiver could be revoked if there are material breaches of the Listing Rules by the Company. The Company published an announcement stating the reasons, details and conditions of the Waiver, and the qualification and experience of both Mr. Zhou Zhiyan and Ms. Leung Kwan Wai. Before the end of the Waiver Period, the Company must demonstrate and seek confirmation from the Stock Exchange that, Mr. Zhou Zhiyan, having had the benefit of Ms. Leung Kwan Wai's assistance during the Waiver Period, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule

3.28 of the Listing Rules such that a further waiver will not be necessary.

Disclosure of Information and Investor Relations

The Company recognizes the importance of good communications with its investors. The Office of the Board, the department which has duties covering investor relations, 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 once its Articles of Association, and such amendments were approved by way of a special resolution at the 2021 first extraordinary general meeting of the Company. For details of the amendments, please refer to the circular of the general meeting dated 31 March 2021, and the announcement on the voting results of the general meeting dated 17 May 2021.



Summary of General Meetings



Session of meeting	Date of meeting	Designed websites for publication of resolution(s)	Disclosure date of resolution(s)
2021 first extraordinary general meeting	17 May 2021	www.hkexnews.hk www.sse.com.cn	17 May 2021 18 May 2021
2020 annual general meeting	28 June 2021	www.hkexnews.hk www.sse.com.cn	28 June 2021 29 June 2021
2021 second extraordinary general meeting	23 August 2021	www.hkexnews.hk www.sse.com.cn	23 August 2021 24 August 2021
2021 third extraordinary general meeting	8 November 2021	www.hkexnews.hk www.sse.com.cn	8 November 2021 9 November 2021



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 2021 on pages 90 to 100.

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.

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

The industrial equipment segment: design, manufacture and sales of elevators, large and medium-sized electric motors, intelligent manufacturing equipment, industrial basic parts and construction industrialization equipment;

The integrated services segment: providing 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.; providing industrial internet services; providing financial services, covering financing leases and insurance brokerage; providing property management service, etc.

Business Review

During the Reporting Period, the Company achieved the revenue of RMB131,388 million, representing a year-on-year decrease of 4.3%. The net losses attributable to owners of the Company for 2021 was RMB9,988 million, and profit attributable to owners of the Company for the corresponding period of last year was RMB3,758 million.

The earnings per share were loss of RMB64 cents for 2021, and the earnings per share for the corresponding period of last year were RMB25 cents. The average return on net assets was a loss of 15.69% and last year was a gain of 5.79%. No dividend distribution was made for 2021.

During the Reporting Period, the energy equipment segment achieved revenue of RMB59,224 million, representing a year-on-year increase of 5.83%, which was mainly attributable to a faster growth of wind power equipment business; during the Reporting Period, the gross profit ratio of the energy equipment segment reached 17.88%, representing a year-on-year increase of 0.89 percentage point.

The industrial equipment segment achieved revenue of RMB42,241 million, representing a slightly increase compared with the same period last year. During the Reporting Period, gross profit ratio of the industrial equipment segment was 16.36%, representing a year-on-year decrease of 0.68 percentage point.

The integrated services segment achieved revenue of RMB39,452 million, representing a decrease of 24.47% as compared with the same period last year, which was mainly due to the decrease of revenue from engineering service. The gross profit ratio of the integrated services segment was 6.24%, representing a decrease of 5.72 percentage points as compared with the same period last year, which was mainly caused by the increase of overseas project operation cost and the fluctuation of raw material price.

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 2021	For the year ended 31 December 2020	Percentage of change (%)
Operating revenue	1,306.81	1,365.40	(4.29)
Operating cost	1,114.83	1,141.99	(2.38)
Selling and distribution expenses	46.30	40.76	13.59
General and administrative expenses	79.30	81.02	(2.12)
Research and development expenditures	54.06	48.54	11.37
Financial expenses	11.27	18.70	(39.73)
Net cash flows generated from operating activities	(105.54)	46.96	N/A
Net cash flows generated from investing activities	58.59	(36.05)	N/A
Net cash flows generated from financing activities	21.65	24.68	(12.28)

Analysis of changes

Financial expenses: mainly due to the repayment for the matured convertible bonds and the scale-down of receivables financing business during the period.

Net cash flows generated from operating activities: mainly due to the decrease in cash received from sales of goods and rendering of labor services, and the increase in cash outflows from operating activities such as procurement of goods for production as compared with the corresponding period of last year.

Net cash flows generated from investing activities: mainly due to the increase in cash inflows generated from the recovery of time deposits with maturity over three months as compared with the corresponding period of last year.

Analysis of revenue and cost

For the Reporting Period, the Company recorded revenue of RMB131,388 million, representing a year-on-year decrease of 4.3%. Loss attributable to owners of the Company for 2021 was RMB9,988 million, profit attributable to owners of the Company for the corresponding period of last year was RMB3,758 million.

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

Unit: 100 million; Currency: RMB

Principal businesses by segment						
By segment	Revenue	Operating costs	Gross profit margin (%)	YoY change in revenue (%)	YoY change in operating costs (%)	YoY change in gross profit margin (%)
Energy equipment	592.24	486.34	17.88	5.83	4.70	An increase of 0.89 percentage point
Industrial equipment	422.41	353.29	16.36	0.15	0.97	A decrease of 0.68 percentage point
Integrated services	394.52	369.92	6.24	(24.47)	(19.55)	A decrease of 5.72 percentage points
Principal businesses by geographic location						
Geographic location	Revenue	Operating costs	Gross profit margin (%)	YoY change in revenue (%)	YoY change in operating costs (%)	YoY change in gross profit margin (%)
Mainland China	1,075.87	866.79	19.43	(6.97)	(8.09)	A decrease of 0.98 percentage point
Other countries/ jurisdiction	238.01	249.08	(4.65)	9.98	26.31	A decrease of 13.53 percentage points

Major customers

The sales revenue from the five largest customers of the Company was RMB20,378 million in aggregate for the Reporting Period, accounting for 15.51% of the total sales revenue. Among the top five customers, the sales of related parties were RMB 2,805 million, accounting for 2.14% of the total annual sales.

Major suppliers

The purchases from the five largest suppliers of the Company amounted to RMB7,277 million in aggregate for the Reporting Period, accounting for 6.26% of the total purchases. Among the top five suppliers, the purchases of related parties were RMB 2,231 million, accounting for 1.92% of the total annual purchases.

Analysis of costs

Unit: 100 million; Currency: RMB

BY SEGMENT						
By segment	Cost component	For the year ended 31 December 2021	Proportion in the total costs (%)	For the year ended 31 December 2020	Proportion in the total costs (%)	Percentage of change (%)
Energy Equipment	Raw materials	423.70	87.12	408.24	87.89	3.79
	Labour costs	32.39	6.66	30.44	6.55	6.41
	Other fees	30.25	6.22	25.84	5.56	17.07
	Total	486.34	100.00	464.52	100.00	4.70
Industrial Equipment	Raw materials	290.05	82.10	287.27	82.11	0.97
	Labour costs	29.32	8.30	28.77	8.22	1.91
	Other fees	33.92	9.60	33.84	9.67	0.24
	Total	353.29	100.00	349.88	100.00	0.97
Integration Services	Equipment	238.34	64.43	319.40	69.46	(25.38)
	Construction and installation	73.91	19.98	68.38	14.87	8.09
	Other fees	57.67	15.59	72.05	15.67	(19.96)
	Total	369.92	100.00	459.83	100.00	(19.55)

Report of the Directors

R&D expenditure	
	Unit: 100 million; Currency: RMB
R&D expenditure expensed in the Reporting Period	54.06
R&D expenditure capitalized in the Reporting Period	0.41
Total R&D expenditure	54.47
Percentage of total R&D expenditure to operating revenue (%)	4.17
Percentage of R&D expenditure capitalized to total R&D expenditure (%)	0.75
R&D Staff Education Level	
	Number of persons
Categories by education level	
Doctor	88
Postgraduate	1,225
Undergraduate	2,061
Tertiary education	142
Secondary education and below	7
R&D Staff Age Level	
	Number of persons
Categories by age	
Below 30 years old (not including 30 years old)	1,050
30 years old-40 years old (including 30 years old, not including 40 years old)	1,771
40 years old-50 years old (including 40 years old, not including 50 years old)	532
50 years old-60 years old (including 50 years old, not including 60 years old)	165
Above 60 years old	5

Explanatory note

During the Reporting Period, the technical strength of core industries of Shanghai Electric continued to improve, for which its independent technological research and development projects won several provincial and ministerial awards. In 2021, the Company and its subsidiaries won a total of 9 national and Shanghai science and technology awards. Among them, the "automation system and application of wide-area collaborative high-end large-scale programmable design" won the second prize of National Science and Technology Progress Award, the "key technologies and applications of high-efficiency converters with multi-megawatt battery energy storage and wind-solar storage integration" and "development and application of vehicle aero-acoustic wind tunnels" won the first prize of Shanghai Technological Invention Award and the first prize of Science and Technology Progress Award, respectively; In addition, we also won one second prize for Shanghai Technological Invention Award, 3 second prize for Science and Technology Progress Award, and 2 third prize for Science and Technology Progress Award. During the Reporting Period, the Company carried out 36 key research projects organized by the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Municipal Development and Reform Commission, the Municipal Energy Bureau, and the Municipal Economic and Information Technology Commission, with special scientific research funds of approximately RMB205 million being applied. The Company has also organized the completion of the acceptance of the enterprise technology innovation capacity improvement projects of Municipal State-owned Assets Supervision and Administration Commission undertaken by Shanghai Electric Power Generation Group, Shanghai Electric Transmission and Distribution Group, and SMEC. The research and development of the Company's main business segments are as follows.

Energy Equipment

In the field of coal-fired power technology, the first ultra-supercritical secondary reheat unit with BEST dual-unit recuperation system with million kilowatts in China developed by the Company achieved full-load operation for 168 hours with a comprehensive coal consumption of 249.7g/kwh in power generation (the lowest nationwide). The two towers of the first 660MW ultra-supercritical coal-fired air-cooling generating unit with the system and technology of natural draft condenser (NDC) in the world successfully topped off. Compared with indirect air-cooling units of the same type, its annual average consumption of standard coal in power generation is 3.37g/kwh lower, which would save approximately 24,500 tons of standard coal and reduce carbon emissions by 54,100 tons each year.

In the field of nuclear power technology, in 2021 the Company achieved the delivery of the first RUV wet winding engine main pump in the world and the successful shipment of 12 sets of nuclear main equipment, including the steam generator and reactor vessel internals of "Guohe One". The technology of the CAP1400 wet winding motor main pump has been included in the list of key national technologies and equipment in the energy field in 2021.

In the field of gas turbine technology, the Company has completed the independent development of the burner with low DeNOx emissions for F-class gas turbines through the adoption of 3D printing technology and successfully applied in projects for the first time, meeting indicators on ultra-low emissions with the NOx emission below 15ppm under the 50%-100% load.

In the field of wind power technology, the Company released the first wind turbine product EW11.0-208 on the new offshore Petrel platform; officially released the EW8.0-208 unit on the "POSEIDON" platform; and completed the development of the 5-6MW series of units on the onshore multibrid Zhuoke platform and successfully put the 100-meter level offshore wind power blade S102 independently developed into operation. The Company released 7 digital products, including the intelligent control system, the new-generation intelligent terminal and remote auscultation system, the SCADA monitoring system on wind farms, the new-generation farm control system, the failure prediction and health management system, the intelligent diagnosis software platform and the digital design platform for wind power farms.

In the field of energy storage technology, Shanghai Electric Guoxuan Nantong R&D Center (上海電氣國軒南通研發中心) was unveiled. With an area of over 8,000 square meters, the R&D center will build R&D capabilities on the whole product chain of the energy storage system from materials and cells to structures and battery management systems. The Company has completed the development of the intelligent system-level BMS technology with high performance for the application in electrochemical energy storage and won the 1MW-level Jade Award at the 15th International Photovoltaic Power Generation and Smart Energy Exhibition and Conference. The self-developed DC1500V energy storage converter has successfully passed the third-party test on GB certification. The Company participated in the development of the test platform for the first domestic dual-tank molten salt and heat storage system for thermal power peak regulation and molten salt materials with low melting points, which has passed the acceptance of the project with all indicators met the designed requirements.

In the field of power transmission and distribution technology, the Company developed 10kV high-voltage static VAR compensators (SVCs) and energy feedback devices on rail transit regenerative braking and sample equipment have passed tests and certifications and obtained the CNAS certification. We have successfully developed energy-saving, environment-friendly and vegetable oil transformers and made breakthroughs in the combination of production and research with onshore and offshore pitch control. With the completion of the research and development on a full range of onshore wind turbines of 5MW and below, and the full application of 5-11MW units in offshore products, we have obtained achievements in the pitch application of offshore 6.25MW wind turbines.

Industrial Equipment

In the field of elevator technology, the Company has continuously deepened research on intelligent products, intelligent manufacturing and intelligent services on elevators. The two elevator cars designed by SMEC, "R-Box elevator car with three-dimensional experience" and the "Shuttle Conveyor elevator car with shuttling experience", won the 2021 iF Design Award in Germany. SMEC completed the research and manufacturing of the first 10m/s high-speed elevator with home-made components of all specifications in China and its level of comfort reached the highest level of the TUV.

In the field of electric machine technology, the Company successfully developed the first 500kW high-temperature superconductive

Report of the Directors

synchronous generator with home-made second-generation superconducting wires in China.

In the field of bearings, the Company achieved breakthroughs in ultra-high temperature and high-vacuum solid lubrication, precision manufacturing and other key technologies. The Company has provided coupling bearings for domestic professional manufacturers of X-ray tube producers and gradually entered overseas markets with accuracy reaching the level of overseas first-line products.

In the field of technology on solutions for new energy power battery module assembly and measurement, the Company proposed one-stop solutions for Industry 4.0 smart factories and completed the high-efficient battery module assembly line with the automation rate of the equipment over 95%. The equipment can be rapidly upgraded and achieve modularized upgrading; the program can achieve one-click switching; and institutions can be changed quickly. It is compatible with battery cells of different versions and can achieve collinear production of single-row modules and double-sided modules.

In the field of environmental protection technology, the Company completed the research and manufacturing of the high-parameter boiler with waste heat from waste incineration and successfully put it into operation.

Integrated Services

In the field of industrial internet, the Company released the "SEunicloud" industrial internet platform 3.0 and has developed more than 20 solutions on the industry based on the platform. The smart management of new energy and the intelligent operation and optimization of boilers at power stations were among excellent solutions selected by the MIIT.

In the field of smart transportation, the fully self-driving system under the TSTCBTC FAO, the urban rail transit signal system supporting fully self-driving and developed based on the conditions and demands in China, has obtained third-party security certification. The system has been deployed on Shanghai Rail Transit Line 14 and was put into operation in the end of December 2021. In the field of technology on solutions to the intelligent electromechanical integrated system for rail transit, the Company released the intelligent digital rail transit (iDRT) system and implemented the "Lingang Middle-volume T1 Project", the first digital rail transit project in China, in Shanghai Lingang New Area, creating a new, cost-effective and middle-volume public transportation system.

In the field of technology on the comprehensive transformation of coal-fired power, the Company has completed the demonstration application of Datang Luohe supercritical units with ultra-supercritical temperature parameter after transformation, achieving another new attempt in technological innovation in the transformation of units for temperature and efficiency improvement. The Company has successfully undertaken the comprehensive transformation project on the 2×1,000MW capacity expansion and efficiency improvement of CHN Energy Zhejiang Ninghai Power Generation Co., Ltd., which is the comprehensive transformation project on the capacity expansion of the first 1MW unit in China with gas-electric dual-driving, the in-depth utilization of waste heat from smoke and gas and the integration of other technologies and systems. The output capacity of the unit will be expanded from 1,000MW to 1,055MW after the transformation. The Company has successfully undertaken the transformation project of the first 600MW subcritical wet-cooling unit of Guoneng Taishan being renovated into ultra-supercritical temperature parameters.

In the field of waste treatment technology, for the treatment of smoke and gas from the incineration of domestic waste and other solid waste, the Company completed the integration of the "dry desulfurization + dust removal and denitration integration for catalytically active ceramic fiber pipes + activated carbon fixed machine tool" process system and actively promoted the development of core ceramic fiber pipes. For the small and medium-sized treatment of wastes (below 300t/d), the Company developed a set of heat treatment process for small and medium-sized wastes and formed systematic solutions.

In the field of agricultural waste treatment technology, the Company completed the demonstration project on the recycling of agricultural wastes in Chongming District. The project produces approximately 30,000 tons of organic fertilizers each year.

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	334.29	11.11	327.99	10.40	1.92
Inventories	328.79	10.93	299.86	9.51	9.65
Short-term borrowings	118.36	3.93	156.27	4.95	(24.26)
Long-term borrowings	238.45	7.93	154.08	4.89	54.76
Notes payable	165.79	5.51	120.84	3.83	37.20
Accounts payable	613.04	20.38	658.53	20.88	(6.91)
Contract liabilities	391.60	13.02	453.62	14.38	(13.67)

Short-term borrowings decreased as compared with the beginning of the period, while long-term borrowings increased as compared with the beginning of the period, mainly due to the change in financing structure of the Group during the period.

Accounts payable decreased as compared with the beginning of the period, and notes payable increased as compared with the beginning of the period, mainly due to the increase in the settlement via bills for procurement of inventory 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 energy, the domestic nuclear power industry is ushering into an important period with strategic opportunities alongside with the national strategic goal on carbon peak and carbon neutrality. The government work report issued at the beginning of 2021 put forward that the government shall "take active and well-ordered steps to develop nuclear energy on the basis of ensuring its safe use", which embodies a great prospect for the industry. In March 2021, the State Council issued the 14th Five-Year Plan and the Outline of the Vision 2035, which clearly stated "to complete the construction of Hualong One, Guohe One and demonstration projects of high-temperature gas-cooled reactor, to actively and orderly advance the construction of the Generation III nuclear power plants along the coast". Since then, "to take active and well-ordered steps to develop nuclear energy" has been mentioned in guiding document on the country's work to achieve carbon peaking and carbon neutrality goals under the new development philosophy (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) and the Action Plan for Carbon Peaking by 2030 (《2030年前碳達峰行動方案》). Therefore, 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 will be more prominent. It is expected that 6-8 units of nuclear energy will be constructed at steady ongoing basis every year.

In terms of wind power, several ministries and commissions have made work arrangements for the development of the new energy industry and formulated policies guiding the sustainable and healthy development of the industry under the background of carbon peaking and carbon neutrality. In 2021, the wind power industry has maintained a momentum of vigorous development, with the grid-connected installed capacity of domestic wind power increased by 47.57 million kilowatts. In 2021, the installed capacity of offshore wind power has reached its peak, with newly installed capacity of 16.9 million kilowatts during 2021 and an increase of 452% year on year. Following the approval of plans submitted by various places, offshore wind power has expanded the room for development. Under the pressure of market demand and cost reduction, the development trend of wind turbines towards large-scale, refined and customized, intelligent and digital, platform-based and modular is becoming more apparent. With the price of onshore wind power moving from parity to low price and the beginning of the markets of renovation and technical improvement of old units and lifespan extension, the onshore wind power has broadened its room for development featuring with fierce competition.

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 and underpinning guarantee of coal and coal-fired power " 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 promote the upgrading and transformation of coal-fired power units and the green transformation of coal-fired power. We will insist on the principle

of "independent development and innovation driven" and develop products featuring characteristics required for future overall positioning of thermal power by strengthening the analysis of electric power industry and customer demand. We will also give full play to the leading role in technology, 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, and low pollution".

In terms of power grid, 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 be helpful to 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 and Smart Grid, as well as the national adjustment to the energy structure of the power industry, the construction and investment into clean energy fields such as hydropower, wind power, nuclear power and solar power will increase, and the power transmission and distribution equipment industry will embrace new development opportunities. During the 14th Five Year Plan Period, new urbanization construction, investments in rail transit and grid connection of new energy will bring new points of growth 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 currently, of which the proportion 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 complete machine of elevator will slow down in the future, but the growth rate of old elevators renewal and new elevators installation for old buildings, household elevator and other businesses will accelerate, and the elevator industry will still maintain a trend of steady growth in general. At present, there are more than 700 complete machine manufacturers in the elevator industry with an annual 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 expanding trend of overcapacity in the industry, 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, SMEC 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. We have sped up the construction of sales and project supporting outlets around the global market. At present, we have over twenty overseas branches in U.K., Japan, Australia, South Africa, Mexico and Panama, etc., and we will keep actively promoting construction of overseas outlets to achieve multi-regional sales and project supporting capacity. We are exploring the business layout of simultaneous development of centralized and distributed new energy under the guidance of new energy resource development. 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 "establishing the best example of financial services in equipment manufacturing industry and becoming the 'financial engine' for the high-quality development of Shanghai Electric" and to realize 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 financial engine serving on the development of main business".

Report of the Directors

Analysis on Investments

Equity interests in other listed companies held by the Company

Unit: '000; Currency: RMB

Stock code	Stock abbreviation	Initial investment amount	Equity share (%)	Carrying amount as at the end of the period	Gain or loss during the Reporting Period	Classification in accounts	How shares being obtained
600642	Shenergy	2,800	0.06	19,942	5,805	Other non-current financial assets	Purchase
600633	Zhejiang Daily Digital Culture	7,462	0.35	38,609	2,936	Other non-current financial assets	Purchase
000501	Wu Han Department Store Group Co., Ltd. A	353	0.03	2,039	(221)	Other non-current financial assets	Purchase
600665	Tande Co., Ltd.	1,400	0.09	2,455	(16)	Other non-current financial assets	Purchase
601229	Bank of Shanghai	1,620	0.03	34,627	(4,295)	Other non-current financial assets	Purchase
HK00020	Sensetime-W	323,724	0.42	383,828	60,104	Other non-current financial assets	Purchase
Total		337,359		481,500	64,313		



Disposal of Material Assets and Equity Interests

On 17 August 2021, the Board of the Company considered and approved the relevant resolution, pursuant to which, the Company was granted approval to transfer the 80.59% equity interest it held in Shanghai Electric International Economic and Trade Co., Ltd. ("Electrical International Trade") to SEG. The equity transfer price was based on the appraised net assets value of RMB2,428,920,600 of Electrical International Trade as of 30 June 2021, and the transfer price of 80.59% equity interest in Electrical International Trade was approximately RMB1,957,467,100. During the Reporting Period, the equity transfer was completed.

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 2022 is expected to be as follows:

The power consumption across the country will increase by 5%-6% year on year in 2022

The Central Economic Work Conference emphasized that the country will ensure stability as top priority and pursue progress while ensuring stability in the economic work in 2022 and all parties should actively introduce policies conducive to economic stability, providing the most important support for the growth in power consumption across the country in 2022. Taking into account the domestic and external economic situation, the stable improvement in the electrification driven by energy substitution by electric power, changes in the base of the previous year and combined with the forecast through various methods as well as the judgment of experts, it is expected that power consumption across the country will be 8.7-8.8 trillion KWh in 2022, representing a year-on-year increase of 5%-6%. The power consumption across the country will show a rising trend quarter by quarter on the whole.

The proportion of installed capacity of non-fossil energy power generation in total installed capacity is expected to reach 50% by the end of 2022 for the first time

Driven by the rapid development of new energy, it is expected that the scale of new installed capacity of power generation in infrastructure will record high in 2022. The new installed capacity of power generation in infrastructure throughout the year will be approximately 230 million KW, of which non-fossil energy power generation with an installed capacity of approximately 180 million KW will be put into operation. By the end of 2022, the installed capacity of the country will reach 2.6 billion KW, of which, the total installed capacity of non-fossil energy generating power will reach approximately 1.3 billion KW, which is expected to reach half of the total installed capacity for the first time. The total installed capacity of hydropower, grid-connected wind power, grid-connected solar power, nuclear power and biomass power generation will reach approximately 410 million KW, 380 million KW, 400 million KW, 55.57 million KW and 45 million KW, respectively. The installed capacity of coal-fired power will be about approximately 1.14 billion KW.

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

With the continuous adjustment and upgrading of the consumption and industrial structures in China, the characteristics of double load peaks in winter and summer have been gradually normalized. As the global pandemic continues and the external situation becomes more complex and changeable, energy transformation has been actively promoted while power supply guaranteed. The macro-economy, fuel supply, temperature, precipitation and other factors resulted in greater uncertainties to the electricity supply and demand. Based on the forecast on power demand and taking into account the newly installed capacity, inter-provincial and inter-regional power exchange, power generation output and reasonable reserves, it is estimated that China's electricity supply and demand will keep balanced on the whole in 2022 with tight supply and demand in some regions during the summer and winter peaks.

Development Strategy of the Company

Shanghai Electric will follow the underlying principle of "pursuing progress while ensuring stability, adhering to integrity and innovation", implement the development path of "driven by science and technology and carrying out transformation and upgrading" and create a development situation with "openness, coordination and win-win cooperation". The Company will focus on promoting the linkage of "smart energy and intelligent manufacturing", the two-wheel drivers of "industrial intelligentization and service industrialization" and the interaction of "energy internet and industrial internet", speed up the low-carbon and digital transformation of industries, drive the cultivation and development of new driving forces with technology innovation and unswervingly promote the Group to achieve high-quality development.

The Company will focus on the main path of high-quality development of main businesses with the improvement of operation quality and industrial competitiveness as the core target, namely, pursuing progress while ensuring stability in the scale of main businesses, continuously improving the return rate of net assets of main businesses, increasing the proportion of the equipment and service business, expanding the proportion of strategic emerging industries, improving the per capita efficiency and optimizing the asset structure.

To enhance the industrial competitiveness and optimize the industrial structure, the Company will focus on the innovation

Report of the Directors



and transformation of existing industries and the cultivation of strategic emerging industries. There are three paths for the innovation and transformation of existing industries, namely, improving the capabilities on systematic solutions, building the capabilities on service industrialization and cultivating new driving forces relying on the first echelon. The Company will attach great importance to the cultivation of strategic emerging industries such as new energy equipment, automation equipment and software for intelligent manufacturing. Under the background of "carbon peaking and carbon neutrality" strategy, the group will give full play to its advantages in efficient and clean energy equipment, vigorously layout the core equipment industry of "wind power, solar power, energy storage, hydrogen power". The Company will promote resource development and coordinate with its excellent equipment manufacturing, and help to realize the optimal combination of traditional energy and new energy by relying on technological innovation and institutional innovation, so as to contribute to the construction of a new

power system based on new energy. At the same time, in order to implement the "manufacturing power" strategy, the Company will vigorously develop the automation equipment and industrial software industry, and continuously improve the intelligent level of digital equipment manufacturing.

In order to effectively promote high-quality development, the Company will build a scientific, efficient and powerful scientific and technological innovation system, an industrial system with innovation leading and coordinated development, an organizational system with orderly management and control, efficient and coordinated development, a corporate governance system with effective checks and balances, a comprehensive, systematic, scientific and reasonable performance evaluation system and a strategic support system for human resources from the aspects of scientific and technological innovation, industrial development, organization and management, corporate governance and talent construction.

Operation Plans

In 2022, we will follow the underlying principle of "pursuing progress while ensuring stability, adhering to integrity and innovation and unswervingly following the path of high quality development". With "high-end, green, digitalized and service-oriented development" as the core, we will stick to professional, market-oriented and international development, continuously enhance the capabilities on digital manufacturing integration, market competition, collaborative innovation, risk control and response, seize opportunities under carbon peaking and carbon neutrality and turn losses into profits through high-quality development. The Company will focus on the following work:

Focusing on industrial development strategies and deeply exploring development potential

We will follow the development path of "driven by science and technology and carrying out transformation and upgrading" and promote the two-wheel-drivers on "industrial intelligentization and service industrialization". We will promote the transformation and development of our existing industries and carry out layout on new tracks and new industries. For our existing industries, we will expand to "big industries" through target customers, advance cost reduction and effectiveness enhancement through technology upgrading and management improvement, advance industrialization of service and cultivate systematic solutions to promote the transformation and upgrading of our existing industries. For new industries, we will align with national strategies, gather resources to advantage industries and focus on new tracks in green, low-carbon and digital economy and other fields to boost new driving forces and enhance the profitability of main businesses.

Improving scientific and technological innovation systems and stimulating new vitalities in scientific and technological innovation

We will promote the continuous increase in investment in scientific research and the rate of investment in scientific research will be no less than 3.5% in 2022. We will optimize the structure of investment in scientific research, increase investment in new tracks and new businesses and guide innovation subjects to continuously increase the concentration of investment in scientific research and improve the output rate of investment in scientific research and the transformation rate of scientific research achievement. We will coordinate internal and external innovation resources and develop the dual loop with internal coordination and innovation and

external openness and innovation. We will adopt multi-pronged measures and expand sources of technology through independent research and development, openness and innovation and technology-based M&As. We will continuously invest in forward-looking technology fields with clear tracks and orientations and make technology reserves for seizing development opportunities in the future.

Speeding up in digital transformation and improving intelligent manufacturing

With "SEunicloud" as the driver and adhering to the target and principle of carbon peaking and carbon neutrality, we will firmly seize opportunities in low-carbon and digital development. On the one hand, we will follow the orientation of value and consolidate the foundation of platform-based technologies. On the other hand, we will face up to the pain points, difficulties and blockages in the digital transformation and provide products and services closer to the actual demands of enterprises to promote their high-quality development. We will summarize the management experience in intelligent manufacturing, speed up in developing replicable partial or overall solutions and promote the continuous improvement of intelligent manufacturing of our subordinate manufacturing enterprises to improve the production efficiency and market competitiveness.

Improving management empowerment and strengthen development drivers

We will improve internal and external synergy, enhance interconnections on resources and boost collaboration in market expansion, technological innovation and shoring up chains to fully display the overall competitive advantages of the Group. We will advance the reform of management in all dimensions, promote flat management and further improve the risk control system. We will intensify efforts in institutional innovation and incentives and explore flexible and diversified incentives to further stimulate the drivers to the development of the Company.

Speeding up in the adjustment of industrial structures and promoting the changes in growth driving forces

We will promote the adjustment of industrial structures and the changes in growth driving forces. We will continue to deeply explore and constantly innovate in core industries and resolutely withdraw from outdated industries and enterprises to concentrate the limited resources on new tracks and vigorously develop on new tracks and strengthen

Report of the Directors

new driving forces. Meanwhile, we will improve the quality of economic operation through vitalizing resources, enhancing management, reducing interest-bearing liabilities and improving the turnover ratio of accounts receivable and inventories to enhance the profitability of main businesses.

Potential Risks

Pandemic Risks

Since 2021, with the emerging of novel coronavirus variants, the global and domestic epidemic situation has remained severe. Continuous and reoccurring pandemic has caused adverse impact on personnel mobility and goods transportation of the Company, resulting in risks of delayed project progress, longer project duration and higher project cost. If the pandemic is not effectively contained or continues to spread, it is expected to have a certain degree of impact on the market environment and demand of the Company's industry.

The Company will strictly implement the normalization of pandemic prevention and control measures, and strictly conduct emergency response plan for prevention and control of pandemic, in order to actively and orderly arrange the Company's various production and operation work to ensure personal safety, production safety and other risks within control, and to support the national anti-pandemic work while minimizing the impact on business operations.

Raw Material Prices Fluctuation Risks

The procurement cost of the Company's principal businesses has increased as a result of the rising price of bulk materials. Meanwhile, due to long cycle of energy equipment orders undertaken by the Company, the sharp fluctuations of raw material prices will have greater adverse impacts on the profitability of the Company.

In this regard, the Company will strengthen the monitoring and management of the quality of economic operation, pay close attention to changes in the operation quality, business structure and profitability of each business segment of the Group, constantly seek the development and innovation of business models and other measures to actively control the risks on the Company from the fluctuations of raw material prices.

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 production, the Company needs to purchase imported equipment and components, and the contracts are also denominated in major foreign currencies, such as US dollars. The international trade situation has become increasingly severe and the exchange rate of RMB is relatively volatile, the Company's export business may be exposed to the risk of profit and loss fluctuations due to factors such as changes in the exchange rate and capital repatriation.

In this regard, the Company will utilize more hedging instruments, improve the hedging mechanism on the fluctuation of the exchange rate, 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 to avoid the adverse effects from exchange rate fluctuations.

Overseas Business Risks

Due to the impact of the ongoing development of COVID-19 in overseas markets, some of the Company's overseas engineering projects are under various pressures such as delayed project progress, higher labor costs and rising raw material costs. Meanwhile, the fluctuation of the foreign exchange rate also exerted negative effects on the profitability of overseas engineering projects. The above factors result in risks including certain project loss. In addition, the possibility of risks arising from changes in the political and economic patterns of the countries where our overseas businesses are conducted is rising.

In this regard, the Company will pay close attention to and study the policy and environment of overseas markets, strengthen management improvement and risk control and improve the hedging mechanism on the fluctuation of the exchange rate to reduce the operational risks on overseas engineering projects. 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.

Market Risks

Slowdown trend of the overall growth rate of China's economy in the future has become more obvious. Equipment manufacturing industry is highly correlated with national economic growth. Changes in macro economy, national policy amendment, infrastructure construction investment scale,

urbanization progress and cyclical fluctuations in industry development may bring about impacts to the sustainable development of the Company.

In this regard, 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 continuously improve core competitiveness and actively develop its business model in an innovative manner to address all challenges from changes in the domestic and overseas markets.

Risk in relation to trade receivables and inventories

During the Reporting Period, SECT, a controlled subsidiary of the Company, has a risk that its trade receivables of significant amounts may not be recoverable and its inventories may be subject to significant impairment loss. In the event that SECT cannot recover its trade receivables and incurs impairment loss on its inventories, it may result in losses of the Company in relation to the impairment of the equity investment in SECT and the impairment of the shareholder's loans by the Company, and there is also a risk that the SECT loans from commercial banks may not be repaid as scheduled.

In this regard, the Company has carried out evaluation of the impairment risk for SECT's trade receivables and inventories and SECT made a provision of expected credit loss for trade receivables and a provision for impairment of inventories in the amount of RMB 9,222 million in aggregate, resulting in a reduction of RMB 8,354 million on the net profit attributable to shareholders of the Company in 2021. The company takes measures including litigations to control and minimize loss with utmost efforts.

The Company was investigated by the China Securities Regulatory Commission for suspected violation of laws and regulations on information disclosure

On 5 July 2021, the Company received an investigation notice from the China Securities Regulatory Commission (the "CSRC"). As the Company was suspected to have breached the relevant laws and regulations on information disclosure, CSRC decided to initiate investigation proceedings against the Company in accordance with the Securities Law of the People's Republic of China. As at the date of this report, the investigation by CSRC is still in progress. If the Company is finally determined by CSRC to constitute violation of the relevant laws and regulations on information disclosure, the Company may be subject to administrative penalties and investor litigation.

The Company will actively cooperate in the investigation of CSRC and fulfill the information disclosure obligations in strict compliance with regulatory requirements.



Report of the Directors

Source of Funding and Indebtedness

As at 31 December 2021 the Group had an aggregate amount of bank and other borrowings and bonds of RMB44,686 million (2020: RMB41,781 million), representing an increase of RMB2,906 million as compared with that of the beginning of the year. Borrowings and bonds repayable by the Group within one year amounted to RMB18,350 million, representing a decrease of RMB5,537 million as compared with that of the beginning of the year. Borrowings and bonds repayable after one year amounted to RMB26,336 million, representing an increase of RMB8,441 million as compared with that of the beginning of the year. As at 31 December 2021, among the Group's bank and other borrowings:

(1) Unsecured bank borrowings:

borrowings denominated in US dollars amounted to USD295,600 thousand in total (2020: USD297,887 thousand), equivalent to RMB1,884,659 thousand (2020: RMB1,943,683 thousand),

borrowings denominated in Euros amounted to EUR546,064 thousand in total (2020: EUR369,224 thousand), equivalent to RMB3,942,417 thousand (2020: RMB2,963,025 thousand),

borrowings denominated in Hong Kong dollars amounted to HKD548,501 thousand in total (2020: HKD548,500 thousand), equivalent to RMB448,454 thousand (2020: RMB461,640 thousand), and

borrowings denominated in Swiss francs amounted to CHF0 thousand in total (2020: CHF206 thousand), equivalent to RMB0 thousand (2020: RMB1,522 thousand).

(2) Secured bank borrowings:

borrowings denominated in US dollars amounted to USD4,502 thousand in total (2020: USD4,502 thousand), equivalent to RMB28,703 thousand (2020: RMB29,375 thousand), and

borrowings denominated in Euros amounted to EUR5,703 thousand in total (2020: EUR6,224 thousand), equivalent to RMB41,171 thousand (2020: RMB49,947 thousand).

(3) Guaranteed bank borrowings:

borrowings denominated in US dollars amounted to USD167,835 thousand in total (2020: USD177,375 thousand), equivalent to RMB1,070,064 thousand (2020: RMB1,157,354 thousand), and

borrowings denominated in Euros amounted to EUR8,000 thousand in total (2020: EUR109,497 thousand), equivalent to RMB57,758 thousand (2020: RMB878,715 thousand).

(4) All other unsecured bank borrowings are denominated in Renminbi.

As at 31 December 2021, 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 34.37%, representing an increase of 3.72 percentage points as compared with 30.65% at the beginning of the year.

Pledge Assets

As at 31 December 2021, the Group's bank deposits amounted to RMB1,402 million (2020: RMB1,119 million), receivables financing with a carrying amount of RMB123 million (2020: RMB350 million), notes receivable with a carrying amount of RMB370 million (2020: Nil), investment properties with a carrying amount of RMB7 million (2020: Nil) and certain property and equipment with a carrying amount of RMB2,095 million (2020: RMB1,257 million) were secured to banks to obtain bank borrowings or credit facilities. Part of the Group's bank borrowings was secured by the Group's long-term receivables, with a carrying amount of RMB2,221 million (2020: RMB2,218 million).

Events After the Date of Financial Statements

On 18 April 2022, the proposal for profit distribution for 2021 that no dividend will be distributed was considered and approved at the sixty-sixth meeting of the fifth session of the Board and is subject to consideration and approved at the general meeting of the Company.

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

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. The payment of the A Share convertible corporate bonds has been completed in February 2021.

On 7 November 2017, the Company completed the issue of A shares with an aggregate amount of RMB3 billion to eight specific investors, including SEGC, by the 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 and approved at the 2019 first extraordinary general meeting of the Company, the Company used part of the proceeds in 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, the Company used such proceeds to supplement the self-owned funds early invested. After consideration and approval of the 20th session of the 5th Board 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.

Report of the Directors

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	1.14
Total proceeds used for other purposes instead of the scheduled one(s)	27.09		
Percentage of total proceeds used for other purposes instead of the scheduled one(s)	90.30%	Total cumulative proceeds invested (Note1)	27.20

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	0.15	0.16	2022	N/A	In construction
Technology Innovative Park Reformation Project at Jinshajiang Branch Road	Yes	3.28	-	-	-	-	N/A	N/A
Industrial Research, Development and Design and High-end Equipment Manufacturing Base Construction Project at Jungong Road	Yes	11.66	-	-	-	-	N/A	N/A
Tax, surcharges and other expenses in relation to the restructuring	No	2.25	2.10	-	2.10	2018	N/A	N/A
Acquisition of 100% equity interests in Wujiang Taihu Industrial Wastes Treatment Company Limited	Yes	-	3.42	-	3.42	2019	N/A	N/A
Acquisition of 100% equity interests in Ningbo Hi-Firm Environmental Protection Company Limited	Yes	-	7.56	-	7.56	2019	N/A	N/A
Shanghai Electric Nantong Central Research Institute Project	Yes	-	7.26	0.99	5.11	2022	N/A	In construction
Permanent replenishment of working capital	Yes	-	8.85	-	8.85	2019	N/A	N/A
Total	-	30.00	29.85	1.14	27.20	-	-	-

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 2022.

<p>Changes in proceeds-funded project</p>	<p>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, the Company would no longer use any of the proceeds of RMB2,554 million (including interest income, the actual amount is subject to the balance after interest settlement of the bank on the date when the funds are transferred out) to finance the Emerging Industrial Park Development Project at Gonghe New Road, the Technology Innovation Park Reformation Project at Jinshajiang Branch Road and the Industrial Research, Development and Design and High-end Equipment Manufacturing Base Project at Jungong Road, including proceeds of RMB2,549 million and interest income on the proceeds of RMB5 million.</p> <p>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, the Company proposed to use RMB342 million out of the proceeds to acquire the 100% equity interests of Wujiang Taihu Industrial Wastes Treatment Company Limited. (吳江市太湖工業廢棄物處理有限公司) through its wholly-owned subsidiary Shanghai Electric Investment Company Limited ("SEI") from Orient Landscape and Taizhou Zongze, and use RMB756 million out of the proceeds to acquire the 100% equity interests of Ningbo Hi-Firm Environmental Protection Company Limited (寧波海鋒環保有限公司) from Orient Landscape and Taizhou Zongze. The Company intended to first proceed with the aforesaid acquisitions with its self-owned funds through its wholly-owned subsidiary SEI. The Company has first completed the abovementioned acquisitions through its wholly-owned subsidiary SEI and supplemented the self-owned funds early invested with the proceeds.</p> <p>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, the Company proposed to change the total investment and implementation mode of as well as the amount of proceeds earmarked for the Beinei Road Project. In particular, the total investment would be adjusted to RMB130 million; a project company 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 would be reduced from RMB226 million to RMB66 million, which will be provided to SEC Property by the Company 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, the Company 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 comprised proceeds of RMB885 million and interest income therefrom of RMB6 million) to replenish working capital permanently.</p>
<p>Upfront investment in the project to be invested through fund raising and replacement of such investment with the proceeds</p>	<p>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.</p> <p>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.</p>

Report of the Directors

Proposals for Profit Distribution or Transfer of Capital Reserves to Share Capital

As audited by PricewaterhouseCoopers Zhong Tian LLP, the net profit of the Company for 2021 as shown on the financial statements of the Company (not consolidated) prepared in accordance with the PRC GAAP was a loss of RMB9,761,529 thousand. The undistributed profits at the beginning of 2021 was RMB12,794,008 thousand and the dividends payable on ordinary share of RMB1,127,375 thousand. By the end of 2021, the distributable profits amounted to RMB1,905,104 thousand.

Upon consideration by the Board of the Company, the proposal for profit distribution for 2021 is not to pay any final dividend for the year ended 31 December 2021 and no capital reserve shall be converted into share capital, which is subject to approval at the annual general meeting of the Company.

Final Dividend

The Board resolved not to pay any final dividend for the year ended 31 December 2021, which is subject to approval at the annual general meeting of the Company.

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 2021 as well as the corresponding arrangements for suspension of share transfer registration.

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.

As at 1 February 2021, an aggregate of RMB4,657,847,000 of such bonds have been converted into shares of the Company, resulting in the cumulative number of shares converted from such bonds reaching 903,762,291 shares. The principal amount of the redemption for the matured bonds is RMB1,342,153,000, and the total amount of the redemption for the matured bonds is RMB1,430,735,098.00 (tax inclusive), the payment of which has been completed on 2 February 2021.

Placing of A shares

On 26 March 2021, the Board considered and approved the proposed non-public issuance of A shares of the Company, pursuant to which, the Company would issue a maximum



of 1,570,597,109 A Shares to no more than 35 specific target subscribers by way of non-public issuance, and the proceeds to be raised was expected to be no more than RMB5,000 million. On 11 May 2021, the Board considered and approved the resolution to terminate the proposed non-public issuance of A Shares of the Company and withdraw the relevant resolutions from the extraordinary general meeting of the Company.

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 2021 amounted to RMB2.52 million.

Compliance with Relevant Laws and Regulations

On 5 July 2021, the Company received an investigation notice (No.: Hu Zheng Diao Cha Zi No. 2021-1-028) from CSRC. As the Company was suspected to have breached the relevant laws and regulations on information disclosure, CSRC decided to initiate investigation proceedings against the Company in accordance with the Securities Law of the People's Republic of China. The Company has been actively cooperating with the investigation work of CSRC. As of the date of this report, the investigation conclusion of CSRC on the Company has not yet been issued. The Company will fulfill its information disclosure obligations in strict accordance with the regulatory requirements.

Save as the above matters, 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

Report of the Directors

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 Policy 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 subsidiaries.

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 2021, which will be separately published by the end of May 2022.



Purchase, Redemption or Sale of the Company's Listed Securities

No purchase, redemption or sale of the Company's listed securities was made by the Company or any of its subsidiaries during the Reporting Period.

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 confirms that the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this report.

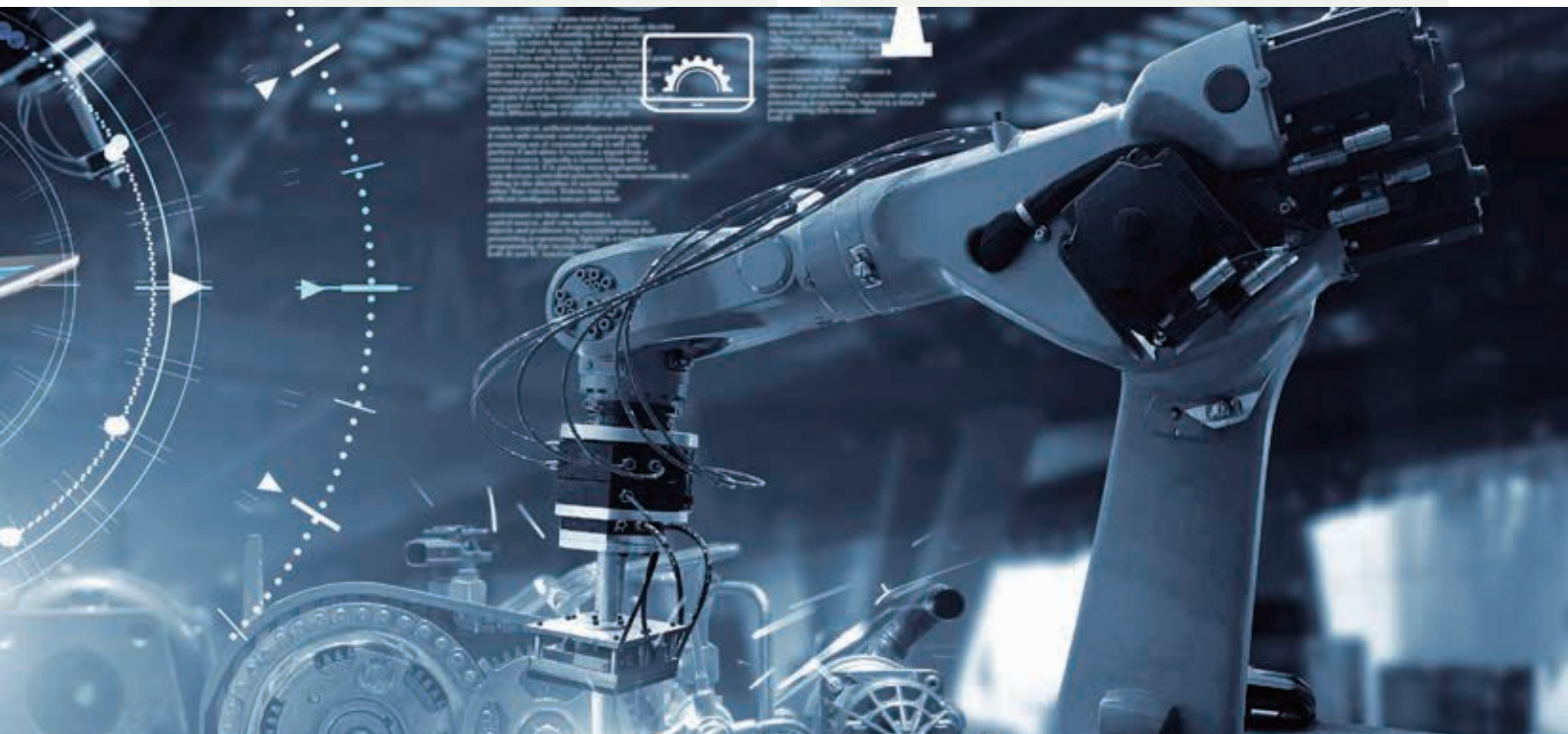
Pre-emptive Rights Arrangement

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.

**Chairlady and CEO
Leng Weiqing**



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 2021 are disclosed in detail as follows:

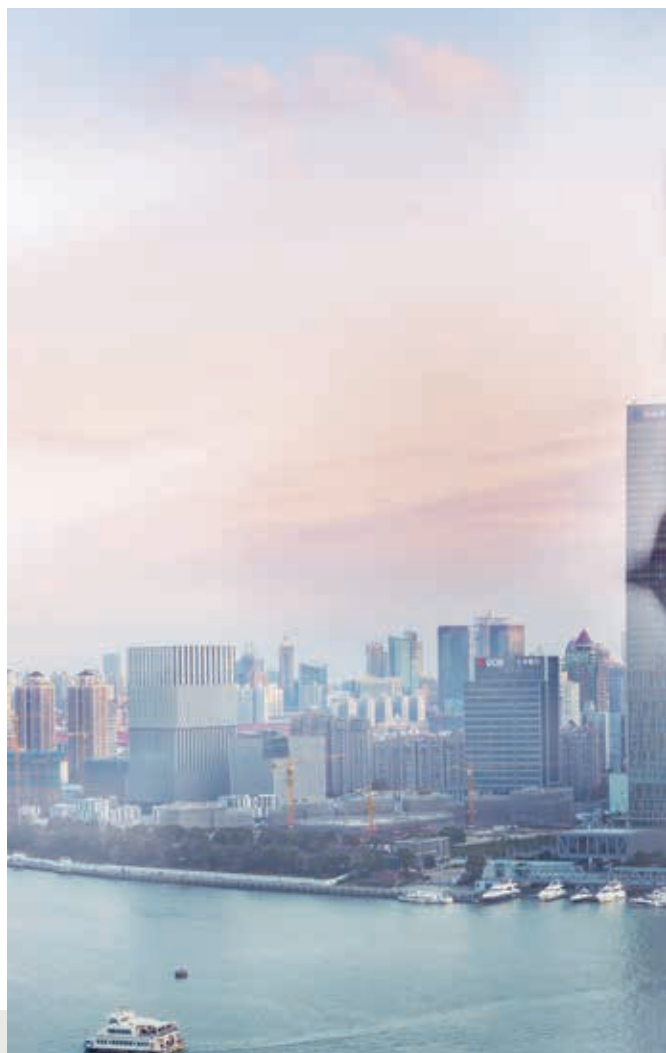
Connected Transactions

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 subsidiary of the Company, and Shanghai Prime Machinery Co., Ltd ("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 would 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 would assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of SPM, and SPM would be eventually deregistered and dissolved. Pursuant to the merger agreement, a cancellation price of HK\$1.60 per SPM H Share would be paid by Prime Mingyu to the shareholders of SPM other than Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司) and Shanghai Electric Hongkong Co. Limited (上海電氣香港有限公司), which would 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 29 January 2021, the Board considered and approved the relevant resolution, pursuant to which, Shanghai Boiler Works Co., Ltd., a wholly-owned subsidiary of the Company was approved to transfer certain of its assets to Shanghai Electric Development Co., Ltd., a subsidiary of SEGC at an estimated consideration of RMB174,307,146.87. The transaction was completed in the Reporting Period.

On 29 April 2021, the Board considered and approved the relevant resolution, pursuant to which, Shanghai Electric



Heavy Machinery Casting Forging Co., Ltd., a wholly-owned subsidiary of the Company, was approved to transfer to and lease back from SEGC certain of its assets at a consideration of RMB125,890,112.27 (tax inclusive) and annual lease rental of RMB2.15 million (tax inclusive). The assets transfer was completed in the Reporting Period.

On 17 August 2021, the Board considered and approved the relevant resolution, pursuant to which, the Company was granted approval to transfer the 80.59% equity interest it held in Shanghai Electric International Economic and Trade Co., Ltd. to SEGC, at a consideration of RMB1,957,467,106.08. The transaction was completed in the Reporting Period and the Company no longer held any equity interest in Shanghai Electric International Economic and Trade Co., Ltd.

Continuing Connected Transactions

Connected Transactions with Shanghai Electric Holdings Group Co., Ltd.

Framework sales agreement

The Company entered into a framework sales agreement with SEGC on 29 October 2019, pursuant to which the Group agrees to provide electrical engineering products, electrical equipment, and other related services to SEGC 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 above framework sales agreement was entered into in



Significant Events

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
- 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 2021 was RMB 234.18 million.

Framework purchase agreement

The Company entered into a framework purchase agreement with SEGC on 29 October 2019, pursuant to which the Group agrees to purchase certain component parts, such as turbine blades, coupling, AC motor and emergency trip control cabinet, automatic instrument equipment, 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 above framework purchase agreement was 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
- 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 2021 was RMB95.93 million.

Framework comprehensive services agreement

The Company entered into a framework comprehensive services agreement with SEGC 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 framework comprehensive services agreement was 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
- 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 2021 was RMB 199.65 million.

Framework financial services agreement

On 29 October 2019, Shanghai Electric Group Finance Company Limited ("Finance Company"), a subsidiary of the Company, entered into various financial services agreements with SEGC, pursuant to which Finance Company provides deposit and loan services to the Parent Group.

These framework financial services agreements were 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 SEGC 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 2021 did not exceed the approved annual cap of RMB 7,500,000,000. Besides, the Parent Group received interest income of RMB 90.23million for the deposits from Finance Company for the year ended 31 December 2021.

Framework loan agreement

On 29 October 2019, the Company entered into a framework loan agreement with SEGC in relation to the loan and bill discounting 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 2021 did not exceed the approved annual cap of RMB7,500,000,000. Besides, the Parent Group paid interest of RMB 207.38 million, which was derived from loans and discounted bills, to Finance Company for the year ended 31 December 2021.

On 11 May 2021, the Board considered and approved the resolution in respect of the revision of annual caps for the continuing connected transactions with SEGC. The Board proposed to revise the annual caps for the maximum daily balance of deposit services, loan and bill discounting services to RMB11,500,000,000 for the years ending 31 December 2021 and 2022, respectively, with the terms of the framework financial service agreements remaining unchanged. As date of this report, the revision of annual caps is not effective yet.

Significant Events



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 would 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 would 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 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 waiver

was 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 continuing connected transactions. On 29 May 2012, the independent shareholders of the Company approved the waiver of written framework agreement and the renewal continuing connected transactions.

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 was 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.

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 was conditionally granted by the Stock 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.

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.

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 was 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, RMB 300,000,000 and RMB 300,000,000.

For the year ended 31 December 2021, the actual purchases from the Siemens Group by the Group were RMB 1,139.53 million and the sales of the Group to the Siemens Group is RMB 10.52 million.

Significant Events

Framework purchase agreement with Mitsubishi Electric

Mitsubishi Electric Corporation ("Mitsubishi Electric") holds more than 10% of the equity interest in SMEC, 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 all 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 2021 were RMB 2,124.10 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

anticipated that the Group would 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 was conditionally granted by the Stock Exchange on 22 April 2015 subject to and on the waiver conditions. On 24 April 2015, the Board 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 was conditionally granted by the Stock Exchange on 9 August 2017 subject to and on the waiver conditions. On 30 October 2017, the Board of the Company approved the waiver of entering into framework agreement and the annual caps of continuing connected transactions. On 29 April 2019, the Board of the Company suggested to revise the annual caps of continuing connected transactions.

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 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.

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 and on the waiver conditions. On 15 October 2020, the Board of the Company approved the waiver of entering into framework agreement and 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.

The sales of the Group to the SMEPC Group is RMB 4,251.40 million for the year ended 31 December 2021.

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 SEWP 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 SEWP proposed to conduct the initial public offering of its RMB 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.

The Company has applied for, and the 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 Hong Kong 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 Shanghai Stock Exchange on 19 November 2020, the Shanghai Stock Exchange approved 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 CSRC in March 2021, CSRC approved the registration application of SEWP's initial public offering on the Sci-tech Innovation Board.

On 19 May 2021, the shares of SEWP were listed on the Shanghai Stock Exchange.

Risks in Relation to Trade Receivables and Inventories of SECT and Related Litigations

During the Reporting Period, there are risks that, the trade receivables of significant amounts of SECT, a controlled subsidiary of the Company, may not be recoverable and its inventories may be subject to significant impairment loss. There is also a risk that the SECT's loans from commercial banks may not be repaid as scheduled. During the Reporting Period, the provision for significant impairment loss of trade receivables and inventories of SECT was RMB9,222 million, resulting in a reduction of RMB8,354 million on the net profit attributable to shareholders of the Company for the year of 2021.

SECT filed petitions in Shanghai No.2 Intermediate Court against Beijing Capital Group Company Limited (北京首都創業集團有限公司) and Beijing Capital Group Company Limited Trading Branch (北京首都創業集團有限公司貿易分公司) ("BJCGC Defendants") as the defendants for an order that BJCGC Defendants shall settle the payment for goods in a total amount of approximately RMB1,193,017.1 thousand and

Significant Events

the damages for breach of contract. On 27 May 2021, Shanghai No.2 Intermediate Court has placed the cases on file.

SECT filed petitions in Shanghai No.2 Intermediate Court against Harbin Industrial Investment Group Co., Ltd. (哈爾濱工業投資集團有限公司) ("Harbin Industrial") as defendant, requesting for an order that Harbin Industrial shall settle the payment for goods in a total amount of approximately RMB392,973.5 thousand and the damages for breach of contract. On 31 December 2021, SECT received the civil judgment from the court. Particulars are as follows: 1. Harbin Industrial shall pay SECT in an amount of RMB392,973,480 for the goods within 10 days from the effective date of this judgment; 2. Harbin Industrial shall pay SECT in an amount of RMB21,831,860 for damages for breach of contract within 10 days from the effective date of this judgment; 3. Other claims of SECT shall be dismissed; 4. The acceptance fee of this case is RMB2,244,816 and the property preservation expenses is RMB5,000, totaling RMB2,249,816, among which RMB128,990 shall be borne by SECT and RMB2,120,826 shall be borne by Harbin Industrial. Since the civil judgment is a trial court decision, the defendant can appeal within the prescribed term. The civil judgment has not yet come into force.

SECT filed petitions in Shanghai Yangpu District Court against Fortune Industrial Corp. (富申實業公司) (the "Fortune Industrial") as defendant for an order that Fortune Industrial shall settle the payment for goods in a total amount of approximately RMB787,956.2 thousand and the damages for breach of contract. On 27 May 2021, Shanghai Yangpu District Court has placed the cases on file. In November 2021, SECT received materials including notices of responding to action, civil complaints and copies of evidence from Shanghai Xuhui District People's Court (上海市徐匯區人民法院), with which Fortune Industrial, as the plaintiff, brought a claim against SECT to revoke the product sales contracts and require SECT to return the corresponding advance and payments for goods in a total amount of RMB 97,741.8 thousand. The product sales contracts between SECT and Fortune Industrial in this litigation are among the contracts involved in previous litigations.

SECT filed petitions in Shanghai Yangpu District Court against Nanjing Changjiang Electronics Group Co., Ltd. (南京長江電子信息產業集團有限公司) (the "Nanjing Changjiang") as defendant for an order that Nanjing Changjiang shall settle the payment for goods in a total amount of approximately RMB2,089,000.8 thousand and the damages for breach of contract. On 27 May 2021, Shanghai Yangpu District Court has placed the cases on file.

During the Reporting Period, SECT received materials including a notice of responding to action and a subpoena from Yangpu District Court, in which Jiangsu Zhongli Group Co., Ltd. (江蘇中利集團股份有限公司), as the plaintiff, brought a claim

against SECT to request payment for goods, the corresponding interest and attorney's fee for litigation in a total amount of approximately RMB545,075.7 thousand.

Material Arbitrations related to the Sasan Project in India

In June 2008, the Company and Reliance Infra Projects (UK) Limited ("Reliance UK"), entered into the Equipment Supply and Service Contract (the "Contract"), with a contracted amount of USD1,311,000,000, pursuant to which, the Company (as the supplier) shall provide major equipment and relevant services for the project of Sasan 6*600MW Ultra Large Supercritical Coal-fired Power Station in India (the "Project"), Reliance Infrastructure Limited ("Reliance") issued the letter of guarantee for the payment obligations of Reliance UK under the Contract, and the Sasan Power Limited (the "Sasan Power") owned and operated the power station.

Since Reliance UK still failed to pay for the equipment purchased and other relevant payables to the Company after the Project commenced commercial operation for several years, the Company filed to the Singapore International Arbitration Centre for arbitration in December 2019, requiring Reliance to pay for equipment purchased and other relevant payables in the amount of at least USD135,320,728.42 to the Company as agreed in the letter of guarantee issued by Reliance for Reliance UK (the "First Arbitration"). As of the date of this report, the First Arbitration has concluded the trial. In addition, the Company has applied for the property preservation on Reliance in the High Court of Delhi, India for the First Arbitration in December 2020 and the court has issued a temporary injunction.

In February 2021, the Company received a notice of acceptance issued by the Singapore International Arbitration Centre for an arbitration brought by Reliance, Reliance UK and Sasan Power (collectively, the "Applicants of the Second Arbitration") against the Company, requiring the Company to compensate their losses of approximately USD416 million (the "Second Arbitration"). In June 2021, the Company received notice issued by the Singapore International Arbitration Centre, informing the Company that since the Applicants of the Second Arbitration had submitted a withdrawal letter to the Singapore International Arbitration Centre, the Singapore International Arbitration Centre confirmed the termination of the Second Arbitration. There is no need for the Company and the Applicants of the Second Arbitration to take further actions in respect of the Second Arbitration.

In August 2021, the Company received a complaint filed and sent by Sasan Power in the High Court of Mumbai, India. According to the content of the complaint, Sasan Power sued Reliance, Reliance UK and the Company, requesting that the

three respondents bear joint liability and compensate it for losses of approximately 24,511,908,372 rupees (approximately RMB2.133 billion) (the "First Litigation"). As of the date of this report, the Company has not yet received official case-filing notification for the First Litigation from the High Court of Mumbai.

In December 2021, the Company received a notice of acceptance for an arbitration brought by Reliance UK against the Company issued by the Singapore International Arbitration Center, pursuant to which Reliance UK requests the Company to compensate for its losses of approximately USD388.75 million related to the contract (the "Arbitration"), including the compensation of USD323.8 million for Sasan Power's loss of power plant operation due to unplanned unit outage and loss in electricity revenue due to the delay of the power plant's commercial operation caused by the tripping of Unit 3, maintenance costs of USD30.88 million, liquidated damages of USD34.07 million for equipment shipment delays, and other payments such as interests; Reliance UK also believes that the letter of performance guarantee has been unreasonably released and requests the Company to issue a letter of performance guarantee in the amount of approximately USD120.175 million to guarantee its claims.

Gratuitous Transfer of Part of the Company's Shares by Controlling Shareholder

On 15 November 2021, SEGC entered into the Agreement on the Gratuitous Transfer of 5% shares of Shanghai Electric Group Company Limited from SEGC to Shanghai State-owned Capital Investment Co., Ltd. with Shanghai State-owned Capital Investment Co., Ltd., a wholly-owned subsidiary of Shanghai State-owned Assets Supervision and Administration Commission, to gratuitously transfer 785,298,555 A shares (representing 5% of the Company's total capital of 15,705,971,092 shares) to Shanghai State-owned Capital Investment Co., Ltd. The equity transfer registration is still in process as at the date of this report.

Pledge of Shares of the Company by Controlling Shareholder

During the Reporting Period, SEGC, the controlling shareholder of the Company, used 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 registration procedures for the share pledge of 254,545,455 A shares of the Company were completed on 15 March 2021.

During the Reporting Period, SEGC supplementary pledge for the SEGC 2021 Phase 1 Exchangeable Bonds by using 30,000,000 A shares of the Company held by SEGC and its yields as the exchange objects. The registration procedures for

the share pledge of 30,000,000 A shares of the Company were completed on 17 August 2021.

Material Events After the Reporting Period

Purchase, Redemption or Sale of Listed Securities of the Company

On 17 January 2022, the resolution in relation to the termination of implementation of the Restricted A Share Incentive Scheme of the Company and the repurchase and cancellation of the restricted shares granted but not yet unlocked was approved at the 2022 first extraordinary general meeting, the 2021 first A share class meeting and the 2021 first H share class meeting of the Company. The Company terminated the Restricted A Share Incentive Scheme and repurchased and cancelled a total of 126,162,000 restricted shares granted but not yet unlocked held by 2,099 participants. The Company has completed the procedures for the repurchase and cancellation of the shares at Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the above restricted shares on 17 March 2022.

Issuance of Shares by A Subsidiary for Assets Acquisition and Raising Supporting Funds from A Connected Party

On 10 February 2022, 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) ("Thvow Technology"), a controlled subsidiary of the Company, intends to issue shares to the Company to purchase 100% equity of Shanghai Boiler Works Co. Ltd. (上海鍋爐廠有限公司) held by the Company, and raise supporting funds through the non-public issuance of shares to Shanghai Lixin Industrial Co., Ltd. (上海立昕實業有限公司) ("Shanghai Lixin"), a consolidated 100% owned subsidiary of SEGC (the controlling shareholder of the Company). The number of shares to be issued to Shanghai Lixin in the Non-public Issuance shall be no more than 30% of the total share capital of Thvow Technology prior to the Non-public Issuance. The supporting funds to be raised shall be not more than RMB959,790,309.12, and meanwhile, not more than 100% of the transaction price for the assets to be purchased by Thvow Technology by way of share issuance. The final number of shares to be issued by Thvow Technology, to Shanghai Lixin shall be subject to the approval of CSRC. The connected transaction of Thvow Technology to raise supporting funds through the Non-public Issuance of shares to Shanghai Lixin can be implemented only if satisfying the conditions, including but not limited to, obtaining the approval of the general meeting of Thvow Technology, the approval of the relevant state-owned assets supervision and administration department and the approval of CSRC.

Significant Events

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	27,960
Number of years audited by the PRC auditor	8

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

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 2021;
- 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 2021, 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.

- Revenue recognition relating to sales of goods, construction services and provision for onerous contracts
- Impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance 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(32) (b), Note 4(42)(b) and Note 4(55) to the financial statements.

In 2021, Shanghai Electric Group's consolidated total revenue was RMB131,387,852 thousand, of which approximately 69.86% was resulted from sales of goods and approximately 19.71% was resulted from construction services. In 2021, the amount of provision for onerous contracts charged to the consolidated income statement was RMB3,870,138 thousand.

When the customers gain control over the relevant goods or services, Shanghai Electric Group recognises 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 interviewed 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 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 sales 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 accuracy on management's historical estimation.

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, 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 recognised 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 judgements 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 trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances

Referring to Note 2(9), Note 2(32)(a), Note 4(5), 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 financial statements.

As at 31 December 2021, the net carrying amount of Shanghai Electric Group's trade acceptance notes receivable was RMB3,385,040 thousand, after netting off the accumulated provision for impairment of RMB1,090,105 thousand. Accounts receivable as at the same date amounted to RMB33,429,218 thousand, after netting off the accumulated provision for impairment of RMB17,560,454 thousand. Contract assets as at the same date amounted to RMB42,869,179 thousand, after netting off the accumulated provision for impairment of RMB1,637,696 thousand.

We obtained an understanding of management's internal control and assessment process in relation to the impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance 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 trade acceptance notes receivable, accounts receivable and contract assets with the provision for bad debts of accounts receivable accrued in previous years, we evaluated the reliability of management's policies and historical judgements adopted in estimating the provision for bad debts and impairment.

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

- for trade acceptance notes receivable, accounts receivable and contract assets with remarkably different credit risk characteristics, such as incurred credit impairment losses, we performed the following procedures:
 - evaluated the criteria and rationality of management's judgement that trade acceptance notes receivable, accounts receivable and contract assets are featured with remarkably different credit risk characteristics;
 - obtained distribution on the expected cash flow prepared by management based on business model for counterparties under different scenarios, and examined the accuracy of the classification of these counterparties on a sample basis;

Key Audit Matter

How our audit addressed the Key Audit Matter

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

Shanghai Electric Group provided for impairment of trade acceptance notes receivable, accounts receivable and contract assets based on the expected credit loss during lifetime.

For trade acceptance notes receivable, accounts receivable and contract assets with remarkably different credit risk characteristics and occurrence of credit impairment, management of Shanghai Electric Group evaluated the distribution of expected cash flows under multiple scenarios based on experience of historical credit loss, business model, current situations and forecasts of future conditions of contract counterparties under different scenarios, taking into account the professional legal advice from external lawyers and the asset preservation related to the litigation, and made corresponding provision for Expected credit loss according to expected credit loss rate and the related probability weight under different scenarios. Expected credit loss was recognised on an individual basis and the provisions for bad debts and impairment were made on an individual basis.

For the trade acceptance notes receivable, 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 in accordance with credit risk characteristics and measured the expected credit loss based on groups. For the trade acceptance notes receivable, 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.

- evaluated the rationality of management's assumptions of expected cash flow distribution based on business model, and Expected credit loss rate and related probability weight under different scenarios according to historical credit loss experience of contract counterparties, statistics from third parties, public information, the latest developments in litigations provided by external lawyers and the asset safeguards related to the litigation, etc.;
- evaluated the results of management's sensitivity analysis using reasonably possible changes of the relevant key parameters;
- recalculated the expected credit losses after adjusting the historical rates of default loss using forward looking factors.

- 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 ageing of trade acceptance notes receivable, 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

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

As at 31 December 2021, the net carrying amounts of Shanghai Electric Group's loans and advances and finance lease receivables were RMB7,004,810 thousand and RMB5,751,970 thousand, respectively, after netting off accumulated provision for impairment of RMB424,190 thousand and RMB1,358,783 thousand, respectively.

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 finance lease receivables and loans and advances. For the finance lease receivables and loans and advances with occurrence of credit impairment, and other finance lease receivables and loans and advances subject to separate assessment for impairment provision, expected credit loss was separately determined and provision for bad debts was accrued individually. For the finance 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 finance lease receivables and loans and advances in accordance with credit risk characteristics and measured the expected credit loss based on groups.

We performed the following procedures on impairment provision of finance lease receivables and loans and advances:

- 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 finance lease receivables and loans and advances classified in Stage 3 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 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;

Key Audit Matter**How our audit addressed the Key Audit Matter****Impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances (Continued)**

The major management judgements and assumptions adopted in the measurement of expected credit loss mainly include:

- (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 finance lease receivables and loans and advances at the third stage.

We considered impairment provision of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances as a key audit matter since the estimations of impairment provision 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.

Based on the above, we considered that management's judgements applied in the impairment provision assessment of trade acceptance notes receivable, accounts receivable, contract assets, finance lease receivables and loans and advances were supported by the evidences obtained and procedures performed.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment on goodwill

Referring to Note 2(19), Note 2(32)(b) and Note 4(26) to the financial statements.

As at 31 December 2021, the net carrying amount of Shanghai Electric Group's goodwill was RMB3,954,704 thousand, after netting off impairment for goodwill of RMB1,542,377 thousand. In 2021, the amount of goodwill impairment made by Shanghai Electric Group was RMB623,327 thousand.

Shanghai Electric Group recognised the corresponding impairment based on the excess of the 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 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 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 cast significant uncertainty on the market and industry operated, the present value of future cash flows of Broetje-Automation 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 was evaluated by the probability of the occurrence to calculate the present value of future cash flows.

- meanwhile, we evaluated 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.
- tested the accuracy of the calculation of the net present value of future cash flows.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment on goodwill (Continued)

In 2021, 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 judgements made by the management.

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 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 2021 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 judgement 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.

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
18 April 2022

Signing CPA

Dai Zhenghua

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

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

Assets	Note	31 December 2021 Consolidated	31 December 2020 Consolidated
Current assets			
Cash at bank and on hand	4(1)	25,359,181	24,243,832
Clearing settlement funds		25,214	30,933
Placements with banks and other financial institutions	4(2)	28,992,175	36,593,978
Financial assets held for trading	4(3)	7,603,097	7,387,914
Derivative financial assets	4(4)	44,101	98,146
Notes receivable	4(5)	7,811,332	8,477,377
Accounts receivable	4(6)	33,429,218	32,799,102
Receivables financing	4(7)	1,145,493	10,912,246
Prepayments	4(8)	13,424,089	18,057,070
Other receivables	4(9)	8,710,708	8,936,029
Financial assets purchased under resale agreements	4(10)	188,202	79,301
Inventories	4(11)	32,879,469	29,986,057
Contract assets	4(12)	31,193,824	29,155,884
Assets held for sale	4(13)	43,708	350,875
Current portion of non-current assets	4(14)	2,820,830	3,359,925
Other current assets	4(15)	16,105,203	17,477,280
Total current assets		209,775,844	227,945,949
Non-current assets			
Loans and advances	4(16)	2,138,138	324,992
Other debt investments	4(18)	81,874	420,183
Long-term receivables	4(17)	4,258,199	5,920,037
Long-term equity investments	4(19)	11,401,990	13,713,733
Other non-current financial assets	4(20)	6,966,597	5,557,173
Investment properties	4(21)	822,975	900,177
Fixed assets	4(22)	19,889,387	17,537,969
Constructions in progress	4(23)	5,024,094	9,573,551
Right-of-use assets	4(24)	1,441,832	1,118,194
Intangible assets	4(25)	12,956,893	9,019,451
Development expenditures	4(25)	40,636	83,512
Goodwill	4(26)	3,954,704	4,667,958
Long-term prepaid expenses	4(27)	608,848	480,040
Deferred tax assets	4(28)	8,078,305	6,568,529
Other non-current assets	4(29)	13,361,874	11,571,286
Total non-current assets		91,026,346	87,456,785
TOTAL ASSETS		300,802,190	315,402,734

CONSOLIDATED BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2021

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2021 Consolidated	31 December 2020 Consolidated
Current liabilities			
Short-term borrowings	4(31)	11,836,366	15,627,384
Financial liabilities held for trading	4(32)	28,569	37,582
Derivative financial liabilities	4(4)	9,625	19,258
Notes payable	4(33)	16,578,854	12,083,698
Accounts payable	4(34)	61,303,577	65,853,292
Advances from customers	4(35)	738,047	621,736
Contract liabilities	4(36)	39,160,400	45,362,212
Deposits from customers, banks and other financial institutions	4(37)	5,198,722	4,289,676
Employee benefits payable	4(38)	4,358,557	4,565,921
Taxes payable	4(39)	2,180,202	2,939,412
Other payables	4(40)	8,602,557	11,263,901
Liabilities held for sale	4(13)	35,568	8,131
Current portion of non-current liabilities	4(41)	8,274,340	10,638,362
Other current liabilities	4(42)	10,573,957	10,181,789
Total current liabilities		168,879,341	183,492,354
Non-current liabilities			
Long-term borrowings	4(43)	23,845,417	15,408,452
Bonds payable	4(44)	2,490,445	2,485,142
Lease liabilities	4(45)	1,027,996	750,308
Long-term payables	4(46)	583,015	1,479,522
Deferred income	4(47)	1,651,556	1,774,593
Long-term employee benefits payable	4(48)	224,673	254,562
Provisions	4(42)	2,912,930	2,038,662
Deferred tax liabilities	4(28)	775,648	854,267
Other non-current liabilities	4(49)	266,816	15,530
Total non-current liabilities		33,778,496	25,061,038
Total liabilities		202,657,837	208,553,392
Shareholders' equity			
Share capital	4(50)	15,705,971	15,181,353
Less: Treasury stocks		(382,271)	(382,271)
Capital surplus	4(51)	22,045,560	19,338,140
Other comprehensive income	4(52)	(509,829)	(130,122)
Special reserve		149,948	138,313
Surplus reserve	4(53)	5,906,524	5,906,524
Retained earnings	4(54)	15,218,425	26,348,897
Total equity attributable to shareholders of the parent company		58,134,328	66,400,834
Minority interests		40,010,025	40,448,508
Total shareholders' equity		98,144,353	106,849,342
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		300,802,190	315,402,734

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

Legal representative:

Leng Weiqing

Principal in charge of accounting:

Zhou Zhiyan

Head of accounting department:

Si Wenpei

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

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

	Note	31 December 2021 Company	31 December 2020 Company
ASSETS			
Current assets			
Cash at bank and on hand		26,305,420	32,999,184
Financial assets held for trading		-	423,887
Notes receivable	16(1)	282,047	414,186
Accounts receivable	16(2)	8,591,815	8,411,099
Receivables financing	16(3)	-	918,755
Prepayments		15,106,847	13,306,810
Other receivables	16(4)	6,372,623	5,852,348
Inventories		101,012	59,567
Contract assets		5,100,413	6,463,875
Current portion of non-current assets		99,000	-
Other current assets		2,879,765	7,475,878
Total current assets		64,838,942	76,325,589
Non-current assets			
Long-term receivables		5,391,559	4,558,000
Long-term equity investments	16(5)	49,197,100	48,894,686
Other non-current financial assets		1,782,459	2,058,827
Investment properties		124,259	29,962
Fixed assets		1,623,292	1,561,730
Constructions in progress		93,165	175,274
Right-of-use assets		75,483	97,437
Intangible assets		2,702,944	2,847,203
Long-term prepaid expenses		33,484	26,879
Deferred tax assets		2,275,432	1,505,559
Other non-current assets		5,176,679	6,356,734
Total non-current assets		68,475,856	68,112,291
TOTAL ASSETS		133,314,798	144,437,880

COMPANY BALANCE SHEET (CONT'D)

AS AT 31 DECEMBER 2021

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2021 Company	31 December 2020 Company
Current liabilities			
Short-term borrowings		4,223,947	9,560,000
Notes payable		4,146,970	4,518,429
Accounts payable		24,804,824	27,346,708
Contract liabilities		10,782,644	9,100,243
Employee benefits payable		709,834	777,782
Taxes payable		123,607	39,399
Other payables		3,307,858	4,849,391
Current portion of non-current liabilities		896,817	5,360,526
Other current liabilities		1,662,191	1,380,154
Total current liabilities		50,658,692	62,932,632
Non-current liabilities			
Long-term borrowings		21,828,309	11,220,486
Bonds payable		2,490,445	2,485,142
Lease liabilities		35,328	58,735
Long-term payables		17,539,608	18,560,200
Other non-current liabilities		107,745	42,288
Total non-current liabilities		42,001,435	32,366,851
Total liabilities		92,660,127	95,299,483
Shareholders' equity			
Share capital		15,705,971	15,181,353
Capital surplus	16(6)	20,816,669	18,655,502
Less: Treasury stocks		(382,271)	(382,271)
Other comprehensive income	16(7)	(30,627)	249,980
Surplus reserve	16(8)	2,639,825	2,639,825
Retained earnings	16(9)	1,905,104	12,794,008
Total shareholders' equity		40,654,671	49,138,397
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		133,314,798	144,437,880

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

Legal representative:

Leng Weiqing

Principal in charge of accounting:

Zhou Zhiyan

Head of accounting department:

Si Wenpei

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Item	Note	For the year ended 31	For the year ended 31	For the year ended 31	For the year ended 31
		December 2021	December 2020	December 2021	December 2020
		Consolidated	Consolidated	Company	Company
			(Restated, Note 2(33))		
Total revenue		131,387,852	137,285,056	18,291,990	26,819,161
Including: Revenue	4(55), 16(10)	130,681,450	136,540,320	18,291,990	26,819,161
Interest income		704,552	742,609	-	-
Fee and commission income		1,850	2,127	-	-
Total operating cost		(131,243,007)	(133,728,239)	(23,303,537)	(28,430,470)
Including: Operating cost	4(55), 16(10)	(111,482,759)	(114,199,019)	(19,739,294)	(24,710,971)
Interest costs		(103,242)	(77,760)	-	-
Fee and commission expenses		(917)	(765)	-	-
Taxes and surcharges	4(56)	(562,868)	(547,763)	(38,313)	(34,533)
Selling and distribution expenses	4(57)	(4,629,553)	(4,076,018)	(313,560)	(326,748)
General and administrative expenses	4(58)	(7,930,489)	(8,102,479)	(1,607,419)	(1,698,162)
Research and development expenses	4(59)	(5,405,769)	(4,854,084)	(234,709)	(479,596)
Financial expenses - net	4(60)	(1,127,410)	(1,870,351)	(1,370,242)	(1,180,460)
Including: Interest expenses		(1,161,087)	(2,074,545)	(1,488,718)	(1,462,926)
Interest income		316,627	450,029	189,596	324,077
Add: Other income	4(64)	996,998	1,119,036	53,824	140,240
Investment income	4(65), 16(11)	1,642,084	1,677,656	3,626,578	2,025,210
Including: Share of profit of associates and joint ventures		22,785	912,466	(610,422)	454,377
Losses arising from derecognition of financial assets measured at amortised cost		(16,108)	(36,529)	-	(4,153)
Exchange gains/(losses)		991	(1,166)	-	-
Gains/(Losses) on changes in fair value	4(66)	1,705,848	15,245	391,190	(318,677)
Asset impairment losses	4(62)	(4,525,332)	(1,117,707)	(189,595)	(63,805)
Credit impairment losses	4(63)	(10,986,962)	(1,733,883)	(9,548,221)	116,395
Gains/(Losses) on disposal of assets	4(67)	183,064	2,547,039	(148)	618,459
Operating (loss)/profit		(10,838,464)	6,063,037	(10,677,919)	906,513
Add: Non-operating income	4(68)	641,169	362,065	96,855	2,447
Less: Non-operating expenses	4(69)	(92,344)	(78,663)	(780)	(4,631)
Total (loss)/profit		(10,289,639)	6,346,439	(10,581,844)	904,329
Less: Income tax expenses	4(70)	49,508	(1,080,436)	820,315	147,055
Net (loss)/profit		(10,240,131)	5,266,003	(9,761,529)	1,051,384
Including: Net profit of the acquiree in a business combination under common control before the combination date		-	-	-	-
Attributable to shareholders of the parent company		(9,987,908)	3,758,175		
Minority interests		(252,223)	1,507,828		

CONSOLIDATED AND COMPANY INCOME STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Item	Note	For the year	For the year	For the year	For the year
		December 2021	December 2020	December 2021	December 2020
		Consolidated	Consolidated	Company	Company
Other comprehensive income, net of tax		(211,215)	(157,051)	-	280,607
Attributable to shareholders of the parent company		(199,970)	(94,535)	-	280,607
Other comprehensive income that will not be subsequently reclassified to profit or loss		766	(2,190)	-	-
Changes arising from remeasurement of net liability or net asset of defined benefit plan		766	(2,190)	-	-
Other comprehensive income that will be subsequently reclassified to profit or loss		(200,736)	(92,345)	-	280,607
Other comprehensive income that will be reclassified to profit or loss under the equity method		-	-	-	-
Changes in fair value of other debt investments		(25,655)	12,434	-	-
Changes in fair value of receivables financing through other comprehensive income		-	(137,616)	-	-
Provision for credit impairment of other debt investments and receivables financing		23,593	385,760	-	280,607
Effective portion of gains or losses on hedging instruments in a cash flow hedge		-	1,095	-	-
Differences on translation of foreign currency financial statements		(198,674)	(222,814)	-	-
Hedges of net investments overseas		-	(131,204)	-	-
Attributable to minority shareholders		(11,245)	(62,516)	-	-
Total comprehensive income		(10,451,346)	5,108,952	(9,761,529)	1,331,991
Attributable to shareholders of the parent company		(10,187,878)	3,663,640		
Attributable to minority shareholders		(263,468)	1,445,312		
Earnings per share					
Basic earnings per share (RMB Yuan)	4(71)	(0.64)	0.25		
Diluted earnings per share (RMB Yuan)	4(71)	(0.64)	0.24		

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

Legal representative:

Leng Weiqing

Principal in charge of accounting:

Zhou Zhiyan

Head of accounting department:

Si Wenpei

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Item	Note	For the year ended 31 December 2021 Consolidated	For the year ended 31 December 2020 Consolidated	For the year ended 31 December 2021 Company	For the year ended 31 December 2020 Company
Cash flows (used in)/from operating activities					
Cash received from sales of goods or rendering of services		135,776,016	141,480,294	23,213,824	27,108,709
Refund of taxes and surcharges		751,816	665,162	333,646	343,322
Cash received relating to other operating activities	4(72)	6,321,157	8,736,129	509,696	2,306,325
Sub-total of cash inflows		142,848,989	150,881,585	24,057,166	29,758,356
Cash paid for goods and services		120,831,688	118,284,340	27,258,609	25,486,073
Cash paid to and on behalf of employees		12,356,631	10,467,281	712,377	840,044
Payments of taxes and surcharges		5,380,559	5,666,557	471,666	482,467
Cash paid relating to other operating activities	4(72)	14,834,111	11,767,209	3,570,765	3,170,120
Sub-total of cash outflows		153,402,989	146,185,387	32,013,417	29,978,704
Net cash flows (used in)/from operating activities	4(73)	(10,554,000)	4,696,198	(7,956,251)	(220,348)
Cash flows from/(used in) investing activities					
Cash received from disposal of investments		15,818,311	16,762,934	3,057,078	-
Cash received from returns on investments		2,987,686	879,300	3,191,641	1,465,560
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,477,775	1,857,906	405,584	892,153
Net cash received from disposal of subsidiaries and other business units	4(73)	1,999,854	408,329	-	-
Cash received relating to other investing activities	4(72)	3,294,045	463,520	4,838,301	5,113,044
Sub-total of cash inflows		25,577,671	20,371,989	11,492,604	7,470,757
Cash paid to acquire fixed assets, intangible assets and other long-term assets		4,308,930	6,408,904	262,731	61,409
Cash paid to acquire investments		15,059,277	15,437,390	2,081,090	5,641,054
Net cash paid to acquisition of subsidiaries and other business units	4(73)	68,140	145,559	-	-
Cash paid relating to other investing activities	4(72)	282,257	1,984,662	7,606,283	9,730,003
Sub-total of cash outflows		19,718,604	23,976,515	9,950,104	15,432,466
Net cash flows from/(used in) investing activities		5,859,067	(3,604,526)	1,542,500	(7,961,709)
Cash flows from financing activities					
Cash received from capital contributions		3,350,092	8,263,287	-	-
Including: Cash received by subsidiaries from capital contributions by minority shareholders		3,350,092	8,263,287	-	-
Cash received from borrowings		25,756,943	26,388,645	17,522,620	24,353,490
Cash received from debentures		1,500,000	1,500,000	1,500,000	1,500,000
Cash received relating to other financing activities	4(72)	318,803	521,998	-	10,114,333
Sub-total of cash inflows		30,925,838	36,673,930	19,022,620	35,967,823
Cash repayments of borrowings		19,374,930	23,778,823	13,763,756	20,123,869
Cash repayments of debentures		2,842,153	6,315,000	2,842,153	1,500,000
Cash payments for distribution of dividends, profits or interest expenses		4,396,015	3,186,343	2,825,195	1,357,200
Including: Cash payments for dividends or profits to minority shareholders by subsidiaries		1,588,959	1,345,114	-	-
Cash paid relating to other financing activities	4(72)	2,147,808	926,225	50,404	94,936
Sub-total of cash outflows		28,760,906	34,206,391	19,481,508	23,076,005
Net cash flows from financing activities		2,164,932	2,467,539	(458,888)	12,891,818
Effect of foreign exchange rate changes on cash and cash equivalents					
		(143,585)	264,228	(31,125)	(96,577)
Net increase in cash and cash equivalents					
Add: Cash and cash equivalents at the beginning of the year		46,254,915	42,431,476	26,559,184	21,946,000
Cash and cash equivalents at the end of the year	4(73)	43,581,329	46,254,915	19,655,420	26,559,184

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

Legal representative:
Leng Weiqing

Principal in charge of accounting:
Zhou Zhiyan

Head of accounting department:
Si Wenpei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(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	Retained earnings	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 year		-	-	-	(94,535)	-	-	3,758,175	3,663,640	1,445,312	5,108,952
Capital contribution and withdrawal by shareholders											
Equity component of convertible bonds	4(44)	84,736	282,818	-	-	-	-	-	367,554	-	367,554
Injection of capital from minority shareholders		-	-	-	-	-	-	-	-	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)
Repurchase and cancellation of shares under equity incentive plan	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											
Appropriation to surplus reserve	4(53)	-	-	-	-	-	105,139	(105,139)	-	-	-
Appropriation to general risk reserve	4(53)	-	-	-	-	-	80,690	(80,690)	-	-	-
Distribution to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(1,348,607)	(1,348,607)
Appropriation to staff and workers' bonus and welfare fund	4(54)	-	-	-	-	-	-	(30,325)	(30,325)	(78,849)	(109,174)
Special reserve											
Appropriation in the current year		-	-	-	-	50,852	-	-	50,852	15,207	66,059
Use in the current year		-	-	-	-	(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

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

FOR THE YEAR ENDED 31 DECEMBER 2021

(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	Retained earnings	Sub-total		
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
Movements for the year ended 31 December 2021											
Total comprehensive income											
Net loss		-	-	-	-	-	-	(9,987,908)	(9,987,908)	(252,223)	(10,240,131)
Other comprehensive income		-	-	-	(199,970)	-	-	-	(199,970)	(11,245)	(211,215)
Total comprehensive income for the year		-	-	-	(199,970)	-	-	(9,987,908)	(10,187,878)	(263,468)	(10,451,346)
Capital contribution and withdrawal by shareholders											
Equity component of convertible bonds	4(44)	524,618	2,166,673	-	-	-	-	-	2,691,291	-	2,691,291
Injection of capital from minority shareholders	4(51)	-	(44,868)	-	-	-	-	-	(44,868)	3,413,944	3,369,076
Addition of subsidiaries	5	-	-	-	-	-	-	-	-	86,270	86,270
Disposal of subsidiaries	5	-	-	-	-	-	-	-	-	(224,891)	(224,891)
Capital withdrawal by minority shareholders	4(51)	-	591,121	-	-	-	-	-	591,121	(1,525,976)	(934,855)
Share-based payments included in shareholders' equity	4(51)	-	(5,506)	-	-	-	-	-	(5,506)	-	(5,506)
Others		-	-	-	(179,737)	-	-	-	(179,737)	65,094	(114,643)
Profit distribution	4(52)										
Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-
Appropriation to general risk reserve	4(53)	-	-	-	-	-	-	-	-	-	-
Distribution to shareholders	4(53)	-	-	-	-	-	-	-	-	(1,947,376)	(1,947,376)
Distribution to minority shareholders of subsidiaries	4(54)	-	-	-	-	-	-	(1,127,375)	(1,127,375)		(1,127,375)
Appropriation to staff and workers' bonus and welfare fund		-	-	-	-	-	-	(15,189)	(15,189)	(39,528)	(54,717)
Special reserve	4(54)										
Appropriation in the current year		-	-	-	-	82,932	-	-	82,932	32,920	115,852
Use in the current year		-	-	-	-	(71,297)	-	-	(71,297)	(35,472)	(106,769)
Balance at 31 December 2021		15,705,971	22,045,560	(382,271)	(509,829)	149,948	5,906,524	15,218,425	58,134,328	40,010,025	98,144,353

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

Legal representative:
Leng Weiqing

Principal in charge of accounting:
Zhou Zhiyan

Head of accounting department:
Si Wenpei

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings	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 year		-	-	-	280,607	-	1,051,384	1,331,991
Equity component of convertible bonds	4(44), 16(6)	84,736	282,818	-	-	-	-	367,554
Repurchase and cancellation of shares under equity incentive plan	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								
Appropriation to surplus reserve	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:

Leng Weiqing

Principal in charge of accounting:

Zhou Zhiyan

Head of accounting department:

Si Wenpei

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

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Item	Note	Share capital	Capital surplus	Treasury stock	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
Balance at 31 December 2020		15,181,353	18,655,502	(382,271)	249,980	2,639,825	12,794,008	49,138,397
Movements for the year ended 31 December 2021		-	-	-	-	-	(9,761,529)	(9,761,529)
Total comprehensive income		-	-	-	-	-	-	-
Net loss		-	-	-	-	-	(9,761,529)	(9,761,529)
Other comprehensive income	16(7)	524,618	2,166,673	-	-	-	-	2,691,291
Total comprehensive income for the year		-	(5,506)	-	-	-	-	(5,506)
Equity component of convertible bonds	4(44), 16(6)	-	-	-	(280,607)	-	-	(280,607)
Share-based payments included in shareholders' equity	4(51), 16(6)	-	-	-	-	-	-	-
Others	16(7)	-	-	-	-	-	-	-
Profit distribution		-	-	-	-	-	(1,127,375)	(1,127,375)
Distribution to shareholders	4(54), 16(9)	15,705,971	20,816,669	(382,271)	(30,627)	2,639,825	1,905,104	40,654,671
Balance at 31 December 2021								

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

Legal representative:

Leng Weiqing

Principal in charge of accounting:

Zhou Zhiyan

Head of accounting department:

Si Wenpei

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 Holdings Group Co., Ltd. (formerly Shanghai Electric (Group) Corporation, hereinafter "Electric Holdings"), 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 RMB9,010,950 thousand, including capital contribution by Electric Holdings with its equity and fixed assets in 17 companies at the considerations of RMB6,257,765 thousand and RMB3,185 thousand respectively, accounting for 69.48% of shareholding, and cash contribution of RMB2,750,000 thousand by other shareholders, accounting for 30.52% of shareholding.

Electric Holdings 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, Electric Holdings 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 RMB9,189,000 thousand.

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 RMB1 per share in Hong Kong, with an issuing size of 2,702,648 thousand shares. Meanwhile, Electric Holdings and Shenergy Group reduced their state-owned shares by selling 270,264 thousand shares. The issue price of the public offering was HKD1.70 per share. After the issue, the share capital of the Company increased to RMB11,891,648 thousand.

On 12 November 2008, pursuant to the resolution at the shareholders' meeting, the Company issued 616,039 thousand RMB-dominated ordinary shares with a par value of RMB1 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 thousand shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 thousand RMB-dominated ordinary shares with a par value of RMB1 per share privately, with an issue price of RMB7.03 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 thousand 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 thousand RMB-dominated ordinary shares with a par value of RMB1 per share and an issue price of RMB10.41 per share to Electric Holdings, 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 RMB1 of its 100% equity in Shanghai Heavy Machinery Plant Co., Ltd. (SHMP) with Electric Holdings' 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 Electric Holdings and the ancillary buildings and other assets therein. In 2016, the Company completed the non-public issue of 606,843 thousand 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 thousand RMB-dominated ordinary shares to Electric Holdings with an issue price of RMB7.55 per share in order to acquire 47.18% domestic shares of Shanghai Prime Machinery Company Limited (PMC), 50.10% equity in Thales SEC Transportation System Limited Company ("Thales SEC") (formerly Thales Saic Transportation System Limited Company), 100% equity in Shanghai Electric Group Asset Management Co., Ltd. ("Electric Asset Management"), the land use rights of 26 parcels of land owned by Electric Holdings 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 thousand shares to Electric Holdings 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 thousand 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 Electric Holdings and Shanghai Guosheng Group Investment Co., Ltd. to raise matching fund not exceeding RMB3 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 RMB3 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 thousand RMB-dominated ordinary shares with an issue price of RMB7.21 per share.

On 16 February 2015, the Company issued 6 million of A-share convertible bonds ("Electric Convertible Bonds", code: 113008) with a par value of RMB100 per bond and the total amount was RMB6 billion. Such convertible bonds can be converted into the Company's A shares at a price of RMB10.72 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 2021, 903,762 thousand shares were converted in total, and the Company's share capital was increased to 15,705,971 thousand shares 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, and the 1st H share shareholders' meeting in 2019, the Company granted 133,578 thousand shares with the granting price of RMB3.03 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 thousand. After completion of the repurchase and cancellation, the number of remaining restricted shares under the incentive scheme of all participants totalled 126,162 thousand.

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 thousand 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 2021

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

1 GENERAL INFORMATION (CONT'D)

In addition, Electric Holdings increased or reduced the Company's shares through the centralised price bidding system of Shanghai Stock Exchange ("SSE"). As at 31 December 2021, Electric Holdings held 8,227,400 thousand A shares and 313,642 thousand H shares of the Company, totalling 8,541,042 thousand shares, accounting for 54.38% of the total share capital of the Company.

The parent company and ultimate holding company of the Company is Electric Holdings.

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 2021, 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 sales 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 sales of elevators, large and medium sized electrical motors, intelligent manufacturing equipment, industrial base parts, construction and industrialisation 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 utilisation, sewage treatment, flue gas treatment, rail transit, etc. Provision of industrial Internet services; Provision financial services, including finance lease, insurance brokers; Provision of 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 18 April 2022.

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 measurement of 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, amortisation of intangible assets and right-of-use 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, critical accounting estimates and key assumptions applied in determining significant accounting policies are set out in Note 2(32).

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance came into effect on 3 March 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 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely presented the consolidated and company's financial position of the Company as at 31 December 2021 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 2021

(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 total comprehensive incomes for the period attributable to the Company are recognised as minority interests, net profit attributable to minority interests and total comprehensive incomes attributable to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where the loss for the current period attributable to the minority shareholders of the subsidiaries exceeds the share of the minority interests in the opening balance of owners' equity, the excess is deducted against minority interests. Unrealised profits and losses resulting from the sales 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 sales 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 2021

(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 "retained earnings" 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 or loss, the related transaction costs are directly recognised in profit or 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 over one year as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets. Others are included in financial assets held for trading.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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, at initial recognition, 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, financial guarantee contracts and loan commitments 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 at the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition, determines them as the financial instruments in Stage 1 and recognises the 12-month ECL provision.

For the financial instruments in Stage 1 and Stage 2, the interest income is calculated based on book balance 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 book balance less impairment provision appropriated and the effective interest rate.

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.

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 trade acceptance notes receivable, accounts receivable and contract assets with significantly different credit risk characteristics and occurrence of credit impairment, the Group evaluated the distribution of expected cash flows under multiple scenarios based on historical experience of credit losses, current situations and forecasts of future conditions of contract counterparties under different situations, and made corresponding provision for ECL according to ECL rate and the related probability weight under different scenarios.

Receivables 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 based on its judgement whether there are significant differences in customers' credit risk characteristics and measures the ECL based on groups. Basis for determining groupings is as follows:

1. Notes receivable

Grouping 1 Bank acceptance notes

Grouping 2 Trade acceptance notes

2. Accounts receivable

Grouping 1 Accounts receivable ageing 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 2021

(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 bank acceptance notes receivable and receivables financing arising from sales of goods and rendering of services in the ordinary course of operating activities which are classified into 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 lifetime ECL rate.

For the trade acceptance notes receivable, 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 the rate of the ECL during lifetime in order to measure the ECL.

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 12-month or lifetime ECL rate.

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 payable, 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 2021

(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 2021

(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, joint 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 2021

(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) Constructions 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 governments and relevant departments or PPP project implementation institutions authorised by the governments for the Group's involvement in the public-private partnership ("PPP") project contracts. The right may enable the Group to provide public products and services applying PPP project assets during the operation period of PPP project contracts and charge an uncertain amount from the users of the public products and services.

The Group recognises the excess of the construction income recognised for a PPP project over the determinable amount of cash or other financial assets that the Group is entitled to collect as intangible assets, which are amortised on a straight-line basis over the period from the completion date of PPP project to the franchise termination date.

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

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

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 2021

(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 2021

(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 or 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 dividend is recognised as a liability in the period in which the dividend distribution is 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 and provision for loan commitments based on the ECL are 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 2021

(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)

(23) Revenue recognition (Cont'd)

Revenue from PPP project contracts

The Group provides PPP project asset construction, operation and maintenance thereafter, and other services as agreed in the PPP project contracts. When providing PPP project asset construction services or subcontracting these services to other parties, the Group judges whether it is acting as a principal or an agent based on if it has the control over relevant goods or services before being transferred to customers, and recognises revenue and contract assets during the construction period.

During the operation period, the Group is entitled to charge fees from those who obtain public products and services but there is an uncertainty to the charge amount. When the PPP project assets are ready for their intended use, the confirmed construction income shall be recognised as intangible assets, and the contract assets recognised during the relevant construction period shall also be included in intangible assets. During the operation period, where the Group is eligible to collect a determinable amount of cash or other financial assets, the consideration shall be recognised as receivables when the Group has the right to collect (only depending on the passage of time), and the contract assets recognised during the construction period shall be presented as contract assets or other non-current assets according to whether they are expected to be realised within one year as from the balance sheet date.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

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 losses). 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.

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 payments

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

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.

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

(26) Share-based payments (Cont'd)

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.

(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) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(27) Leases (Cont'd)

(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.

(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.

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

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

(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.

(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 2021

(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) Debt restructuring

Debt restructuring refers to a transaction in which the time, amount or method for repayment of debts is agreed between the creditor and the debtor or ruled by the court without changing the counterparty.

The Group as the creditor

For debt restructuring in which the debtor converts its debts to the Group into equity instruments and the Group accounts them for as financial assets after acquiring such equity investments, the financial assets obtained by the Group are initially measured at fair value. The difference between the initially recognised amounts of financial assets and the carrying amount on the date when the Group's debts are derecognised shall be included in profit or loss for the current period.

For debt restructuring in which the debtor offsets its debts to the Group against its inventories and other non-financial assets, the Group determines the initial cost of non-financial assets obtained at the fair value of waived debts and based on other relevant costs including taxes directly attributable to the assets that incurred before bringing the assets to current position and condition, or to be ready for their intended use. The difference between the fair value and carrying amount of debts waived by the Group is included in profit or loss for the current period.

(32) 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 judgements 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

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.

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 2021, the economic scenario weights of "benchmark", "unfavourable" and "favourable" accounted for 60%, 30% and 10% (2020: 60%, 30% and 10%) respectively. The Group regularly monitors and reviews important macroeconomic assumptions and parameters for calculating ECL, 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, completed investments in fixed-assets, etc. In 2021, 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:

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

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

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

	Economic scenarios		
	Benchmark	Unfavourable	Favourable
Gross domestic product	5.30%	4.60%	5.90%
Production price index	3.02%	0.50%	4.00%
Industrial added value	4.93%	3.50%	6.00%
Broad money supply	8.43%	7.40%	9.20%
Completed investments in fixed assets	5.67%	4.50%	7.80%

In 2020, the key macroeconomic parameters applied by the Group in various scenarios were as follows:

	Economic 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, the Group historically smoothed the above certain macroeconomic parameters in calculating the ECL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(32) 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 and credit-impaired

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 which affects the probability of default, 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.

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

(32) 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 construction services.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(32) 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 tax 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 tax 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

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. 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.

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

(32) 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 or 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 Broetje-Automation GmbH, the Group's subsidiary, is expected to be calculated using various economic scenarios in the current year. 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, Broetje-Automation GmbH, Ningbo Hi-Firm Environmental Protection Company Limited and Wujiang Taihu Industrial Wastes Treatment Company Limited described in Note 4(26).

If management revises the pre-tax discount rate applied to the discounted cash flows to the reasonable and possible extent, 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, Broetje-Automation GmbH, Ningbo Hi-Firm Environmental Protection Company Limited and Wujiang Taihu Industrial Wastes Treatment Company Limited.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(32) 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.

(33) Significant changes in accounting policies

In 2021, the Ministry of Finance issued the Circular on Issuing Interpretation No. 14 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 1), the Notice on Adjusting the Application Scope of the Provisions on the Accounting Treatment Regarding COVID-19-Related Rent Concessions (Cai Kuai [2021] No. 9), and the Q&A on the Implementation of Accounting Standards for Business Enterprise. The financial statements for the year ended 31 December 2021 have been prepared in accordance with the above circulars and Q&A, and the impacts on the financial statements of the Group are as follows:

(a) Presentation of transportation costs

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected The year ended 31 December 2020	
		The Group	The Company
The Company reclassified transportation costs from selling and distribution expenses to operating cost, which is incurred before the control of goods is transferred to the customer and for the fulfilment of sale contract.	Selling and distribution expenses	(249,714)	-
	Operating cost	249,714	-

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

(33) Significant changes in accounting policies (Cont'd)

(b) Changes in accounting treatment for PPP project contracts

Since 1 January 2021, the Group has performed accounting treatments and made retrospective adjustments in accordance with the Interpretation No. 14 of Accounting Standards for Business Enterprises and the Q&A on the Implementation of Accounting Treatment of Social Capital Partners for PPP Project Contracts. In accordance with relevant provisions, the Group recognised the cumulative effect of initially applying the above provisions as an adjustment to the opening balance of retained earnings in 2021 and other relevant line items in the financial statements. The comparatives for the year ended 31 December 2020 were not restated. The Group's adoption of the above provisions has no significant impact on the opening balance of retained earnings in 2021, and the impact of the reclassification of relevant line items in the financial statements is as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected 1 January 2021	
		The Group	The Company
The portion of the construction income from PPP project recognised as intangible assets is included in contract assets recognised during relevant construction period under the item of "intangible assets". Other contract assets recognised during the construction period are included under the items of "contract assets" or "other non-current assets" according to whether they are expected to be realised within one year as from the balance sheet.	Constructions in progress	(3,600,734)	-
	Long-term receivables	(643,420)	-
	Other non-current assets	655,347	-
	Accounts receivable	96,130	-
	Intangible assets	3,492,677	-

Since 1 January 2021, the Group has performed accounting treatments and made retrospective adjustments in accordance with the Interpretation No. 14 of Accounting Standards for Business Enterprises and the Q&A on the Implementation of Accounting Treatment of Social Capital Partners for PPP Project Contracts. It is estimated that credit impairment losses, financial expenses and deferred tax expenses subject to adjustment at the beginning of 2021 are insignificant and have no significant impact on the financial statements. Therefore, no adjustment was made to the opening balance of retained earnings in 2021 and relevant line items in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 Taxation Administration 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 Nuclear Power Equipment Co., Ltd.	2021	2023
Shanghai Electric Shang Zhong Recasting and Forging Co., Ltd.	2021	2023
Shanghai Electric-SPX Engineering & Technologies Co., Ltd.	2021	2023
Shanghai Denso Fuel Injection Co., Ltd.	2021	2023
Shanghai Electric Fuji Electric Technology Co., Ltd.	2021	2023
Shanghai Electric SHMP Pulverising & Special Equipment Co., Ltd.	2021	2023
Shanghai Electric Kesby Nuclear Power Pump Valve Co. Ltd.	2021	2023
Shenzhen Yinghe Technology Co., Ltd.	2021	2023
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 Electric Gas Turbine Co., Ltd.	2020	2022
Shanghai No.1 Machine Tool Works Co., Ltd.	2020	2022
Shanghai Electric Wind Power Group Co., Ltd.	2020	2022
Shanghai Machine Tool Works Co., Ltd.	2020	2022
Shanghai Centrifugal Machinery Research Institute Co., Ltd.	2020	2022
Shanghai Institute of Mechanical & Electrical Engineering 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
Thales SEC Transportation System Limited Company	2019	2021
Shanghai Electric Distributed Energy Technology Co., Ltd.	2019	2021
Shanghai Electric Guoxuan New Energy Technology Co., Ltd.	2019	2021

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 Machine Tool 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 Co., Ltd.	25.00%
Shanghai Electric Group Europa Co., Ltd.	15.00%
Shanghai Electric Hong Kong Co., Ltd.	16.50%
Shanghai Electric New Era Co., Ltd.	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 2021	31 December 2020
Cash on hand	8,555	1,487
Cash at bank	21,507,321	19,957,985
Other cash balances	3,843,305	4,284,360
Including: Total overseas deposits	3,146,867	2,578,770
	25,359,181	24,243,832

As at 31 December 2021, other cash balances represented restricted cash at bank and on hand of RMB3,752,602 thousand (31 December 2020: RMB4,271,425 thousand), including the central bank reserve, amounting to RMB2,350,640 thousand (31 December 2020: RMB3,151,720 thousand), of the Group's subsidiary Shanghai Electric Group Finance Co., Ltd. ("Finance Company").

(2) Placements with banks and other financial institutions

	31 December 2021	31 December 2020
Deposits with domestic banks	28,992,175	36,593,978

As at 31 December 2021 and 31 December 2020, 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 2021

(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 2021	31 December 2020
Investments in funds held for trading (a)	5,754,200	5,369,677
Investments in equity instruments held for trading	423,721	784,568
Wealth management products	430,793	578,238
Non-hedging derivative financial instruments	312,550	325,533
Investments in debenture held for trading	681,833	329,898
	<u>7,603,097</u>	<u>7,387,914</u>

The fair value of investments in debenture held for trading and investments in equity instruments 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 mainly determined by open market disclosures or quoted prices.

(a) Investments in funds

The investments in 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 2021
Fund investment I	379,536	Investments in money market instruments with good liquidity	174.61 billion	174.61 billion	379,536
Fund investment II	363,605	Investments in money market instruments with good liquidity	53.18 billion	53.18 billion	363,605
Fund investment III	349,356	Investments in money market instruments with good liquidity	191.78 billion	191.78 billion	349,356
Fund investment IV	270,577	Investments in money market instruments with good liquidity	133.49 billion	133.49 billion	270,577
Fund investment V	226,136	Investments in money market instruments with good liquidity	1.02 billion	1.02 billion	226,136

The investments in funds held by the Group were the structured entities invested by the Group, which were 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 had neither obligation nor intention to provide financial support to the funds.

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

(4) Derivative financial assets and derivative financial liabilities

	31 December 2021	31 December 2020
Derivative financial assets - forward foreign exchange contracts	6,322	6,162
Derivative financial assets - options	37,779	91,984
	<u>44,101</u>	<u>98,146</u>
Derivative financial liabilities - forward foreign exchange contracts	<u>9,625</u>	<u>19,258</u>

As at 31 December 2021, derivative financial assets and derivative financial liabilities were mainly options and forward foreign exchange contracts, with nominal amounts of RMB1,503,729 thousand and RMB18,694 thousand (31 December 2020: RMB1,361,945 thousand and RMB421,856 thousand).

(5) Notes receivable

	31 December 2021	31 December 2020
Trade acceptance notes	4,475,145	4,997,255
Bank acceptance notes	4,426,292	3,536,675
Less: Provision for bad debts	(1,090,105)	(56,553)
	<u>7,811,332</u>	<u>8,477,377</u>

(a) As at 31 December 2021, the Group's pledged notes were as follows:

Bank acceptance notes	287,512
Trade acceptance notes	82,812
	<u>370,324</u>

(b) As at 31 December 2021, the Group's notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)	2,300,544	1,338,207
Trade acceptance notes	-	359,306
	<u>2,300,544</u>	<u>1,697,513</u>

- (i) For the year ended 31 December 2021, a few of the bank acceptance notes were endorsed or discounted and derecognised by part of the Group's subsidiaries, who thereby classified 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 classified the balance of other bank acceptance notes receivable as financial assets at fair value through other comprehensive income (Note 4(7)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(5) Notes receivable (Cont'd)

(c) Provision for bad debts

For notes receivables arising from ordinary operating activities such as sales of goods and rendering of services, the Group recognises the lifetime ECL regardless of whether there exists a significant financing component.

- (i) As at 31 December 2021, the Group's trade acceptance notes receivable from subsidiaries within a third party group totalled RMB2,172,973 thousand, and the related contract liabilities amounted to RMB379,390 thousand. The Group evaluated the distribution of expected cash flows under multiple scenarios based on historical recoverability, current situations and forecasts of future conditions of different subsidiaries within the third party group, and made corresponding provision for ECL of RMB990,110 thousand according to the default loss rate and the related probability weight under various scenarios.

In addition, certain subsidiaries of the Group offset trade acceptance notes payable to the Group against their assets ("asset-for-debt transaction"). As at 31 December 2021, online signing procedures for related assets under the asset-for-debt transaction with respect to the trade acceptance notes of RMB170,176 thousand had been completed, and the Group derecognised receivables and recognised other non-current assets of RMB170,176 thousand accordingly.

- (ii) Notes receivable with provision for bad debts made on the grouping basis are analysed as follows:

Grouping - Grouping of bank acceptance notes:

As at 31 December 2021, the Group measured provision for bad debts based on the lifetime ECL. The Group expected that there was no significant credit risk associated with its bank acceptance notes in this grouping and did not expect that there would be any significant losses from non-performance by these banks. Therefore, there was no need to make provision for bad debts.

Grouping - Grouping of trade acceptance notes:

As at 31 December 2021, the Group measured provision for bad debts based on the lifetime ECL, which amounted to RMB99,995 thousand (31 December 2020: RMB56,553 thousand).

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

(6) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	50,989,672	40,178,633
Less: Provision for bad debts	(17,560,454)	(7,379,531)
	33,429,218	32,799,102

	31 December 2021		31 December 2020	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual provision ((d)(iii))	15,552,463	(11,842,709)	1,086,586	(1,069,694)
Sovereign credit portfolio ((d)(iv))	1,140,600	(961,470)	1,097,017	(891,191)
Ageing grouping of accounts receivable by sector ((d)(v))	34,296,609	(4,756,275)	37,995,030	(5,418,646)
	50,989,672	(17,560,454)	40,178,633	(7,379,531)

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

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

	31 December 2021	31 December 2020
Not overdue	15,635,655	14,579,811
Overdue within 1 year	14,364,601	13,143,190
Overdue 1 to 2 years	8,284,690	4,506,349
Overdue 2 to 3 years	6,081,529	2,445,500
Overdue 3 to 4 years	1,644,027	1,250,383
Overdue 4 to 5 years	1,095,355	1,516,724
Overdue over 5 years	3,883,815	2,736,676
	50,989,672	40,178,633

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

	31 December 2021	31 December 2020
Within 1 year	27,367,203	25,533,607
1 to 2 years	8,424,793	5,889,994
2 to 3 years	8,088,301	2,809,059
3 to 4 years	1,814,957	1,594,829
4 to 5 years	1,125,568	1,531,260
Over 5 years	4,168,850	2,819,884
	50,989,672	40,178,633

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(6) Accounts receivable (Cont'd)

(b) As at 31 December 2021, 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	10,427,189	(8,015,450)	20.45%

(c) Accounts receivable derecognised due to transfer of financial assets are analysed as follows:

For the year ended 31 December 2021, the Group had no accounts receivable that were derecognised after the Group had applied a non-recourse factoring (2020: RMB2,644,971 thousand).

(d) Provision for bad debts

(i) Movements of provision for bad debts of accounts receivable:

31 December 2020	7,379,531
Accrual in the current year	10,834,975
Reversal in the current year	(570,007)
Decrease due to disposal of subsidiaries	(35,570)
Current year write-off	(27,776)
Transfer-out of derecognised accounts receivable	(20,699)
31 December 2021	<u>17,560,454</u>

(ii) As at 31 December 2021, provision for bad debts amounted to RMB10,799,405 thousand and that recovered or reversed comprised RMB534,437 thousand, including provision for bad debts made on the individual basis amounting to RMB32,913 thousand.

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

(6) Accounts receivable (Cont'd)

(d) Provision for bad debts (Cont'd)

- (iii) As at 31 December 2021, accounts receivable with provision for bad debts made on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Accounts receivable 1	3,478,575	100%	3,478,575	(a)
Accounts receivable 2	2,191,732	52%	1,147,232	(a)
Accounts receivable 3	1,786,058	100%	1,783,648	(a)
Accounts receivable 4	1,777,807	50%~70%	962,048	(b)
Accounts receivable 5	1,193,017	54%	643,947	(a)
Others(involved more than 300 companies)	5,125,274	26%-100%	3,827,259	The other party in a difficult financial situation, unrecoverable by estimation
	<u>15,552,463</u>		<u>11,842,709</u>	

- (a) Since May 2021, the Group has identified that accounts receivable of its subsidiary, Shanghai Electric Communication Technology Co., Ltd ("Communication Company"), were overdue in succession, with the collection of repayments stagnated. In order to reduce losses, Communication Company has initiated formal legal proceedings to related clients successively. As at 31 December 2021, Communication Company recognised the ECL by calculating the probability-weighted present value of the difference between the contractual cash flows from accounts receivable and cash flows expected to be received under different scenarios, taking into account the latest developments in litigation, professional legal advice from external lawyers and the asset preservation related to the litigation. As at 31 December 2021, the ECL accumulated to RMB7,053,402 thousand, of which RMB6,995,880 thousand was accrued in the current period. Communication Company may accrue further losses if there is a material adverse change such as subsequent litigations or further deterioration of the counterparts' repayment ability.
- (b) As at 31 December 2021, the Group's receivables from various subsidiaries within a third party group(4)(5)(c)(i) represented RMB1,777,807 thousand. The Group evaluated the distribution of expected cash flows under multiple scenarios based on the historical experience of credit losses, management mode, current situations and forecasts of future conditions of subsidiaries under different conditions within the third party group, and made corresponding provision for ECL of RMB962,048 thousand according to the ECL rate and the related probability weight under various scenarios.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(6) Accounts receivable (Cont'd)

(d) Provision for bad debts (Cont'd)

- (iv) As at 31 December 2021, accounts receivable with a book value of RMB1,140,600 thousand, provision for bad debts of RMB961,470 thousand, net book value of RMB179,130 thousand (31 December 2020: book value of RMB1,097,017 thousand, provision for bad debts of RMB891,191 thousand, net book value of RMB205,826 thousand) were accounts receivable with sovereign credit risk.
- (v) As at 31 December 2021, except for the accounts receivable with sovereign credit risk mentioned in (iv), accounts receivable with ageing grouping by sector with provision for bad debts made on the grouping basis were analysed as follows:

	31 December 2021		
	Book balance		Provision for bad debts
	Amount	Lifetime ECL rate	Amount
Not overdue	14,705,795	0.1%-4%	265,205
Overdue within 1 year	10,127,168	5%-17%	1,104,240
Overdue 1 to 2 years	4,068,579	3%-37%	743,904
Overdue 2 to 3 years	2,124,461	17%-82%	521,641
Overdue 3 to 4 years	1,366,097	34%-100%	566,070
Overdue 4 to 5 years	781,428	54%-100%	547,213
Overdue over 5 years	1,123,081	78%-100%	1,008,002
	<u>34,296,609</u>		<u>4,756,275</u>

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

(6) Accounts receivable (Cont'd)

(d) Provision for bad debts (Cont'd)

(vi) As at 31 December 2020, 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		
	Book balance		Provision for bad debts
	Amount	Lifetime ECL rate	Amount
Not overdue	14,530,302	0.1%-3%	305,847
Overdue within 1 year	13,077,227	1%-13%	961,380
Overdue 1 to 2 years	4,136,529	3%-37%	447,039
Overdue 2 to 3 years	2,202,445	15%-82%	592,721
Overdue 3 to 4 years	1,139,689	32%-100%	608,736
Overdue 4 to 5 years	1,139,415	50%-100%	834,299
Overdue over 5 years	1,769,423	78%-100%	1,668,624
	<u>37,995,030</u>		<u>5,418,646</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(7) Receivables financing

		31 December 2021	31 December 2020
Accounts receivable measured at fair value through other comprehensive income	(a)	53,849	9,960,333
Notes receivable measured at fair value through other comprehensive income	(b)	1,091,644	951,913
		1,145,493	10,912,246

(a) *Accounts receivable measured at fair value through other comprehensive income*

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

	31 December 2021	31 December 2020
Not overdue	39,870	4,282,786
Overdue within 1 year	13,979	3,537,446
Overdue 1 to 2 years	-	1,999,518
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
	53,849	9,960,333

(ii) As at 31 December 2021, 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 RMB53,849 thousand (31 December 2020: RMB9,960,333 thousand).

For the year ended 31 December 2021, the Group had no receivables financing that were derecognised after the Group had applied a non-recourse factoring (2020: RMB5,522,771 thousand).

(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 classified the balance of the bank acceptance notes as financial assets at fair value through other comprehensive income.

As at 31 December 2021, the Group measured the provision for bad debts of notes receivable at fair value through other comprehensive income based on the lifetime ECL. The Group expected that its bank acceptance notes had similar credit risk characteristics and 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. Therefore, no provision for bad debts was made.

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)

As at 31 December 2021, notes receivable presented as receivables financing amounted to RMB122,712 thousand, which were pledged as collateral for bank acceptance notes (31 December 2020: RMB350,264 thousand).

As at 31 December 2021, the Group's notes receivable presented in receivables financing endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	5,713,599	-

(8) Prepayments

	31 December 2021	31 December 2020
Prepayments	13,424,089	18,057,070

(a) The ageing of prepayments was analysed below:

	31 December 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	8,522,835	63.49%	11,570,717	64.08%
1 to 2 years	1,884,551	14.04%	3,521,412	19.50%
2 to 3 years	856,592	6.38%	1,834,468	10.16%
Over 3 years	2,160,111	16.09%	1,130,473	6.26%
	<u>13,424,089</u>	<u>100.00%</u>	<u>18,057,070</u>	<u>100.00%</u>

As at 31 December 2021, prepayments with ageing over one year amounted to RMB4,901,254 thousand (31 December 2020: RMB6,486,353 thousand), which mainly represented prepayments for equipment for contract projects. Those accounts were not settled for such projects had not been completed.

(b) As at 31 December 2021, the five largest prepayments collected by debtors were analysed as follows:

	Amount	% of total prepayments
Total of the five largest prepayments	1,415,025	10.54%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(9) Other receivables

	31 December 2021	31 December 2020
Receivables from related parties (Note 8(6))	1,876,058	1,524,308
Receivables from third parties	7,059,227	7,686,587
Dividends receivable (a)	107,304	99,228
Interest receivable (a)	139,248	87,289
	<u>9,181,837</u>	<u>9,397,412</u>
Less: Provision for bad debts	(471,129)	(461,383)
	<u>8,710,708</u>	<u>8,936,029</u>

(a) As at 31 December 2021, the Group made individual provision for bad debts for dividends receivable and interest receivable, the above receivables were in Stage 1 and no major bad debt provision was made.

(b) As at 31 December 2021, other receivables with provision for bad debts made on the individual basis were analysed as follows:

Stage 3	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Receivables	<u>1,015,622</u>	21%	<u>212,114</u>	Unrecoverable by estimation as for the remaining, considering the guarantee obligations to be performed

(c) As at 31 December 2021, other receivables with provision for bad debts made on the grouping basis were analysed as follows:

	31 December 2021			31 December 2020		
	Book balance	Provision for bad debts		Book 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>6,055,999</u>	<u>35,213</u>	0.1%-2%	<u>5,989,249</u>	<u>31,069</u>	0.1%-2%
Stage 2 - Lifetime ECL						
Receivables between 1 and 2 years from related parties	<u>-</u>	<u>-</u>	-	<u>1,015,622</u>	<u>182,114</u>	18%
Stage 3 - Lifetime ECL						
1 to 2 years	675,415	10,663	0.1%-5%	1,373,380	46,087	1%-5%
2 to 3 years	460,057	8,014	1%-15%	474,336	33,257	7%-15%
Over 3 years	728,192	205,125	18%-100%	358,308	168,856	18%-100%
	<u>1,863,664</u>	<u>223,802</u>		<u>2,206,024</u>	<u>248,200</u>	

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

(9) Other receivables (Cont'd)

(d) 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 2020	31,069	182,114	248,200	461,383
Net increase in the current year	4,144	(182,114)	187,716	9,746
Balance at 31 December 2021	35,213	-	435,916	471,129

(e) As at 31 December 2021, other receivables from top five debtors in respect of outstanding balance were analysed as follows:

	Nature	Balance	Ageing	% of the total balance of other receivables	Provision for bad debts
Other receivables 1	Related party loans	1,015,622	1 to 2 years	11%	212,114
Other receivables 2	Performance bond	401,199	within 1 year	4%	-
Other receivables 3	Land collection and savings	393,576	1 to 2 years	4%	-
Other receivables 4	Performance bond	319,500	within 1 year	3%	-
Other receivables 5	Performance bond	300,000	within 1 year	3%	-
		<u>2,429,897</u>			<u>212,114</u>

(10) Financial assets purchased under resale agreements

	31 December 2021	31 December 2020
Classification of reverse repurchase agreements by collaterals:		
- Corporate bonds	<u>188,202</u>	<u>79,301</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(11) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2021			31 December 2020		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Materials in transit	24,048	-	24,048	128,026	-	128,026
Raw materials	5,351,033	575,737	4,775,296	6,029,525	535,745	5,493,780
Self-produced semi-finished goods	1,036,247	43,429	992,818	1,037,305	62,361	974,944
Work in progress	13,914,983	950,310	12,964,673	10,164,560	765,866	9,398,694
Finished goods	16,256,850	2,619,837	13,637,013	14,052,018	510,274	13,541,744
Repair accessories	363,431	-	363,431	342,244	-	342,244
Low-value consumables	35,599	1,471	34,128	24,562	855	23,707
Others	88,062	-	88,062	82,918	-	82,918
	<u>37,070,253</u>	<u>4,190,784</u>	<u>32,879,469</u>	<u>31,861,158</u>	<u>1,875,101</u>	<u>29,986,057</u>

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 2021, the carrying amount of the inventories pledged as collaterals for short-term bank mortgage loans was none (31 December 2020: Nil).

(b) Provision for decline in the value of inventories is analysed as follows:

	31 December 2020	Increase in the current year	Decrease in the current year			Differences on translation of foreign currency financial statements	31 December 2021
		Provision	Reversal	Write-off	Other decrease		
Raw materials	535,745	189,080	(113,556)	(31,352)	-	(4,180)	575,737
Self-produced semi-finished goods	62,361	8,061	(26,602)	(391)	-	-	43,429
Work in progress	765,866	1,165,088	(206,437)	(772,689)	-	(1,518)	950,310
Finished goods	510,274	2,253,763	(119,444)	(20,413)	-	(4,343)	2,619,837
Low-value consumables	855	624	(8)	-	-	-	1,471
	<u>1,875,101</u>	<u>3,616,616</u>	<u>(466,047)</u>	<u>(824,845)</u>	<u>-</u>	<u>(10,041)</u>	<u>4,190,784</u>

As at 31 December 2021, Communication Company assessed the net realisable value of inventories and made RMB2,226,129 thousand for the provision for decline in the value of inventories.

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

(12) Contract assets

	31 December 2021	31 December 2020
Contract assets	44,506,875	40,704,869
Less: Provision for impairment of contract assets	(1,637,696)	(1,114,855)
Less: Contract assets included in other non-current assets(Note 4(29))	(11,675,355)	(10,434,130)
	<u>31,193,824</u>	<u>29,155,884</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 2021 and 31 December 2020, the Group's contract assets with provision for impairment made on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for impairment	Reason
Contract assets 1	275,587	55%	150,578	(i)
Contract assets 2	181,443	100%	181,443	(ii)
Contract assets 3	47,651	100%	47,651	The other party in a difficult financial situation, unrecoverable by estimation
Others	148,662	21%-100%	110,854	The other party in a difficult financial situation, unrecoverable by estimation
	<u>653,343</u>		<u>490,526</u>	

- (i) As at 31 December 2021, the Group's receivables from various subsidiaries within a third party group(4(5)(c)(i)) represented RMB275,587 thousand. The Group evaluated the distribution of expected cash flows under different scenarios based on historical recoverability, management mode, current situations and forecasts of future conditions of subsidiaries within the third party group under different situations, and made corresponding provision for ECL of RMB150,578 thousand according to ECL rate and the related probability weight under different scenarios.
- (ii) As at 31 December 2021, the Group's receivables from a certain client represented RMB492,296 thousand, including contract assets of RMB181,443 thousand. As the client was short of funding and got involved in several litigations, the Group expected it was difficult to recover the contract assets, and therefore made provision for impairment of the contract assets in full.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(12) Contract assets (Cont'd)

(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 2020, the Group's contract assets were not overdue. Contract assets with provision for impairment made on the individual basis were analysed as follows:

	Book 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 RMB241,165 thousand. As the client was short of funding and got involved in several litigations, the Group expected it was difficult to recover the contract assets, and therefore made provision for impairment of the contract assets in full.

(c) As at 31 December 2021, contract assets with provision for bad debts made on the grouping basis were analysed as follows:

Grouping - Contract assets:

	31 December 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	<u>43,853,532</u>	0.1%-2.7%	<u>1,147,170</u>

(d) As at 31 December 2020, contract assets with provision for bad debts made on the grouping basis were analysed as follows:

Grouping - Contract assets:

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	<u>40,215,789</u>	0.1%-2.7%	<u>625,775</u>

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

(13) Assets held for sale and liabilities held for sale

	31 December 2021		
	Carrying amount before transfer to held for sale	Provision for impairment of assets held for sale	Carrying amount
Assets held for sale -			
Shanghai Electric Nantong Guohai Water Treatment Co., Ltd.			
Accounts receivable	16,258	-	16,258
Prepayments	16	-	16
Inventories	41	-	41
Other receivables	4,274	-	4,274
Contract assets	6,583	-	6,583
Other current assets	1,359	-	1,359
Fixed assets	2	-	2
Long-term receivables	15,175	-	15,175
	<u>43,708</u>	<u>-</u>	<u>43,708</u>
Liabilities held for sale -			
Shanghai Electric Nantong Guohai Water Treatment Co., Ltd.			
Accounts payable	3,851		3,851
Contract liabilities	38		38
Employee benefits payable	14		14
Taxes payable	15		15
Other payables	31,650		31,650
	<u>35,568</u>		<u>35,568</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

	31 December 2020		
	Carrying amount before transfer to held for sale	Provision for impairment of assets held for sale	Carrying amount
Assets held for sale -			
Shanghai Boiler Works Co., Ltd. idle assets -			
Accounts receivable	312,636	(191,064)	121,572
Inventories	69,378	(60,500)	8,878
Other receivables	19,906	(19,374)	532
Long-term prepaid expenses	40,286	-	40,286
Sub-total	442,206	(270,938)	171,268
Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd.			
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
Sub-total	179,607	-	179,607
Total	621,813	(270,938)	350,875
Liabilities held for sale -			
Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd.			
Accounts payable	518	-	518
Taxes payable	7,611	-	7,611
Other payables	2	-	2
Total	8,131	-	8,131

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

(14) Current portion of non-current assets

		31 December 2021	31 December 2020
Finance lease receivables	4(17)	2,549,792	2,945,802
Other long-term receivables	4(17)	139,448	410,840
Current portion of other non-current assets arising from PPP project	4(29)	114,466	-
Loans and advances	4(16)	17,124	3,283
		<u>2,820,830</u>	<u>3,359,925</u>

(15) Other current assets

		31 December 2021	31 December 2020
Loans due within 1 year	(a)	4,849,548	6,180,989
Other debt investments due within 1 year (Note 4(18))	(b)	7,570,419	8,667,077
Input VAT to be offset		1,975,723	1,950,078
Discounted notes and other short-term debt investments	(c)	941,895	126,536
Prepaid VAT		337,329	275,837
Prepaid income tax		263,990	27,548
Others		166,299	249,215
		<u>16,105,203</u>	<u>17,477,280</u>

(a) Loans due within 1 year

	31 December 2021			31 December 2020		
	Total	Provision for impairment	Net book value	Total	Provision for impairment	Net book value
Loan	5,015,000	165,452	4,849,548	6,512,300	331,311	6,180,989

Loans represent that provided by Finance Company to related parties within Electric Holdings.

As at 31 December 2021, the balance of loans provided by shareholders who hold 5% (inclusive) voting rights in the Company was RMB6,500,000 thousand, of which the ageing within one year amounted to RMB5,000,000 thousand. (31 December 2020: RMB5,767,000 thousand, of which the ageing within one year amounted to RMB5,767,000 thousand) 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 2021

(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 impairment of loans is as follows:

	2021
Opening balance	331,311
Reversal in the current year	(165,859)
Ending Balance	165,452

Analysis on loans by guarantee is as follows:

	31 December 2021	31 December 2020
Credit loans	5,015,000	6,512,300
	5,015,000	6,512,300

Movement in the provision for impairment of loans and advances is as follows:

	Stage 1		Stage 2		Stage 3	
	12-month ECL		12-month ECL		Lifetime ECL (credit impaired)	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
31 December 2020	6,267,000	308,672	245,300	22,639	-	-
Decrease in the current year	(1,267,000)	(145,377)	(230,300)	(20,482)	-	-
31 December 2021	5,000,000	163,295	15,000	2,157	-	-

(i) As at 31 December 2021, the Group had no loans in 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 the balance sheet date, provision for bad debts of short-term loans in Stage 1 was analysed below:

	31 December 2021		
	Book balance	12-month ECL rate	Provision for bad debts
Individual provision	5,000,000	3%	163,295

	31 December 2020		
	Book balance	12-month ECL rate	Provision for bad debts
Individual provision	6,267,000	1%-7%	308,672

(iii) As at the balance sheet date, provision for bad debts of short-term loans in Stage 2 was analysed below:

	31 December 2021		
	Book balance	Lifetime ECL rate	Provision for bad debts
Individual provision	15,000	14%	2,157

	31 December 2020		
	Book balance	Lifetime ECL rate	Provision for bad debts
Individual provision	245,300	8%-18%	22,639

(b) Other debt investments due within 1 year

	31 December 2021	31 December 2020
Interbank deposits (Note 4(18))	7,570,419	8,667,077

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 2021

(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 and other short-term debt investments

The maturity dates of the discounted notes and other short-term debt investments are analysed as follows:

	31 December 2021	31 December 2020
Within 3 months	11,547	104,590
3 to 6 months	17,920	88,986
6 to 12 months	916,792	-
	<u>946,259</u>	<u>193,576</u>
Less: Provision for impairment	(4,364)	(67,040)
	<u>941,895</u>	<u>126,536</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 and other short-term debt investments is as follows:

	2021	2010
Opening balance	67,040	18,961
(Reversal)/Accrual in the current year	(62,676)	48,079
Ending Balance	<u>4,364</u>	<u>67,040</u>

(16) Loans and advances

	31 December 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Total balance	Provision for impairment	Carrying amount
Loans and advances	2,414,000	258,738	2,155,262	400,000	71,725	328,275
Less: Loans within 1 year	(20,000)	(2,876)	(17,124)	(4,000)	(717)	(3,283)
	<u>2,394,000</u>	<u>255,862</u>	<u>2,138,138</u>	<u>396,000</u>	<u>71,008</u>	<u>324,992</u>

Loans and advances are loans provided by Finance Company to related parties within Electric Holdings.

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

(16) Loans and advances (Cont'd)

Movement in the provision for impairment of loans and advances (including the current portion) is as follows:

	2021
Opening balance	71,725
Accrual in the current year	187,013
Ending balance	<u>258,738</u>

Loans and advances (including the current portion) are analysed based on guarantee method:

	31 December 2021	31 December 2020
Credit loans	<u>2,414,000</u>	<u>400,000</u>

Movement in the provision for impairment of loans and advances (including the current portion) is as follows:

	Stage 1		Stage 2		Stage 3	
	12-month ECL		Lifetime ECL		Lifetime ECL	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
31 December 2020	-	-	400,000	71,725	-	-
Increase in the current year	<u>1,500,000</u>	<u>48,989</u>	<u>514,000</u>	<u>138,024</u>	<u>-</u>	<u>-</u>
31 December 2021	<u>1,500,000</u>	<u>48,989</u>	<u>914,000</u>	<u>209,749</u>	<u>-</u>	<u>-</u>

- (i) As at 31 December 2021, the Group had no loans in Stage 3, neither loan transfer between the stages.
- (ii) As at 31 December 2021, the provision for bad debts of long-term receivables (including the current portion) in Stage 1 was analysed as below:

	31 December 2021		
	Book balance	Lifetime ECL rate	Provision for bad debts
Individual provision	<u>1,500,000</u>	<u>3%</u>	<u>48,989</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(16) Loans and advances (Cont'd)

(iii) As at 31 December 2021, the provision for bad debts of loans and advances (including the current portion) in Stage 2 was analysed as below:

	31 December 2021		
	Book balance	Lifetime ECL rate	Provision for bad debts
Individual provision	914,000	14%-26%	209,749

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		
	Book balance	Lifetime ECL rate	Provision for bad debts
Individual provision	400,000	18%	71,725

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

(17) Long-term receivables

	31 December 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Finance lease receivables (a)	7,110,753	(1,358,783)	5,751,970	8,428,869	(1,237,653)	7,191,216
Loans receivable from related parties (Note 8(6))	1,416,852	(276,976)	1,139,876	1,263,632	(264,036)	999,596
Franchise receivables	-	-	-	825,820	(8,245)	817,575
Others	60,464	(4,871)	55,593	272,391	(4,099)	268,292
	<u>8,588,069</u>	<u>(1,640,630)</u>	<u>6,947,439</u>	<u>10,790,712</u>	<u>(1,514,033)</u>	<u>9,276,679</u>
Less: Current portion of long-term receivables	(3,956,598)	1,267,358	(2,689,240)	(4,538,012)	1,181,370	(3,356,642)
	<u>4,631,471</u>	<u>(373,272)</u>	<u>4,258,199</u>	<u>6,252,700</u>	<u>(332,663)</u>	<u>5,920,037</u>

(a) Finance lease receivables

	31 December 2021	31 December 2020
Finance lease receivables	8,450,637	9,894,444
Less: Unrealised financing income	(1,339,884)	(1,465,575)
Balance of finance lease receivables	<u>7,110,753</u>	<u>8,428,869</u>
Less: Provision for impairment of finance lease receivables	(1,358,783)	(1,237,653)
Finance lease receivables - net	<u>5,751,970</u>	<u>7,191,216</u>
Less: Current portion of finance lease receivables	(2,549,792)	(2,945,802)
	<u>3,202,178</u>	<u>4,245,414</u>

As at 31 December 2021, 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) Ageing analysis of finance lease receivables is as follows:

	31 December 2021	31 December 2020
Within 1 year	4,471,934	4,758,809
1 to 2 years	1,218,401	1,858,278
2 to 3 years	766,271	1,106,034
Over 3 years	1,994,031	2,171,323
	<u>8,450,637</u>	<u>9,894,444</u>

(c) Movement in the provision for impairment of long-term receivables (including the current portion) is as follows:

	1 January 2021	Accrual in the current year	Reversal in the current year	31 December 2021
Provision for bad debts	1,514,033	126,597	-	1,640,630

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 (including the 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 2021	4,441,155	106,708	1,148,159	149,792	2,839,555	981,153
Net decrease in the current year	(1,049,161)	(29,636)	(138,835)	(18,064)	(130,120)	(36,829)
New provision (Note 1)	-	15,746	-	52,971	-	136,942
Transfer in the current year	271,156	7,049	(760,357)	(152,394)	489,201	145,345
Transfer from Stage 1 to Stage 2	(217,758)	(5,662)	217,758	5,662	-	-
Transfer from Stage 1 to Stage 3	(97,404)	(2,533)	-	-	97,404	2,533
Transfer from Stage 2 to Stage 3	-	-	(391,797)	(142,812)	391,797	142,812
Transfer from Stage 2 to Stage 1	586,318	15,244	(586,318)	(15,244)	-	-
31 December 2021	3,663,150	99,867	248,967	32,305	3,198,636	1,226,611

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 ECL.

- (i) As at 31 December 2021, the provision for bad debts of long-term receivables (including the current portion) in Stage 1 was analysed as below:

	Book balance	12-month ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including the current portion)	3,663,150	0.1%-3%	99,867

As at 31 December 2020, the provision for bad debts of long-term receivables (including the current portion) in Stage 1 was analysed as below:

	Book balance	12-month ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including the current portion)	4,441,155	0.1%-3%	106,708

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 the current portion) (Cont'd)

(ii) As at 31 December 2021, the provision for bad debts of long-term receivables (including the current portion) in Stage 2 was analysed as below:

	Book balance	Lifetime ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including the current portion)	248,967	4-21%	32,305

As at 31 December 2020, the provision for bad debts of long-term receivables (including the current portion) in Stage 2 was analysed as below:

	Book balance	Lifetime ECL rate	Provision for bad debts
Provided on the grouping basis:			
Long-term receivables (including the current portion)	1,148,159	4-21%	149,792

(iii) As at 31 December 2021, the provision for bad debts of long-term receivables (including the current portion) in Stage 3 was analysed as below:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Finance lease receivables 1	187,777	51%	96,162	Legal disputes exist, unrecoverable by estimation
Finance lease receivables 2	181,154	86%	156,226	Legal disputes exist, unrecoverable by estimation
Finance lease receivables 3	97,212	71%	68,805	Legal disputes exist, unrecoverable by estimation
Others	2,732,493		905,418	Unrecoverable by estimation
	<u>3,198,636</u>		<u>1,226,611</u>	

As at 31 December 2020, the provision for bad debts of long-term receivables (including the current portion) in Stage 3 was analysed as below:

	Book 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		660,897	Unrecoverable by estimation
	<u>2,839,555</u>		<u>981,153</u>	

(e) As at 31 December 2021, the Group entered into long-term receivables factoring contracts with recourse to obtain bank loans of RMB34,088 thousand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(18) Other debt investments

	31 December 2021	31 December 2020
Debt instrument investments -		
Interbank deposits ((a) and (b))	7,570,419	8,667,077
Bond investments (b)	81,874	420,183
	<u>7,652,293</u>	<u>9,087,260</u>
Including:		
- Cost	7,598,390	8,993,991
- Accumulated changes in fair value	53,903	93,269
Less: Other debt investments presented in other current assets (Note 4(15))	<u>(7,570,419)</u>	<u>(8,667,077)</u>
	<u>81,874</u>	<u>420,183</u>

For the year ended 31 December 2021, the Group disposed debt instrument investments of RMB8,728,850 thousand at a consideration of RMB8,900,000 thousand and transferred the accumulated other comprehensive income of RMB143,415 thousand to investment income (Note 4(65)).

As at 31 December 2021, 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 2021
Interbank deposits 1	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	494,011
Interbank deposits 2	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	487,572
Interbank deposits 3	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	487,328
Interbank deposits 4	A large deposit certificate issued by a bank deposit-type financial institution for individuals, non-financial enterprises, and institutional entities	348,462

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 2021	31 December 2020
Bonds		
- Fair value	81,874	420,183
- Amortised cost	81,191	418,469
- Accumulation in other comprehensive income	683	1,714
Interbank deposits		
- Fair value	7,570,419	8,667,077
- Amortised cost	7,517,199	8,575,522
- Accumulation in other comprehensive income	53,220	91,555
Total		
- Fair value	7,652,293	9,087,260
- Amortised cost	7,598,390	8,993,991
- Accumulation in other comprehensive income	53,903	93,269

(19) Long-term equity investments

	31 December 2021	31 December 2020
Joint ventures (a)	1,750,611	2,982,621
Associates (b)	9,658,387	10,738,120
	11,408,998	13,720,741
Less: Provision for impairment of long-term equity investments	(7,008)	(7,008)
	11,401,990	13,713,733

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(a) Joint ventures

	Movements in the current year											31 December 2021	Shareholding ratio	Provision for impairment
	31 December 2020	Increase in investments	Other decrease	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	Transfer- out due to disposal of subsidiaries	Cash dividends or profits declared	Provision for impairment	Others			
Shanghai Yun Zhong Xin Enterprise Development Co., Ltd. (i)	654,737	-	-	(3,385)	-	-	-	-	-	-	-	652,352	55.00	-
Shanghai Fanuc Intelligent Machines Co., Ltd.	219,192	-	-	174,495	-	-	-	(10,880)	-	-	-	382,807	49.00	-
Shanghai Yun Hong Enterprise Development Co., Ltd.	297,000	-	-	-	-	-	-	-	-	-	-	297,000	45.00	-
Shanghai Yun Hui Enterprise Development Co., Ltd. (ii)	221,872	-	-	(315)	-	-	-	-	-	-	-	221,557	60.00	-
Shanghai FANUC Robotics Co., Ltd. (iii)	1,417,399	-	-	231,107	-	-	(1,648,506)	-	-	-	-	-	-	-
Shanghai Fanuc International Trading Co., Ltd.	147,681	-	-	(2,158)	-	-	(145,523)	-	-	-	-	-	-	-
Others	24,740	182,280	-	(178)	-	-	(4,977)	(1,669)	(2,294)	(7)	197,895	-	-	
	<u>2,982,621</u>	<u>182,280</u>	<u>-</u>	<u>399,566</u>	<u>-</u>	<u>-</u>	<u>(1,799,006)</u>	<u>(12,549)</u>	<u>(2,294)</u>	<u>(7)</u>	<u>1,750,611</u>	<u>-</u>	<u>-</u>	

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 Yun Zhong Xin Enterprise Development Co., Ltd. According to the articles of association of Shanghai Yun Zhong Xin 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 Yun Hui Enterprise Development Co., Ltd. According to the articles of association of Shanghai Yun Hui 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.
- (iii) On 17 August 2021, the Company's Board of Directors deliberated and approved the proposal to transfer 80.59% of the Company's equity in Shanghai Electric International Economic & Trading Co., Ltd. to Electric Holdings, the parent company of the Company. The relevant transaction was settled in 2021. 50% equity in Shanghai FANUC Robotics Co., Ltd. held by Shanghai Electric International Economic & Trading Co., Ltd. was transferred as well.

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

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

(b) Associates

	Movements in the current year										31 December 2021	Shareholding ratio	Provision for impairment
	31 December 2020	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 changes in equity	Cash dividends or profits declared	Provision for impairment	Others			
Shanghai Mitsubishi Electric Shangling Air Conditioner Electric Co., Ltd.	718,672	-	-	14,002	-	-	-	(59,098)	-	-	673,576	47.59	-
Shanghai Rail Traffic Equipment Development Co., Ltd.	592,163	-	-	25,742	-	-	-	(46,091)	-	-	571,814	49.00	-
Shanghai Electric Investment (Dubai) Co., Ltd.	607,370	-	-	-	-	-	-	-	-	-	607,370	39.20	-
Ningxia Ningbo Industrial Investment Fund (Limited Partnership)	490,000	-	-	63,660	-	-	-	-	-	-	553,660	23.00	-
Shanghai Jintai Engineering Machinery Co., Ltd.	542,876	-	-	13,714	-	-	-	(4,900)	-	-	551,690	49.00	-
Mitsubishi Electric Shanghai Mechanical & Electrical Elevator Co., Ltd.	461,104	-	-	18,596	-	-	-	-	-	-	479,700	40.00	-
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	408,387	-	-	35,896	-	-	-	(28,310)	-	-	415,973	30.00	-
Haitong UniFortune International Leasing Co., Ltd. (i)	295,607	-	-	39,395	-	-	-	(9,387)	-	(808)	324,807	2.88	-
Shanghai Ri Yong – JEA Gate Electric Co., Ltd.	279,007	-	-	20,364	-	-	-	(18,944)	-	-	280,427	30.00	-
Shanghai Pudong New Area Zhangjiang Petty Loan Limited Company	226,683	-	-	13,787	-	-	-	(12,403)	-	-	228,067	23.75	-
Zhejiang Zhuji Lianchuang Yongjun Equity Investment Partnership (Limited Partnership)	196,035	-	-	(1,910)	-	-	-	-	-	-	194,125	20.92	-
Chongqing Fuling Energy Industry Group Co., Ltd. (ii)	182,669	-	-	7,209	-	-	-	-	-	-	189,878	10.38	-
Shanghai Siemens Switchgear Co., Ltd.	181,236	-	-	103,676	-	-	-	(95,738)	-	-	189,174	45.00	-
Shanghai Nabtesco Hydraulic Co., Ltd.	221,963	-	-	67,788	-	-	-	(108,072)	-	-	181,679	30.00	-
Nanjing Panneng Power Technology Co., Ltd.	174,023	-	-	613	-	-	-	(7,500)	-	-	167,136	25.00	-
Shanghai Marathon Innovation Electric Co., Ltd.	155,248	-	-	19,822	-	-	-	(28,979)	-	-	146,091	45.00	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 year												
	31 December 2020	Increase in investments	Decrease in investments	Share of net profit/ loss under equity method	Share of other comprehensive income	Share of net profit/ loss under equity method	Share of other comprehensive income	Cash dividends or profits declared	Provision for impairment	Others	31 December 2021	Shareholding ratio	Provision for impairment
Legend Electric (Shenyang) Co., Ltd.	158,177	-	-	59,131	-	-	-	(74,900)	-	-	142,408	35.00	-
Shanghai Danfoss Hydrostatic Transmission Co., Ltd.	127,497	-	-	49,677	-	-	-	(36,375)	-	-	140,799	40.00	-
KSB Shanghai Pumps Co., Ltd.	134,967	-	-	13,520	-	-	-	(16,000)	-	-	132,487	20.00	-
Rudong Haixiang Offshore Wind Power Co., Ltd. (iii)	118,800	58,320	-	(50,083)	-	-	-	-	-	-	127,037	18.00	-
Shanghai Voith Siemens Hydropower Equipment Co., Ltd.	132,103	-	-	13,236	-	-	-	(22,890)	-	-	122,449	20.00	-
Nabtesco (China) Precision Equipment Co., Ltd.	96,439	-	-	28,062	-	-	-	-	-	-	124,501	33.00	-
Zhongfu Lianzhong (Shanghai) Wind Power Technology Co., Ltd.	102,862	-	-	2,343	-	-	-	-	-	-	105,205	40.00	-
Guangrao Guoxin Equity Investment Fund Management Center (Limited Partnership) (iv)	99,996	-	-	(13)	-	-	-	-	-	-	99,983	12.50	-
Shanghai Huaduo Equity Investment Fund Partnership (Limited Partnership)	94,329	-	-	(1,568)	-	-	-	-	-	-	92,761	22.94	-
Shanghai Schneider Power Distribution Electrical Apparatus Co., Ltd.	74,239	-	-	116,434	-	-	-	(103,718)	-	-	86,955	20.00	-
Shanghai Schneider Industrial Control Co., Ltd.	70,549	-	-	70,768	-	-	-	(57,473)	-	-	83,844	20.00	-
Shanghai ABB Transformers Co., Ltd.	82,473	-	-	36,254	-	-	-	(35,752)	-	-	82,975	49.00	-
Shanghai ABB Motor Co., Ltd.	94,063	-	-	11,705	-	-	-	(26,769)	-	-	78,999	25.00	-
SEC Alstom (Shanghai Baoshan) Transformers Co., Ltd.	82,172	-	-	(5,722)	-	-	-	-	-	-	76,450	50.00	-

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

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

(b) Associates (Cont'd)

	Movements in the current year											31 December 2021	Shareholding ratio	Provision for impairment
	31 December 2020	Increase in investments	Decrease in investments	Share of net profit/loss under equity method	Share of other comprehensive income	Share of net profit/loss under equity method	Share of other comprehensive income	Cash dividends or profits declared	Provision for impairment	Others				
Shanghai Clyde Bergemann Machinery Co., Ltd.	95,282	-	-	3,833	-	-	-	(25,471)	-	-	73,644	30.00	-	
Carrier Air Conditioning Sales Service (Shanghai) Co., Ltd.	85,598	-	-	1,309	-	-	-	(15,000)	-	-	71,907	30.00	-	
China Energy Engineering Group Co., Ltd. (v)	986,635	-	-	(986,635)	-	-	-	-	-	-	-	20.00	-	
Chongqing Shenhua Thin Film Co., Ltd. (vi)	244,562	-	-	(244,562)	-	-	-	-	-	-	-	20.00	-	
Others	2,117,326	285,886	(18,961)	63,176	-	(44,478)	-	(140,313)	-	(8,828)	2,253,808	—	(7,008)	
	10,731,112	344,206	(18,961)	(376,781)	-	(44,478)	-	(974,083)	-	(9,636)	9,651,379	—	(7,008)	

Please refer to Note 6(2) for related information on interests in associates.

- (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.
- (v) In 2021, the Company recognised investment losses of RMB986,635 thousand under the equity method in the current period due to insolvency resulting from a significant increase in the number of lawsuits involving China Energy Engineering Group Co., Ltd., which was listed as a dishonest enterprise subject to enforcement with restricted consumption orders.
- (vi) In 2021, Chongqing Shenhua Thin Film Co., Ltd. decided to cease the industrialisation project of copper indium gallium selenium solar cell modules due to changes in markets and other factors, resulting in significant losses owing to a significant impairment of long-term assets. Therefore, the Company recognised investment losses of RMB244,562 thousand under the equity method in the current period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(20) Other non-current financial assets

	31 December 2021	31 December 2020
Equity investments in unlisted companies	6,431,232	5,029,887
Stock and fund investments	535,365	527,286
	<u>6,966,597</u>	<u>5,557,173</u>

(a) The equity investments in unlisted companies held by the Group mainly include:

Company	31 December 2021	31 December 2020	Shareholding ratio	Cash dividends in the current year
Company 1	1,741,405	1,741,405	2.02%	52,795
Company 2	2,107,778	1,658,040	19.00%	76,000
Company 3	1,110,855	475,132	4.03%	-
Others	1,471,194	1,155,310		2,218
	<u>6,431,232</u>	<u>5,029,887</u>		<u>131,013</u>

(b) The stocks and fund investments held by the Group mainly include:

Stock & fund	Total market capitalisation	31 December 2021	31 December 2020
Stock 1	11.151 billion	38,609	35,673
Stock 2	101.293 billion	34,627	25,490
Stock 3	36.202 billion	19,942	14,137
Stock 4	2.679 billion	2,455	3,488
Stock 5	8.082 billion	2,039	2,471
Others		437,693	446,027
		<u>535,365</u>	<u>527,286</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.

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

(21) Investment properties

	31 December 2020	Transfer from fixed assets	Additions due to acquisition of subsidiaries	Increase in the current year	Decrease in the current year	31 December 2021
Cost	1,838,895	-	-	6,855	(4,813)	1,840,937
Accumulated depreciation	938,445	-	-	80,061	(817)	1,017,689
Provision for impairment	273	-	-	-	-	273
Net book value	<u>900,177</u>					<u>822,975</u>

For the year ended 31 December 2021, depreciation charged to investment properties was RMB80,061 thousand (2020: RMB87,810 thousand).

As at 31 December 2021, the carrying amounts of investment properties leased to associates and third parties were RMB54,375 thousand and RMB768,600 thousand respectively. It is mainly used for its production and operation, and the Group conducts daily maintenance and management of the investment real estate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 2020	13,857,167	18,038,112	531,646	1,942,464	34,369,389
Increase in the current year					
Purchase	233,933	595,599	4,168	99,687	933,387
Transfers from construction in progress	1,347,270	1,495,887	11,973	101,593	2,956,723
Business combinations involving enterprises not under common control	16,644	415,567	23	649	432,883
Decrease in the current year					
Disposal and retirement	(136,135)	(381,107)	(31,610)	(55,599)	(604,451)
Differences on translation of foreign currency financial statements	(63,567)	(145,156)	(1,157)	(38,614)	(248,494)
31 December 2021	15,255,312	20,018,902	515,043	2,050,180	37,839,437
Accumulated depreciation					
31 December 2020	4,340,897	10,646,315	384,879	1,267,750	16,639,841
Increase in the current year					
Provision	408,726	1,051,050	34,267	219,909	1,713,952
Decrease in the current year					
Disposal and retirement	(88,644)	(302,502)	(28,196)	(38,666)	(458,008)
Differences on translation of foreign currency financial statements	(23,712)	(96,328)	(757)	(33,979)	(154,776)
31 December 2021	4,637,267	11,298,535	390,193	1,415,014	17,741,009
Provision for impairment					
31 December 2020	85,157	104,359	601	1,462	191,579
Increase in the current year					
Provision	-	19,205	34	920	20,159
Decrease in the current year					
Disposal and retirement	-	(2,696)	-	(1)	(2,697)
31 December 2021	85,157	120,868	635	2,381	209,041
Carrying amount					
31 December 2021	10,532,888	8,599,499	124,215	632,785	19,889,387
31 December 2020	9,431,113	7,287,438	146,166	673,252	17,537,969

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

(22) Fixed assets (Cont'd)

- (a) As at 31 December 2021, the Group pledged intangible assets with a carrying amount of RMB85,954 thousand (31 December 2020: RMB118,252 thousand) and fixed assets with a carrying amount of RMB125,451 thousand (31 December 2020: RMB222,686 thousand) to obtain short-term borrowings of RMB366,406 thousand (31 December 2020: RMB138,000 thousand). As at 31 December 2021, the Group pledged fixed assets with a carrying amount of RMB389,685 thousand (31 December 2020: RMB113,373 thousand) and intangible assets with a carrying amount of RMB1,010,138 thousand (31 December 2020: RMB162,142 thousand) to obtain long-term borrowings of RMB1,706,910 thousand. As at 31 December 2021, fixed assets with the carrying amount of RMB881,858 thousand were pledged for banking facilities.
- (b) For the year ended 31 December 2021, depreciation charged to fixed assets amounted to RMB1,713,952 thousand (2020: RMB1,945,299 thousand), including RMB1,171,201 thousand, RMB10,885 thousand, RMB398,234 thousand and RMB133,632 thousand (2020: RMB1,329,322 thousand, RMB14,667 thousand, RMB410,567 thousand and RMB190,743 thousand) 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 RMB2,956,723 thousand (2020: RMB2,100,796 thousand).
- (d) As at 31 December 2021, the carrying amounts of fixed assets lent out through operating leases were analysed as follows:

	31 December 2021	31 December 2020
Machinery and equipment	10,617	22,282

- (e) Temporarily idle fixed assets
- As at 31 December 2021, machinery and equipment with a carrying amount of approximately RMB775 thousand (a cost of RMB16,650 thousand) (31 December 2020: machinery and equipment with a carrying amount of RMB859 thousand and a cost of RMB16,711 thousand) were temporarily idle.
- (f) As at 31 December 2021, the Group's buildings with a net book value of RMB188,610 thousand (31 December 2020: a net book value of RMB223,593 thousand) were under processing for property certificate due to recent renovation or government planning. Management of Electric Holdings 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(23) Construction in progress

	31 December 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Yumen Xinneng CSP Project	1,588,171	-	1,588,171	1,393,935	-	1,393,935
Construction of lithium battery automation equipment production line	943,408	-	943,408	695,933	-	695,933
Shanghai Electric Nantong Central Research Institute	469,674	-	469,674	375,336	-	375,336
Construction of one network unified management technical service project in Yangpu District	335,740	-	335,740	132,893	-	132,893
Wujiang Taihu Lake Renovation Project	319,287	-	319,287	282,172	-	282,172
Naiman Banner Ulan Errige 200,000 KW Wind Power Project	182,634	-	182,634	-	-	-
Heilongjiang Bei'an Project	162,425	-	162,425	7,095	-	7,095
Ningbo Hi-Firm Integrated Treatment Project	131,884	-	131,884	127,165	-	127,165
Ulanqab Project	119,400	-	119,400	3,884	-	3,884
Naiman Banner Chulu 100,000 KW Wind Power Project	101,578	-	101,578	-	-	-
Dingxi 25MW Decentralised Wind Power Project	95,810	-	95,810	-	-	-
Gansu Huining Zhiheng 20M Decentralised Wind Power Project	87,296	-	87,296	-	-	-
PMC Overseas Construction in Progress	79,605	-	79,605	67,955	-	67,955
Chongming Integrated Utilisation of Agricultural Resources Project	72,989	-	72,989	8,592	-	8,592
Mitsubishi production line equipment installation	60,379	-	60,379	266,475	-	266,475
Plant Construction for Qingpu Base at Xinkang Road	45,033	-	45,033	31,339	-	31,339
Nantong battery production base construction	-	-	-	1,082,793	-	1,082,793
Qidong water environment comprehensive control project	-	-	-	1,702,407	-	1,702,407
Ma'anshan Water Treatment Project	-	-	-	508,702	-	508,702
Rudong Township Sewage Treatment Bid Section	-	-	-	405,183	-	405,183
Rudong Rural Domestic Sewage Treatment Bid Section	-	-	-	375,260	-	375,260
Huaiyuan County Rural Sewage Treatment Project	-	-	-	294,193	-	294,193
Dandong Municipal Solid Waste Treatment Incineration Power Generation Project	-	-	-	269,734	-	269,734
Others	231,867	(3,086)	228,781	1,568,347	(25,842)	1,542,505
	5,027,180	(3,086)	5,024,094	9,599,393	(25,842)	9,573,551

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

(23) Construction in progress (Cont'd)

(a) Movements in construction in progress

Project name	31 December 2020		Changes in accounting policies		1 January 2021	Additions due to acquisition of subsidiaries	Increase in the current year	Transfer to fixed assets in the current year	Differences on translation of foreign currency financial statements	Other decrease	31 December 2021	Accumulated capitalised borrowing costs	Including: Capitalised borrowing costs in the current year	Source of funds
	2020	2020	2020	2020	2021	2021	2021	2021			2021	2021	2021	
Yumen Xinneng CSP Project	1,393,935	-	1,393,935	-	194,236	-	-	-	-	-	1,588,171	90,272	22,245	Raised funds and self-owned funds
Construction of lithium battery automation equipment production line	695,933	-	695,933	-	376,886	(129,411)	-	-	-	-	943,408	-	-	Raised funds and self-owned funds
Shanghai Electric Nantong Central Research Institute	375,336	-	375,336	-	94,338	-	-	-	-	-	469,674	-	-	Raised funds
Construction of one network unified management technical service project in Yangpu District	132,893	-	132,893	-	202,847	-	-	-	-	-	335,740	9,607	9,607	Financing
Wujiang Taihu Lake Renovation Project	282,172	-	282,172	-	37,115	-	-	-	-	-	319,287	19,400	9,682	Financing
Naiman Banner Ulan Errige 200,000 KW Wind Power Project	-	-	-	182,634	-	-	-	-	-	-	182,634	-	-	Self-owned funds
Heilongjiang Bei'an Project	7,095	-	7,095	-	155,330	-	-	-	-	-	162,425	-	-	Self-owned funds
Ningbo Hi-Firm Integrated Treatment Project	127,165	-	127,165	-	4,719	-	-	-	-	-	131,884	23,470	-	Financing
Ulanqab Project	3,884	-	3,884	-	115,516	-	-	-	-	-	119,400	101	-	Self-owned funds
Naiman Banner Chulu 100,000 KW Wind Power Project	-	-	-	101,578	-	-	-	-	-	-	101,578	-	-	Self-owned funds
Dingxi 25MW Decentralised Wind Power Project	-	-	-	-	95,810	-	-	-	-	-	95,810	-	-	Self-owned funds
Gansu Huining Zhiheng 20M Decentralised Wind Power Project	-	-	-	-	87,296	-	-	-	-	-	87,296	-	-	Self-owned funds
PMC Overseas Construction in Progress	67,955	-	67,955	-	60,064	(41,754)	-	-	(6,660)	-	79,605	-	-	Self-owned funds
Chongming Integrated Utilisation of Agricultural Resources Project	8,592	-	8,592	-	64,397	-	-	-	-	-	72,989	-	-	Self-owned funds
Mitsubishi production line equipment installation	266,475	-	266,475	-	139,796	(345,892)	-	-	-	-	60,379	-	-	Self-owned funds
Plant Construction for Qingpu Base at Xinkang Road	31,339	-	31,339	-	13,694	-	-	-	-	-	45,033	-	-	Self-owned funds
Nantong battery production base construction	1,082,793	-	1,082,793	-	-	(1,082,793)	-	-	-	-	-	-	-	Financing
Qidong water environment comprehensive control project	1,702,407	(1,702,407)	-	-	-	-	-	-	-	-	-	-	-	Self-owned funds
Ma'anshan Water Treatment Project	508,702	(508,702)	-	-	-	-	-	-	-	-	-	-	-	Self-owned funds
Rudong Township Sewage Treatment Bid Section	405,183	(405,183)	-	-	-	-	-	-	-	-	-	-	-	Self-owned funds
Rudong Rural Domestic Sewage Treatment Bid Section	375,260	(375,260)	-	-	-	-	-	-	-	-	-	-	-	Self-owned funds
Huaiyuan County Rural Sewage Treatment Project	294,193	(294,193)	-	-	-	-	-	-	-	-	-	-	-	Self-owned funds
Dandong Municipal Solid Waste Treatment Incineration Power Generation Project	269,734	(269,734)	-	-	-	-	-	-	-	-	-	-	-	Financing
Others	1,568,347	(45,255)	1,523,092	9,721	72,925	(1,356,873)	(15,907)	(1,091)	(1,091)	231,867	152,945	20,183	-	-
Total	9,599,393	(3,600,734)	5,998,659	293,933	1,714,969	(2,956,723)	(15,907)	(7,751)	(7,751)	5,027,180	295,795	61,717		

For the year ended 31 December 2021, the capitalised interest amounted to RMB61,717 thousand (2020: RMB107,214 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 Changes in		1 January	Additions due to acquisition of subsidiaries	Increase in of the current year	Transfer to fixed assets in the current year	31 December 2021	Project investment as a percentage of budget	Project progress	Accumulated capitalised borrowing costs	Including: Capitalised borrowing costs in the current year	Capitalised rate in the current year (%)	Source of funds
		December 2020	accounting policies											
Yumen Xinneng CSP Project	1,790,120	1,393,935	-	1,393,935	-	194,236	-	(%)	89%	89%	90,272	22,245	5%	Raised funds and self-owned funds
Construction of lithium battery automation equipment production line	1,376,183	695,933	-	695,933	-	376,886	(129,411)	943,408	78%	78%	-	-	-	Raised funds and self-owned funds
Shanghai Electric Nantong Central Research Institute	533,800	375,336	-	375,336	-	94,338	-	469,674	70%	70%	-	-	-	Raised funds
Construction of one network unified management technical service project in Yangpu District	831,000	132,893	-	132,893	-	202,847	-	335,740	39%	39%	9,607	9,607	5%	Financing
Wujiang Taihu Lake Renovation Project	408,330	282,172	-	282,172	-	37,115	-	319,287	80%	80%	19,400	9,682	5%	Financing
Naiman Banner Ulan Errige 200,000 KW Wind Power Project	505,133	-	-	-	182,634	-	-	182,634	24%	24%	-	-	-	Self-owned funds
Heilongjiang Bei'an Project	674,821	7,095	-	7,095	-	155,330	-	162,425	27%	27%	-	-	-	Self-owned funds
Ningbo Hi-Firm Integrated Treatment Project	480,944	127,165	-	127,165	-	4,719	-	131,884	79%	79%	23,470	-	-	Financing

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 2020	1,549,116	126,062	60,411	32,463	35,955	1,804,007
Increase in the current year						
New lease contracts	745,947	20,601	15,676	7,987	4,809	795,020
Change of lease contracts	5,810	-	-	-	-	5,810
Decrease in the current year						
Change of lease contracts	(283,642)	(36,287)	(15,947)	(6,096)	(1,404)	(343,376)
Differences on translation of foreign currency financial statements	(29,643)	(11,671)	(3,874)	(3,363)	-	(48,551)
31 December 2021	1,987,588	98,705	56,266	30,991	39,360	2,212,910
Accumulated depreciation						
31 December 2020	580,675	46,634	35,599	18,093	4,812	685,813
Increase in the current year						
Provision	280,659	47,232	13,347	5,741	4,848	351,827
Decrease in the current year						
Change of lease contracts	(212,410)	(36,082)	(15,535)	(4,097)	-	(268,124)
Differences on translation of foreign currency financial statements	(6,103)	(4,325)	(2,886)	(1,908)	-	(15,222)
31 December 2021	642,821	53,459	30,525	17,829	9,660	754,294
Provision for impairment						
31 December 2020	-	-	-	-	-	-
31 December 2021	16,784	-	-	-	-	16,784
Carrying amount						
31 December 2021	1,327,983	45,246	25,741	13,162	29,700	1,441,832
31 December 2020	968,441	79,428	24,812	14,370	31,143	1,118,194

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

	Land use rights	Franchising	Patent and license	Technology transfer fee	Computer software and others	Total
Cost						
31 December 2020	6,705,746	2,222,892	1,975,371	652,653	691,590	12,248,252
Changes in accounting policies	-	3,492,677	-	-	-	3,492,677
1 January 2021	6,705,746	5,715,569	1,975,371	652,653	691,590	15,740,929
Increase in the current year						
Purchase	339,479	224,017	30,517	458	87,885	682,356
Additions due to acquisition of subsidiaries	77,410	-	-	-	13,558	90,968
Transfers from construction in progress	-	-	-	-	-	-
Transfer from development expenditures	-	-	41,286	-	-	41,286
Decrease in the current year						
Disposal and retirement	(5,157)	-	-	-	(65)	(5,222)
Decrease due to disposal of subsidiaries	-	-	-	-	(9,699)	(9,699)
Currency translation differences	(18)	-	(5,549)	(2,697)	(17,196)	(25,460)
31 December 2021	7,117,460	5,939,586	2,041,625	650,414	766,073	16,515,158
Accumulated amortisation						
31 December 2020	1,222,623	318,664	652,440	531,664	404,103	3,129,494
Increase in the current year						
Provision	131,723	81,948	30,153	26,854	63,778	334,456
Decrease in the current year						
Disposal and retirement	(1,228)	-	-	-	(65)	(1,293)
Decrease due to disposal of subsidiaries	-	-	-	-	(4,829)	(4,829)
Currency translation differences	-	-	(2,258)	(1,537)	(8,315)	(12,110)
31 December 2021	1,353,118	400,612	680,335	556,981	454,672	3,445,718
Provision for impairment						
31 December 2020	5,939	-	90,438	-	2,930	99,307
Increase in the current year						
Provision	-	-	-	-	14,029	14,029
Decrease in the current year						
Currency translation differences	-	-	-	-	(789)	(789)
31 December 2021	5,939	-	90,438	-	16,170	112,547
Carrying amount						
31 December 2021	5,758,403	5,538,974	1,270,852	93,433	295,231	12,956,893
31 December 2020	5,477,184	1,904,228	1,232,493	120,989	284,557	9,019,451

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

(25) Intangible assets and development expenditures (Cont'd)

(a) Intangible assets (Cont'd)

For the year ended 31 December 2021, amortisation of intangible assets amounted to RMB334,456 thousand (2020: RMB558,088 thousand).

As at 31 December 2021, the Group had no land use rights of which a land use rights certificate was not obtained (31 December 2020: Nil).

As at 31 December 2021, the Group pledged intangible assets with a carrying amount of RMB85,954 thousand (31 December 2020: RMB118,252 thousand) and fixed assets with a carrying amount of RMB125,451 thousand (31 December 2020: RMB222,686 thousand) to obtain short-term borrowings of RMB366,406 thousand (31 December 2020: RMB138,000 thousand). As at 31 December 2021, the Group pledged fixed assets with a carrying amount of RMB389,685 thousand (31 December 2020: RMB113,373 thousand) and intangible assets with a carrying amount of RMB1,010,138 thousand (31 December 2020: RMB162,142 thousand) to obtain long-term borrowings of RMB1,706,910 thousand. As at 31 December 2021, intangible assets with the carrying amount of RMB1,212,987 thousand were pledged for banking facilities.

(b) Development expenditures

Project name	31 December 2020	Increase in the current year	Decrease in the current year		31 December 2021
			Included in profit or loss	Transfer to intangible assets	
CAP1400 reactor	27,561	-	-	(27,561)	-
Academia Sinica Industrial Automation System	8,942	216,745	(218,952)	-	6,735
PMC Overseas R&D and strong base projects	12,560	-	-	(12,560)	-
Others	34,449	244,900	(244,283)	(1,165)	33,901
	<u>83,512</u>	<u>461,645</u>	<u>(463,235)</u>	<u>(41,286)</u>	<u>40,636</u>

As at 31 December 2021, the balance of the Group's development expenditures was RMB40,636 thousand (31 December 2020: RMB83,512 thousand). For the year ended 31 December 2021, the development expenditures of the Group was recognised as an intangible asset of RMB41,286 thousand (2020: RMB32,935 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(26) Goodwill

	31 December 2020	Increase in the current year	Decrease in the current year	Differences on translation of foreign currency financial statements	31 December 2021
Goodwill					
Shenzhen Yinghe Technology Co., Ltd. (a)	1,497,236	-	-	-	1,497,236
Nedschroef	1,530,804	-	-	(85,606)	1,445,198
Broetje-Automation GmbH	1,069,220	-	-	(61,148)	1,008,072
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 Electric 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 Twentsche 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 Complete Sets of Electric Co., Ltd.	11,394	-	-	-	11,394
Shanghai Electric Fuji 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 Weimingquan 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
Shanghai Kezhi Electric Automation Co., Ltd.	-	26,269	-	-	26,269
Shanghai Guangye Optical Cable Co., Ltd.	-	1,033	-	-	1,033
Sub-total	5,616,533	27,302	-	(146,754)	5,497,081

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

(26) Goodwill (Cont'd)

	31 December 2020	Increase in the current year	Reversal in the current year	Differences on translation of foreign currency financial statements	31 December 2021
Less: Provision for impairment					
Zhangjiagang Twentsche Cable Co., Ltd.	(18,331)	-	-	-	(18,331)
Shanghai Dahua Electrical Equipment Co., Ltd.	(28,654)	-	-	-	(28,654)
Shanghai Najie Complete Sets of Electric Co., Ltd.	(11,394)	-	-	-	(11,394)
Shanghai Feihang Electric Wire & Cable Co., Ltd.	(6,577)	-	-	-	(6,577)
Nedschroef	(316,426)	-	-	-	(316,426)
Broetje-Automation GmbH (b(i))	(390,297)	(209,615)	-	29,525	(570,387)
Shanghai Nanqiao Transformer Co., Ltd.	(73,234)	-	-	-	(73,234)
Shanghai Electric Cyeco Environmental Technology Co., Ltd.	(28,233)	-	-	-	(28,233)
Clean Technology Universe AG	(20,252)	-	-	-	(20,252)
Shanghai Huapu 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)
Ningbo Hi-Firm Environmental Protection Company Limited (b(ii))	-	(277,575)	-	-	(277,575)
Wujiang Taihu Industrial Wastes Treatment Company Limited (b(iii))	-	(121,048)	-	-	(121,048)
Guoxuan New Energy (Suzhou) Co., Ltd.	-	(15,089)	-	-	(15,089)
Sub-total	(948,575)	(623,327)	-	29,525	(1,542,377)
Total	4,667,958	(596,025)	-	(117,229)	3,954,704

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(26) Goodwill (Cont'd)

The goodwill is summarised by operating segments (Note 7) as follows:

Operating segment	Subdivision	31 December 2021		
		Cost	Impairment	Net value
Industrial equipment	Industrial Basic Parts	1,512,175	(344,659)	1,167,516
	Intelligent manufacturing equipment	1,008,072	(570,387)	437,685
	Large and medium-sized motors	10,060	-	10,060
Energy equipment	Energy Storage	1,546,716	(15,089)	1,531,627
	Power Grid	155,036	(155,036)	-
	Power transmission and distribution	18,331	(18,331)	-
Integration service	Environmental Engineering and Service	881,565	(418,875)	462,690
	Energy Engineering and Service	323,080	(20,000)	303,080
	Industrial Internet	26,269	-	26,269
	Wind Power	7,093	-	7,093
	Power transmission and distribution	7,651	-	7,651
	Property services	1,033	-	1,033
		<u>5,497,081</u>	<u>(1,542,377)</u>	<u>3,954,704</u>

- (a) In March 2020, goodwill arising from merger of Yinghe Technology amounted to RMB1,497,236 thousand, which was in the operating segment of energy equipment. In 2021, while identifying the recoverable amount of asset groups of Yinghe Technology, management used the market approach to determine the fair value less cost of disposal. The fair value of asset groups was estimated based on the stock price of listed companies after necessary adjustments using the market approach, in which the key assumptions involved mainly included the share price of the listed companies, the controlling interest premium, etc. As 31 December 2021, management performed a goodwill impairment test on asset groups of Yinghe Technology and considered that no provision for impairment for goodwill was required.

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

(26) Goodwill (Cont'd)

(b) The main assumptions applied in calculating discounted future cash flows are as follows:

	Industrial Basic Parts	Intelligent manufacturing equipment	Environmental Engineering and Service	Energy Engineering and Service
2021				
Growth rates in the forecast period	-1.0%-39.12%	-8.5%~105.7%	3%~340%	11%-141%
Growth rates in the stable period	1.32%~2.0%	1.42%	0%	0%
Gross margins	17.87%~57.0%	18.4%~23.4%	-17%~64%	12%
Pre-tax discount rates	12.3%~14.0%	12%	10.5%~11%	11.99%
2020				
Growth rates in the forecast period	1%~30.4%	3.0%-24.0%	-1%~44%	21%
Growth rates in the stable period	1.0%~2.0%	1.23%	0%	0%
Gross margins	22.0%~53.0%	15.0%~22.8%	29%~35%	8.15%
Pre-tax discount rates	12.3%~14.0%	11.7%	11.8%-14.5%	11.97%

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 or groups of asset groups.

(i) Broetje-Automation GmbH is in the operating segment of industrial equipment - intelligent manufacturing equipment. As at 31 December 2021, the Group used the present value of estimated future cash flows as the recoverable amount, after comparing the higher of the present value of estimated future cash flows and fair value less cost of disposal. 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 12.0% (2020:11.7%). In 2021, the economic scenario weights of "benchmark", "unfavourable" and "favourable" accounted for 60%, 15% and 25% respectively. The parameters of key assumptions used in various scenarios were as follows:

	Economic scenarios		
	Benchmark	Unfavourable	Favourable
Growth rates in the forecast period	2.0%~77.3%	-8.5%~74.2%	2.8%~105.7%
Growth rates in the stable period	1.42%	1.42%	1.42%
Gross margins	19.9%~23.4%	18.4%~22.4%	20.5%~23.4%
Pre-tax discount rates	12.00%	12.00%	12.00%

In 2021, due to the expected decline in future sales revenue of Broetje-Automation GmbH, an impairment provision of RMB 209,615,000 was made this year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(26) Goodwill (Cont'd)

- (ii) Wujiang Taihu Industrial Wastes Treatment Company Limited is in the operating segment of integration service - environmental engineering and service. As at 31 December 2021, the Group used the present value of estimated future cash flows as the recoverable amount, after comparing the higher of the present value of estimated future cash flows and fair value less cost of disposal. The key assumptions of the present value of estimated future cash flows include discount rates and sales growth rates. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and expected operating period, and a pre-tax discounted rate of 11.0% (2020:11.8%). 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. Due to the expected decline in future sales revenue of Wujiang Taihu Industrial Wastes Treatment Company Limited, provision for impairment of RMB 121,048,000 was made this year.
- (iii) Ningbo Hi-Firm Environmental Protection Company Limited is in the operating segment of integration service - environmental engineering and service. As at 31 December 2021, the Group used the present value of estimated future cash flows as the recoverable amount, after comparing the higher of the present value of estimated future cash flows and fair value less cost of disposal. The key assumptions of the present value of estimated future cash flows include discount rates and sales growth rates. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and expected operating period, and a pre-tax discounted rate of 10.5% (2020:11.8%). 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. Due to the expected decline in future sales revenue of Ningbo Hi-Firm Environmental Protection Company Limited, provision for impairment of RMB 277,575,000 was made this year.

(27) Long-term prepaid expenses

	31 December 2020	Additions due to acquisition of subsidiaries	Increase in the current year	Amortisation in the current year	Other decrease	31 December 2021
Renovation expenditures	325,290	-	32,964	(42,117)	(62,679)	253,458
Decoration expenditures	67,194	4,412	104,892	(50,632)	(1,178)	124,688
Improvements to fixed assets held under leases	7,368	-	49,018	(4,041)	(69)	52,276
Others	80,188	38,964	114,919	(48,331)	(7,314)	178,426
	<u>480,040</u>	<u>43,376</u>	<u>301,793</u>	<u>(145,121)</u>	<u>(71,240)</u>	<u>608,848</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 2021		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Asset impairment and provisions	25,656,772	4,860,774	19,870,871	3,789,753
Accrued expenses	14,318,929	2,605,742	14,009,018	2,499,966
Deductible losses	4,894,141	1,206,918	2,791,852	633,222
Offsetting of profits from internal transactions	421,806	102,254	459,526	110,272
Others	693,208	173,302	802,044	197,180
	<u>45,984,856</u>	<u>8,948,990</u>	<u>37,933,311</u>	<u>7,230,393</u>

Including:

Expected to be recovered within one year (inclusive)	4,719,083	4,523,705
Expected to be recovered after one year	4,229,907	2,706,688
	<u>8,948,990</u>	<u>7,230,393</u>

(b) Deferred tax liabilities before offsetting

	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of financial instruments	3,286,452	821,612	2,706,195	680,680
Asset evaluation appreciation	698,646	169,438	749,436	187,359
Fair value adjustment for business combinations	1,713,415	416,357	1,842,969	432,510
Others	959,624	238,926	866,708	215,582
	<u>6,658,137</u>	<u>1,646,333</u>	<u>6,165,308</u>	<u>1,516,131</u>

Including:

Expected to be recovered within one year (inclusive)	1,060,538	896,261
Expected to be recovered after one year	585,795	619,870
	<u>1,646,333</u>	<u>1,516,131</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 2021	31 December 2020
Deductible temporary differences	15,670,535	4,246,951
Deductible losses	4,415,239	3,212,873
	20,085,774	7,459,824

(d) Deductible losses that are not recognised as deferred tax assets will be expired in the following years:

	31 December 2021	31 December 2020
2021	-	167,804
2022	169,502	187,103
2023	194,344	238,956
2024	373,037	590,467
2025	464,677	593,245
2026 and after	3,213,679	1,435,298
	4,415,239	3,212,873

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	31 December 2021		31 December 2020	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	870,685	8,078,305	661,864	6,568,529
Deferred tax liabilities	870,685	775,648	661,864	854,267

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

(29) Other non-current assets

	31 December 2021	31 December 2020
Contract assets (Note 4(12))	12,070,694	10,750,890
Others	1,686,519	1,137,156
	<u>13,757,213</u>	<u>11,888,046</u>
Less: Provision for impairment of contract assets (Note 4(12))	(395,339)	(316,760)
	<u>13,361,874</u>	<u>11,571,286</u>

As at 31 December 2021, the Group's other non-current assets arising from PPP project amounted to RMB845,348 thousand.

In 2021, the Group's revenue from main operations comprised revenue from PPP project contracts of RMB766,786 thousand (2020: RMB1,674,975 thousand), including revenue from project construction services of RMB692,870 thousand (2020: RMB1,614,304 thousand). The Group's PPP project contracts primarily refer to water and waste treatment contracts. The Group provides PPP project asset construction, operation and maintenance thereafter, and other services as agreed in the PPP project contracts, with a total term of 20 to 30 years. The project assets of water treatment contract are mainly located in Jiangsu Province and Anhui Province, while those of waste treatment contract are mainly in Liaoning Province and Hebei Province. In 2021, there were no significant changes in the PPP project contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(30) Provision for asset impairment and losses

Provision for credit impairment losses	31 December 2020	Provision	Increase in the current year	Decrease in the current year				31 December 2021
				Reversal	Write-off/Disposal	Decrease due to disposal of subsidiaries	Transfer-out of derecognised receivables	
Provision for bad debts of notes receivable	56,553	1,054,845	(21,293)	-	-	-	-	1,090,105
Including: Provision for bad debts on the individual basis	-	990,110	-	-	-	-	-	990,110
Provision for bad debts on the grouping basis	56,553	64,735	(21,293)	-	-	-	-	99,995
Provision for bad debts of accounts receivable measured at amortised cost	7,379,531	10,834,975	(570,007)	(27,776)	(35,570)	(20,699)	-	17,560,454
Including: Provision for bad debts on the individual basis	1,069,694	10,809,202	(32,913)	(3,274)	-	-	-	11,842,709
Provision for bad debts on the grouping basis	6,309,837	25,773	(537,094)	(24,502)	(35,570)	(20,699)	-	5,717,745
Provision for credit impairment of receivables financing	533,649	25,133	(545,391)	-	-	-	-	13,391
Provision for impairment of other debt investments	8,141	8,801	-	(8,141)	-	-	-	8,801
Provision for bad debts of other receivables	461,383	134,477	(124,731)	-	-	-	-	471,129
Provision for impairment of assets held for sale	210,438	-	-	(210,438)	-	-	-	-
Provisions - expected credit impairment of guarantees /commitments	211,484	215,451	(110,372)	-	-	-	-	316,563
Provision for bad debts of loans	403,036	135,405	(114,252)	-	-	-	-	424,189
Provision for impairment of discounted notes	67,040	-	(62,676)	-	-	-	-	4,364
Provision for bad debts of long-term receivables (including current portion)	1,514,033	126,597	-	-	-	-	-	1,640,630
Others	2,259	-	-	-	-	-	-	2,259
Sub-total	10,847,547	12,535,684	(1,548,722)	(246,355)	(35,570)	(20,699)	-	21,531,885
Provision for decline in the value of inventories	1,875,101	3,616,616	(466,047)	(824,845)	-	-	(10,041)	4,190,784
Provision for impairment of investment properties	273	-	-	-	-	-	-	273
Provision for impairment of contract assets	1,114,855	715,034	(16,864)	-	-	-	(175,255)	1,637,696
Provision for impairment of assets held for sale	60,500	-	-	(60,500)	-	-	-	-
Provision for impairment of fixed assets	191,579	20,159	-	(2,697)	-	-	-	209,041
Provision for impairment of construction in progress	25,842	-	-	(22,756)	-	-	-	3,086
Provision for impairment of intangible assets	99,307	14,029	-	-	-	-	(789)	112,547
Provision for impairment of long-term equity investments	7,008	2,294	-	-	(2,294)	-	-	7,008
Provision for impairment of goodwill	948,575	623,327	-	-	-	-	(29,525)	1,542,377
Provision for impairment of right-of-use assets	-	16,784	-	-	-	-	-	16,784
Sub-total	4,323,040	5,008,243	(482,911)	(910,798)	(2,294)	-	(175,255)	7,719,596
	15,170,587	17,543,927	(2,031,633)	(1,157,153)	(37,864)	(20,699)	(175,255)	29,251,481

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

(31) Short-term borrowings

	31 December 2021	31 December 2020
Credit borrowings	9,092,899	12,623,359
Mortgage borrowings (a)	366,406	138,000
Pledge borrowings (b)	22,174	150,000
Guaranteed borrowings (c)	1,209,510	2,716,025
Discount borrowings (d)	234,050	-
Factoring borrowings (e)	911,327	-
	11,836,366	15,627,384

- (a) As at 31 December 2021, the Group pledged intangible assets with a carrying amount of RMB85,954 thousand (31 December 2020: RMB118,252 thousand), fixed assets with a carrying amount of RMB125,451 thousand (31 December 2020: RMB222,686 thousand) and investment property with a carrying amount of RMB6,774 thousand to obtain short-term borrowings of RMB366,406 thousand (31 December 2020: RMB138,000 thousand).
- (b) As at 31 December 2021, the Group pledged accounts receivable with a carrying amount of RMB50,472 thousand (31 December 2020: RMB192,078 thousand) to obtain short-term bank loans of RMB22,174 thousand (31 December 2020: RMB150,000 thousand).
- (c) As at 31 December 2021, the Company and its subsidiaries provided guarantees of RMB1,209,510 thousand for short-term borrowings of certain subsidiaries (31 December 2020: RMB2,716,025 thousand).
- (d) As at 31 December 2021, the Group discounted trade acceptance notes of RMB110,988 thousand and bank acceptance notes of RMB123,062 thousand to obtain short-term bank loans (31 December 2020: Nil).
- (e) As at 31 December 2021, the Group entered into accounts receivable factoring contracts with recourse to obtain bank loans of RMB911,327 thousand (31 December 2020: Nil).

As at 31 December 2021, the annual interest rate for short-term borrowings was 0.40% to 6.00% (31 December 2020: the annual interest rate was 0.81% to 5.30%).

(32) Financial liabilities held for trading

	31 December 2021	31 December 2020
Financial liabilities held for trading	28,569	37,582

As at 31 December 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(33) Notes payable

	31 December 2021	31 December 2020
Trade acceptance notes	5,049,486	7,799,338
Bank acceptance notes	11,529,368	4,284,360
	<u>16,578,854</u>	<u>12,083,698</u>

(34) Accounts payable

	31 December 2021	31 December 2020
Accounts payable	<u>61,303,577</u>	<u>65,853,292</u>

- (i) As at 31 December 2021, accounts payable with ageing over one year amounted to RMB17,973,039 thousand (31 December 2020: RMB13,805,707 thousand), which mainly comprised payables for construction projects and payables for materials. Such accounts are unsettled for the projects are still under construction.

The ageing of accounts payable is analysed based on invoice date as follows:

	31 December 2021	31 December 2020
Within 3 months	33,066,158	43,152,754
3 months to 6 months	4,603,012	3,789,332
6 months to 1 year	5,661,368	5,105,499
1 to 2 years	9,226,113	7,406,554
2 to 3 years	4,263,316	3,161,517
Over 3 years	4,483,610	3,237,636
	<u>61,303,577</u>	<u>65,853,292</u>

(35) Advances from customers

	31 December 2021	31 December 2020
Share advances and others	<u>738,047</u>	<u>621,736</u>

As at 31 December 2021, there were no advances from customers with ageing over one year, except for share advances of RMB332,839 thousand. Such share advances were not recognised as they had not been settled.

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

(36) Contract liabilities

	31 December 2021	31 December 2020
Advances from goods and services	39,411,001	45,362,212
Less: Non-current portion of contract liabilities included in other non-current liabilities	(250,601)	-
	39,160,400	45,362,212

RMB27,330,812 thousand of the balance of the Group's contract liabilities as at 31 December 2020 was transferred to revenue in 2021. The balance of the Group's contract liabilities as at 31 December 2021 is expected to be transferred to revenue in 2022.

(37) Deposits from customers, banks and other financial institutions

	31 December 2021	31 December 2020
Current deposits	3,322,922	3,559,376
Time deposits	1,875,800	730,300
	5,198,722	4,289,676

(38) Employee benefits payable

		31 December 2021	31 December 2020
Short-term employee benefits payable	(a)	4,198,399	4,325,576
Defined contribution plans payable	(b)	84,891	155,741
Termination benefits payable	(c)	75,267	84,604
		4,358,557	4,565,921

(a) Short-term employee benefits

	31 December 2020	Additions due to acquisition of subsidiaries	Increase in the current year	Decrease in the current year	31 December 2021
Wages and salaries, bonus, allowances and subsidies	3,119,712	695	9,024,560	(9,173,843)	2,971,124
Staff welfare	103,894	-	338,529	(334,755)	107,668
Staff and workers' bonus and welfare fund	954,288	-	54,717	(489)	1,008,516
Social security contributions	48,179	86	775,210	(801,635)	21,840
Including: Medical insurance	42,634	74	562,290	(586,091)	18,907
Work injury insurance	2,950	8	199,101	(199,754)	2,305
Maternity insurance	2,595	4	13,819	(15,790)	628
Housing funds	34,627	198	475,246	(477,693)	32,378
Labour union funds and employee education funds	64,876	107	141,589	(149,699)	56,873
	4,325,576	1,086	10,809,851	(10,938,114)	4,198,399

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(38) Employee benefits payable (Cont'd)

(b) Defined contribution plans

	31 December 2020	Additions due to acquisition of subsidiaries	Increase in the current year	Decrease in the current year	31 December 2021
Basic pensions	98,354	-	925,729	(984,201)	39,882
Unemployment insurance	4,652	-	33,738	(34,753)	3,637
Supplementary pensions (Note)	52,735	111	348,439	(359,913)	41,372
	155,741	111	1,307,906	(1,378,867)	84,891

Note: For the Group's pension schemes (including basic pension plans in Mainland China and Mandatory Provident Fund in Hong Kong), monthly payments of statutory contributions are made to relevant authorities and calculated according to the bases and percentages prescribed by the local authorities of Ministry of Human Resource and Social Security. Besides, the payments cannot be used to offset the amounts to be paid for employees by the Group in the future.

The Group also provides certain employees in and out of Mainland China with several defined contribution plans (including Enterprise Annuity Plan in Mainland China and Provident Fund Scheme in Hong Kong). In 2021, under the Plan in Mainland China, the total returned contributions (the amount contributed by the Group for employees who left such Plan prior to vesting fully in such Plan) to the corporate account of the Plan amounted to RMB3,427 thousand (2020: RMB1,770 thousand). Such returned contributions had no impact on and were not utilised by the Group to reduce the level of contributions for existing employees participating in the Plan. In 2021, the Group did not have any contributions confiscated except for those under the defined contribution plans in Mainland China. In addition to the above-mentioned plans, the Group had no other defined contribution plans.

(c) Termination benefits payable

	31 December 2021	31 December 2020
Termination benefits	75,267	84,604

(39) Taxes payable

	31 December 2021	31 December 2020
VAT payable	1,012,930	1,429,552
Enterprise income tax payable	958,694	1,404,977
Individual income tax payable	48,596	10,032
City maintenance and construction tax payable	35,510	37,515
Real estate tax payable	28,503	8,145
Land use tax payable	9,717	4,442
Others	86,252	44,749
	2,180,202	2,939,412

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

(40) Other payables

	31 December 2021	31 December 2020
Sales commission	904,194	1,068,706
Transfer of factored accounts receivable	858,207	3,421,186
Guarantees and deposits	748,665	682,862
Technical royalties	647,412	418,551
Payables to related parties	411,546	82,200
Repurchase of shares under the incentive scheme	382,271	382,271
Construction and fixed assets purchase expenses payable	342,113	267,095
Maintenance cost within warranty period of elevators	291,007	267,150
Factoring fee	244,719	688,111
Dividends payable to minority shareholders	233,701	220,579
Other interest payable	217,472	243,347
Relocation compensations and personnel replacement fees	41,101	66,775
Interest on bonds payable	4,548	127,782
Others	3,275,601	3,327,286
	8,602,557	11,263,901

As at 31 December 2021, there were no dividends payable with ageing over one year (31 December 2020: RMB58,014 thousand).

(41) Current portion of non-current liabilities

	31 December 2021	31 December 2020
Current portion of long-term borrowings (Note 4(43))	6,514,065	4,140,751
Current portion of long-term payables (Note 4(46))	1,284,484	1,971,243
Current portion of bonds payable (Note 4(44))	-	4,119,056
Current portion of lease liabilities (Note 4(45))	475,791	406,888
Current portion of other non-current liabilities (Note 4(49))	-	424
	8,274,340	10,638,362

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(42) Other current liabilities

	31 December 2021	31 December 2020
Accrued expenses (a)	6,132,925	5,941,668
Provisions (b)	4,441,032	4,240,121
	<u>10,573,957</u>	<u>10,181,789</u>

(a) Accrued expenses

	31 December 2021	31 December 2020
Provision for the cost of spare parts	4,955,199	4,538,540
Others	1,177,726	1,403,128
	<u>6,132,925</u>	<u>5,941,668</u>

(b) Provisions

	31 December 2020	Increase in the current year	Reversal in the current year	Decrease in the current year	31 December 2021
Expected onerous contracts (Note)	2,485,842	4,147,905	(277,767)	(3,773,091)	2,582,889
Product warranty expenses	3,392,499	1,695,707	(76,676)	(676,399)	4,335,131
Expected credit impairment for guarantees/commitments (Note 4(30))	211,484	215,451	(110,372)	-	316,563
Others	188,958	80,923	(13,135)	(137,367)	119,379
	<u>6,278,783</u>	<u>6,139,986</u>	<u>(477,950)</u>	<u>(4,586,857)</u>	<u>7,353,962</u>
Less: Long-term provisions - Product warranty expenses	<u>(2,038,662)</u>				<u>(2,912,930)</u>
	<u>4,240,121</u>				<u>4,441,032</u>

Note: Factors such as commodity prices and industry competition can have a significant impact on the gross profit of related contracts. As at 31 December 2021, the Group assessed on whether unavoidable estimated total costs of meeting contractual obligations had exceeded the economic benefits expected to be received, and made provision for these onerous contracts based on the estimated least net cost of exiting from the contracts.

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

(43) Long-term borrowings

	31 December 2021	31 December 2020
Credit borrowings	14,380,371	7,000,230
Mortgage borrowings (a)	1,706,910	861,354
Pledge borrowings (b)	4,300,515	3,267,011
Factoring borrowings (c)	34,088	120,738
Guaranteed borrowings (d)	9,937,598	8,299,870
	<u>30,359,482</u>	<u>19,549,203</u>
Less: Current portion of long-term borrowings (Note 4(41))		
Credit borrowings	(843,956)	(1,349,656)
Mortgaged borrowings	(256,019)	(219,375)
Pledge borrowings	(180,452)	(252,131)
Factoring borrowing	(34,088)	(67,876)
Guaranteed borrowings	(5,199,550)	(2,251,713)
Sub-total	<u>(6,514,065)</u>	<u>(4,140,751)</u>
	<u>23,845,417</u>	<u>15,408,452</u>

(a) As at 31 December 2021, the Group pledged fixed assets with a carrying amount of RMB389,685 thousand (31 December 2020: RMB113,373 thousand) and intangible assets with a carrying amount of RMB1,010,138 thousand (31 December 2020: RMB162,142 thousand) to obtain long-term borrowings of RMB1,706,910 thousand.

(b) The Group pledged accounts receivable with a carrying amount of RMB2,170,377 thousand (31 December 2020: RMB2,025,587 thousand) to obtain long-term borrowings of RMB2,025,588 thousand.

As at 31 December 2021, the Group pledged the future collection rights of five projects to the bank to obtain long-term borrowings of RMB2,274,927 thousand (31 December 2020: RMB705,009 thousand).

(c) As at 31 December 2021, the Group entered into accounts receivable factoring contracts with recourse to obtain bank loans of RMB34,088 thousand (31 December 2020: RMB120,738 thousand).

(d) As at 31 December 2021, the Company and its subsidiaries provided guarantees of RMB9,937,598 thousand for long-term borrowings of certain subsidiaries (31 December 2020: RMB8,299,870 thousand).

As at 31 December 2021, the interest rate range for long-term borrowings was 0.55% to 5.635% (31 December 2020: 2.70% to 5.635%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(44) Bonds payable

	31 December 2020	Increase in the current year	Exchange differences	Interest accrued at par value	Amortisation of premium or discount	Repayment in the current year	Share Transfer transfer in the current year	Transfer to interest payable	31 December 2021
Electric convertible bond (a)	4,119,056	-	-	4,973	(85,612)	(1,342,153)	(2,691,291)	(4,973)	-
Super & Short-term Commercial Paper (b)	-	1,500,000	-	6,016	-	(1,500,000)	-	(6,016)	-
18 Electric MTN001 (c)	<u>2,485,142</u>	-	-	103,750	5,303	-	-	(103,750)	<u>2,490,445</u>
	6,604,198								2,490,445
Less: Current portion of bonds payable (Note 4(41))	<u>(4,119,056)</u>								-
	<u>2,485,142</u>								<u>2,490,445</u>

- (a) The Group issued convertible bonds of RMB6 billion on 2 February 2015, which were all redeemed in February 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.

After deducting the issuance costs of convertible bonds of RMB6 billion, the debt portion of RMB4,745,903 thousand was included in the bonds payable, and the equity portion of RMB1,214,919 thousand was included in the capital surplus (Note 4(51)). As at the end of the conversion period on 2 February 2021, the convertible bonds have been fully redeemed.

- (b) The Group issued the first phase of 2021 super & short-term commercial paper of Shanghai Electric Group Co., Ltd. on 7 April 2021, with a maturity of 61 days. The value date is 8 April 2021, and the redemption date is 8 June 2021. The proposed total issuance is RMB1.5 billion, and the actual total issuance is RMB1.5 billion; the issuance interest rate is 2.40% and the issuance is based on the face value. As at 8 June 2021, the above bonds have been fully redeemed.
- (c) The Group issued the first phase of 2018 medium-term notes of Shanghai Electric Group Co., Ltd. on 13 December 2018, with a maturity of 5 years. The value date is 17 December 2018, and the redemption date is 17 December 2023. The proposed total issuance is RMB2.5 billion, and the actual total issuance is RMB2.5 billion; the issuance interest rate is 4.15% (the Shanghai Interbank Offered Rate for the three months on 14 December 2018 rose by 1%), and the issuance is based on the face value.

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

(45) Lease liabilities

	31 December 2021	31 December 2020
Lease liabilities	1,503,787	1,157,196
Less: Current portion of non-current liabilities (Note 4(41))	(475,791)	(406,888)
	1,027,996	750,308

As at 31 December 2021, the Group had no lease payable related to lease contracts signed but not yet performed.

(46) Long-term payables

	31 December 2021	31 December 2020
Related party loans	1,061,674	1,540,598
Guarantees for finance leases	553,452	783,007
Payables for equity acquisition	74,968	727,800
Scientific research projects subsidies	8,751	12,547
Relocation compensation from government	-	120,000
Others	168,654	266,813
	1,867,499	3,450,765
Less: Current portion of long-term payables (Note 4(41))	(1,284,484)	(1,971,243)
	583,015	1,479,522

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(47) Deferred income

	31 December 2021	31 December 2020
Deferred income	1,651,556	1,774,593

As at 31 December 2021, liability items related to government grants were as follows:

Government grants	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021	Assets related/ Income related
Gotion Energy Storage System Base	270,000	-	(14,520)	255,480	Assets related
Goss China's new plant	130,473	-	(8,998)	121,475	Assets related
Test tower construction project	49,500	49,500	(413)	98,587	Assets related
Key technologies R&D for deep peak-shaving ultra supercritical coal-fired boilers	-	53,200	-	53,200	Income related
Purchase subsidiary for R&D assets of turbine blade	57,182	-	(3,954)	53,228	Assets related
Support funds for Nantong Guohai comprehensive development	52,066	-	(1,439)	50,627	Assets related
Special funds for supporting strategic emerging industry	47,780	-	(2,094)	45,686	Income related
Yinghe lithium-ion power battery project	39,350	-	(5,189)	34,161	Assets related
Technological transformation II	35,267	-	(1,533)	33,734	Assets related
Other government grants related to assets	594,009	40,879	(95,389)	539,499	Assets related
Other government grants related to income	498,966	730,382	(863,469)	365,879	Income related
Total	1,774,593	873,961	(996,998)	1,651,556	

(48) Long-term employee benefits payable

	31 December 2021	31 December 2020
Termination benefits (a)	92,650	95,017
Defined benefit plan (b)	132,023	159,545
	224,673	254,562

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 opted for early retirement. As at the balance sheet date, the main actuarial assumptions adopted by the Group to pay early retirement benefits are:

	31 December 2021
Discount rate	2.12%~3.45%
Salary growth rate	10.36%

The early retirement benefits included in profit or loss for the current period are:

	2021
General and administrative expenses	2,390
Financial expenses	4,157

(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 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 plan liabilities; 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 composition of the defined benefit plan is as follows:

	31 December 2021	31 December 2020
Non-current liabilities	132,023	159,545
Current liabilities	5,913	6,629
	<u>137,936</u>	<u>166,174</u>

The main actuarial assumptions adopted at the end of the reporting period are as follows:

	31 December 2021	31 December 2020
Discount rate	1.31%	1.00%
Expected future increase in retirement cost ratio	1.75%	1.75%
Expected increase in salary ratio	2.25%	2.00%

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 recognised in the statement of profit or loss and other comprehensive income is as follows:

	2021	2020
Service cost:		
Current service cost	3,387	3,886
Net interest expense	1,707	1,691
Expected return on plan assets	(73)	(79)
Defined benefit cost composition recognised in profit or loss	5,021	5,498
Remeasured net defined benefit liabilities:		
Obligation actuarial loss	(3,220)	5,531
Actuarial loss of plan assets	(191)	150
Defined benefit cost composition recognised in other comprehensive expenses	(3,411)	5,681
Total	1,610	11,179

Changes in the present value of defined benefit obligations are as follows:

	2021	2020
Defined benefit obligation at the beginning of the year	177,734	168,809
Current service cost	3,387	3,886
Interest expenses	1,707	1,691
Obligation actuarial loss/(gain)	(3,220)	5,531
Benefits paid	(12,211)	(6,946)
Exchange differences for overseas plans	(22,857)	4,763
Defined benefit obligation at the end of the year	144,540	177,734

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

Changes in the present value of defined benefit obligations are as follows:

	2021	2020
Fair value of plan assets at the beginning of the year	11,560	11,571
Expected return	73	79
Actuarial gain/(loss) of plan assets	191	(150)
Benefits paid	(3,988)	(246)
Exchange differences for overseas plans	(1,232)	306
Fair value of plan assets at the end of the year	6,604	11,560

The fair value of plan assets classified by category at the end of the reporting period is as follows:

	31 December 2021	31 December 2020
Insurance company investment funds	6,604	11,560

(49) Other non-current liabilities

	31 December 2021	31 December 2020
Other non-current liabilities	266,816	15,954
Less: Current portion of other non-current liabilities (Note 4(41))	-	(424)
	266,816	15,530

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

(50) Share capital

	Movements in the current year					Sub-total	31 December 2021
	31 December 2020	Shares newly issued	Bonus share	Transfer from capital surplus	Others (a)		
Share capital	15,181,353	-	-	-	524,618	524,618	15,705,971

	Movements in the current year					Sub-total	31 December 2020
	31 December 2019	Shares newly issued	Bonus share	Transfer from capital surplus	Others (a)		
Share capital	15,152,463	-	-	-	28,890	28,890	15,181,353

- (a) Electric convertible bond had been converted into shares of 524,618 thousand (2020: 84,736 thousand) shares in 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(51) Capital surplus

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium (a)	15,653,488	-	-	15,653,488
Effect of convertible bond on equity	1,214,919	2,166,673	-	3,381,592
Capital contribution by shareholders due to equity incentive	256,109	-	-	256,109
Subsidiaries relocation compensations	297,503	-	-	297,503
Profit commitment compensation	232,002	-	-	232,002
Amount recorded in owners' equity arising from share-based payment arrangements (b)	157,815	(5,506)	-	152,309
Capital investment of minority shareholders (c)	-	(44,868)	-	(44,868)
Decrease in minority shareholders' capital (d)	-	591,121	-	591,121
Others	1,526,304	-	-	1,526,304
	19,338,140	2,707,420	-	22,045,560

	31 December 2019	Increase in the current year	Decrease in the current year	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 by shareholders due to equity incentive (b)	271,163	(15,054)	-	256,109
Subsidiaries relocation compensations	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	2,514,437	(988,133)	-	1,526,304
	19,975,915	(637,775)	-	19,338,140

- (a) The impact of electric convertible bond on the capital surplus is mainly due to the transfer to share capital from A-share convertible bonds in this year, which results in an increase of RMB2,166,673 thousand (2020: RMB282,818 thousand) in the share premium.

Based on matters related to H shares repurchase mentioned in Note 1, from 10 September 2020 to 30 October 2020, the Company repurchased 48,430 thousand H shares, resulting in the reduction of the capital surplus by RMB46,654 thousand of the Company accordingly.

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

(51) Capital surplus (Cont'd)

- (b) Based on equity incentive scheme of the Company mentioned in Note 1, 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, with a total of 7,416 thousand shares of restricted shares repurchased and cancelled at RMB3.03 per share, resulting in the reduction of the capital surplus by RMB15,054 thousand of the Company accordingly. In 2021, the Group recognised an expense of RMB5,506 thousand in relation to the share-based payment, and adjusted capital surplus downwards accordingly. In 2020, the Group recognised an expense of RMB91,159 thousand in relation to the share-based payment, and adjusted capital surplus upwards accordingly (Note 4(75)).
- (c) On 13 May 2021, Shanghai Electric Wind Power Group Co., Ltd., a wholly-owned subsidiary of the Group, issued 533 million IPO shares at RMB5.44 per share, representing 40% of the total shares after the issuance. The Group's shareholding in Shanghai Electric Wind Power Group Co., Ltd. changed to 60%, its share of net assets decreased by RMB64,072 thousand as compared with that before the issuance and capital surplus was reduced accordingly.

In 2021, injection of capital from minority shareholders from Shanghai Renmin Electrical Apparatus Works and Shanghai Centrifugal Machinery Research Institute Co., Ltd., both of which are subsidiaries of the Group, results in adjustments to capital surplus of RMB17,912 thousand and RMB1,292 thousand, respectively.

- (d) In 2021, transactions with minority shareholders mainly referred to transactions with the new wholly-owned subsidiary of the Group, Shanghai Prime Mingyu Machinery Technology Co., Ltd. (hereinafter "Prime Mingyu"). On 11 January 2021, PMC held a general meeting of shareholders and a general meeting of H-share shareholders to review and approve relevant proposals of Prime Mingyu on privatising PMC with prerequisites through merger. Prime Mingyu subscribed for 40.5% equity interest in PMC at a consideration of RMB934,855 thousand, with a share of net assets of RMB1,524,915 thousand. The difference was adjusted to increase capital surplus by RMB590,060 thousand.

In 2021, Yinghe Technology, a subsidiary of the Group, signed the Equity Transfer Agreement with Shenzhen Hongji Technology Limited Partnership and Huang Junhui, which are the minority shareholders of Shenzhen Yinghe Technical Co., Ltd. ("Yinghe Technical"), a holding subsidiary of Yinghe Technology. Yinghe Technology acquired a total of 20% equity from the minority shareholders of Yinghe Technical at a consideration of RMB 2, and the Group adjusted capital surplus upwards by RMB1,061 thousand accordingly. Upon the completion of this acquisition, 100% equity of Yinghe Technical is held by Yinghe Technology.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(52) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for year ended 31 December 2021					
	31 December 2020	Attributable to the parent company - net of tax	Reclassification of other comprehensive income	31 December 2021	Amount incurred before income tax	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	(4,300)	766	-	(3,534)	3,411	-	2,645	766	-
Other comprehensive income items which will be reclassified to profit or loss									
Changes in fair value of other debt investments	61,764	(25,655)	-	36,109	104,726	143,415	(9,672)	(25,655)	(3,362)
Changes in fair value of receivables financing (Note)	(214,417)	-	214,417	-	-	-	-	-	-
Provision for credit impairment of other debt investments and receivables financing (Note)	392,754	23,593	(394,154)	22,193	33,934	8,141	2,200	23,593	-
Gains or losses on cash flow hedge	20,217	-	-	20,217	-	-	-	-	-
Differences on translation of foreign currency financial statements	(365,629)	(198,674)	-	(564,303)	(206,557)	-	-	(198,674)	(7,883)
Other comprehensive income that will be reclassified to profit or loss under the equity method	(30,908)	-	-	(30,908)	-	-	-	-	-
Others	10,397	-	-	10,397	-	-	-	-	-
	(130,122)	(199,970)	(179,737)	(509,829)	(64,486)	151,556	(4,827)	(199,970)	(11,245)

Note: In 2021, as a result of changes in business model for managing accounts receivable, certain subsidiaries of the Group reclassified related receivables financing to accounts receivable and transferred out the accumulated gains or losses previously included in other comprehensive income, with a corresponding adjustment made to the carrying amount of accounts receivable.

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

(52) Other comprehensive income (Cont'd)

	Other comprehensive income in the 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	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								
Changes in fair value of other debt investments	49,330	12,434	61,764	248,993	230,243	4,687	12,434	1,629
Changes in fair value of receivables financing	(76,801)	(137,616)	(214,417)	(503,791)	(130,256)	(74,861)	(137,616)	(161,058)
Provision for credit impairment of other debt investments and receivables financing	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	-	-	-	-	-
	<u>(35,587)</u>	<u>(94,535)</u>	<u>(130,122)</u>	<u>(25,065)</u>	<u>157,481</u>	<u>(25,495)</u>	<u>(94,535)</u>	<u>(62,516)</u>

Note: In 2020, the Group disposed equity investments on AEN. The impact of differences on translation of foreign currency financial statements on AEN's net investment due to exchange rate changes during the current year was RMB131,204 thousand. The effective portion of hedges of net investments in a foreign operation is RMB131,204 thousand. 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 2021

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

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

(53) Surplus reserve

	31 December 2020	Appropriation in the current year	Decrease in the current year	31 December 2021
Statutory surplus reserve	4,096,610	-	-	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	1,126,457	-	-	1,126,457
	<u>5,906,524</u>	<u>-</u>	<u>-</u>	<u>5,906,524</u>

	2019年12月31日	Appropriation in the current year	Decrease in the current year	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>

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. (2020: 10% of the net profit, totalling RMB105,139 thousand).

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

(54) Retained earnings

	31 December 2021	31 December 2020
Retained earnings at the beginning of the year	26,348,897	22,806,876
Add: Net (loss)/profit attributable to shareholders of the parent company	(9,987,908)	3,758,175
Less: Appropriation to statutory surplus reserve	-	(105,139)
Appropriation to general risk reserve	-	(80,690)
Appropriation to staff and workers' bonus and welfare fund	(15,189)	(30,325)
Dividends payable to the Company's shareholders	(1,127,375)	-
Retained earnings at the end of the year	<u>15,218,425</u>	<u>26,348,897</u>

(55) Revenue and operating cost

	2021	2020
Revenue from main operations	128,125,076	134,091,581
Revenue from other operations	2,556,374	2,448,739
Interest income	704,552	742,609
Fee and commission income	1,850	2,127
	<u>131,387,852</u>	<u>137,285,056</u>

	2021	2020
Operating cost from main operations		
Operating cost from other operations	110,174,086	113,284,480
Interest costs	1,308,673	914,539
Fee and commission expenses	103,242	77,760
	<u>917</u>	<u>765</u>
	<u>111,586,918</u>	<u>114,277,544</u>

Revenue from main operations includes revenue from sales of energy equipment, industrial equipment, integration service, etc. Operating cost refers to those of products related to main operations. The Group's segment information has been listed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(55) Revenue and operating cost

Details of revenue from main operations are as follows:

	2021	2020
Sales of goods	91,793,950	89,989,979
Construction services	25,901,402	34,680,047
Rendering of services	10,429,724	9,421,555
	128,125,076	134,091,581

Details of revenue from other operations are as follows:

	2021	2020
Leasing fixed assets	534,633	401,907
Sales of raw materials	1,313,613	1,236,073
Finance lease income	328,948	507,370
Rendering of non-industrial services	166,749	127,008
Sales of energy	25,673	34,594
Others	186,758	141,787
	2,556,374	2,448,739

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

(55) Revenue and operating cost (Cont'd)

	For the year ended 31 December 2021								Total
	Products			Projects					
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Labour services	Others	
Revenue from main operations	83,610,979	1,028,814	7,154,157	10,751,280	13,913,992	1,236,130	10,429,724	-	128,125,076
Including: Recognised at a time point	83,610,979	1,028,814	7,154,157	-	-	-	175,087	-	91,969,037
Recognised within a certain period	-	-	-	10,751,280	13,913,992	1,236,130	10,254,637	-	36,156,039
Revenue from other operations	846,336	426,335	40,942	-	-	-	166,749	1,076,012	2,556,374
	<u>84,457,315</u>	<u>1,455,149</u>	<u>7,195,099</u>	<u>10,751,280</u>	<u>13,913,992</u>	<u>1,236,130</u>	<u>10,596,473</u>	<u>1,076,012</u>	<u>130,681,450</u>

	For the year ended 31 December 2020								Total
	Products			Projects					
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Labour services	Others	
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
	<u>82,309,137</u>	<u>2,800,652</u>	<u>6,116,263</u>	<u>21,956,119</u>	<u>11,547,298</u>	<u>1,176,630</u>	<u>9,548,563</u>	<u>1,085,658</u>	<u>136,540,320</u>

- (i) As at 31 December 2021, the Group's income corresponding to the performance obligations that have been signed but not yet fulfilled or not yet completed was RMB84,964,347 thousand, of which RMB38,495,272 thousand was expected to be recognised in 2022 and RMB46,459,074 thousand was expected to be recognised in 2023 and beyond.
- (ii) In 2021, the Group did not receive any additional rewards for the early completion of labour services. The Group's revenue from sales of materials is recognised at a time point.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(56) Taxes and surcharges

	For the year ended 31 December 2021	For the year ended 31 December 2020
City maintenance and construction tax	141,144	133,083
Real estate tax	119,893	122,124
Educational surcharge	107,186	107,548
Stamp tax	110,057	121,072
Land use tax	35,197	31,162
Others	49,391	32,774
	562,868	547,763

The payment criterion is set out in Note 3.

(57) Selling and distribution expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Product warranty expenses	1,619,031	1,357,322
Labour costs	1,205,112	997,897
Agency fee and commission	447,182	499,206
General office expenses and market development expenses	371,826	321,358
Agent and technical service fees	224,344	211,510
Bid service fee	170,208	192,152
Travel expenses	139,933	144,092
Package fees	48,526	47,001
Depreciation of right-of-use assets	4,732	2,714
Others	398,659	302,766
	4,629,553	4,076,018

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

(58) General and administrative expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Labour costs	4,186,465	4,436,801
Depreciation and amortisation	918,930	1,047,605
Professional service fees	738,355	530,101
General office expenses	668,212	538,386
Rental fees	155,158	126,833
Depreciation of right-of-use assets	147,347	174,554
Travel expenses	132,884	118,365
Repair expenses	88,660	115,523
Power energy expenses	64,587	63,773
Others	829,891	950,538
	7,930,489	8,102,479

(59) Research and development expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Direct input material costs	2,259,156	1,725,664
Labour costs	2,229,708	2,047,100
Depreciation and amortisation	227,800	242,984
Outsourced research expenses	202,931	241,389
Depreciation of right-of-use assets	24,948	5,623
Others	461,226	591,324
	5,405,769	4,854,084

(60) Financial expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest costs on borrowings	1,186,335	2,151,120
Add: Interest costs on lease liabilities	36,469	30,639
Less: Capitalised interest	(61,717)	(107,214)
Sub-total:	1,161,087	2,074,545
Less: Interest income	(316,627)	(450,029)
Exchange gains	133,518	82,318
Others	149,432	163,517
	1,127,410	1,870,351

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 2021	For the year ended 31 December 2020
Consumption of raw materials	69,195,651	59,838,564
Machinery and services purchased	36,547,092	48,996,274
Labour costs	12,060,673	11,225,853
Depreciation and amortisation	2,273,590	2,745,304
Warranty expenses	1,619,031	1,357,322
Freight and package fees	1,505,798	1,355,844
General office expenses	786,169	814,536
Power energy expenses	721,886	705,219
Agency fee and commission	599,217	570,426
Rental fees	370,503	296,947
Travel expenses	330,621	364,737
Technology commission fees and technical service fees	600,310	431,139
Consultation fee	303,832	272,410
Depreciation of right-of-use assets	351,827	329,765
Property cost	280,456	389,831
Market development fee	238,277	257,176
Auditor fees - Audit services	30,710	28,900
- Non-audit services	760	1,950
Daily maintenance and repair expenses of fixed assets (i)	2,641	4,906
Others	1,733,685	1,323,022
Total	129,552,729	131,310,125

- (i) For the daily maintenance and repair expenses of fixed assets that do not meet the criteria of capitalisation, the Group included the costs related to the production and processing of inventories in the costs of inventories and recognised as operating cost accordingly, and included the costs related to the research and development department, the administrative department and the sale department in research and development expenses, general and administrative expenses and selling and distribution expenses, respectively.

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

(62) Asset impairment losses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Losses on decline in the value of inventories	3,150,569	450,368
Impairment losses on contract assets	698,170	68,004
Impairment losses on goodwill	623,327	551,382
Impairment losses on fixed assets	20,159	3,143
Impairment losses on intangible assets	14,029	44,810
Impairment losses on long-term equity investments	2,294	-
Impairment losses on right-of-use assets	16,784	-
	4,525,332	1,117,707

(63) Credit impairment losses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Losses on bad debts of accounts receivable, other receivables and receivables financing	9,754,456	1,428,284
Losses on bad debts of notes receivable	1,033,552	11,563
Impairment losses on long-term receivables	126,597	187,985
Provision for losses on guarantees/commitments	105,079	90,010
(Reversal of losses)/Impairment losses on loans	21,153	(40,179)
(Reversal of losses)/Impairment losses on discounted notes	(62,676)	48,079
Impairment losses on other debt investments	8,801	8,141
	10,986,962	1,733,883

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(64) Other income

	For the year ended 31 December 2021	or the year ended 31 December 2020	
Tax refund	103,430	37,356	Income related
Special funds for the economic development from Changning District	42,600	-	Income related
Financial support fund for high-tech achievement transformation projects	41,785	-	Income related
Support fund from Zizhu Development Park	31,609	57,300	Income related
Subsidy for ultra supercritical boiler R&D project	20,000	-	Income related
Industrial high-quality development support fund	20,000	-	Income related
R&D grants for million-KW-class turbine low-pressure welded rotor	19,824	-	Income related
Income from award for straw recycling	18,552	-	Income related
Nantong financial investment subsidy	15,000	-	Income related
Subsidy for new energy power battery automatic winding machine industrialization projects	13,448	-	Income related
Other government grants related to income	539,315	935,416	Income related
Other government grants related to assets	131,435	88,964	Assets related
	<u>996,998</u>	<u>1,119,036</u>	

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

(65) Investment income

	For the year ended 31 December 2021	For the year ended 31 December 2020
Investment income from long-term equity investment under equity method	22,785	912,466
Investment income obtained during the holding of other debt investments	7,362	34,900
Investment income obtained during the holding of other non-current financial assets	131,013	104,576
Investment income obtained during the holding of financial assets measured at amortised cost	147,471	43,809
Investment income obtained during the holding of financial assets held for trading	72,102	126,114
Investment income from disposal of subsidiaries	935,262	184,235
Investment income from disposal of other non-current financial assets	15,555	-
Investment income from disposal of financial assets held for trading	51,726	98,943
Investment income from disposal of other debt investments	143,415	230,244
Losses arising from derecognition of financial assets measured at amortised cost	(16,108)	(36,529)
Losses arising from derecognition of receivables financing	-	(259,096)
Others	131,501	237,994
	1,642,084	1,677,656

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 2021	For the year ended 31 December 2020
Financial assets at fair value through profit or loss	1,725,898	23,286
Derivative financial instruments	(20,050)	(8,041)
	1,705,848	15,245

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

(67) Gains on disposal of assets

	For the year ended 31 December 2021	For the year ended 31 December 2020	Amount recognised in non-recurring profit or loss in 2021
Gains on disposal of intangible assets	6,986	2,281,612	6,986
Gains on disposal of fixed assets, investment properties and, construction in progress	176,078	265,427	176,078
	<u>183,064</u>	<u>2,547,039</u>	<u>183,064</u>

(68) Non-operating income

	For the year ended 31 December 2021	For the year ended 31 December 2020
Insurance claims	53,290	48,790
Unpayable payables	25,098	29,527
Contract compensation income	280,725	27,915
Others	282,056	255,833
	<u>641,169</u>	<u>362,065</u>

(69) Non-operating expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Compensation expenditures	16,026	38,091
Donation expenditures	4,970	7,536
Others	71,348	33,036
	<u>92,344</u>	<u>78,663</u>

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

(70) Income tax expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Current income tax calculated based on tax law and related regulations	1,583,469	2,094,594
Income tax annual filing difference for the current period	(8,651)	(5,990)
Deferred income tax	(1,624,326)	(1,008,168)
	<u>(49,508)</u>	<u>1,080,436</u>

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Total (loss)/profit	<u>(10,289,639)</u>	<u>6,346,439</u>
Income tax expenses calculated at applicable tax rates provided by law (Note 1)	(2,572,410)	1,586,610
Effect of preferential tax rates of certain subsidiaries	(230,133)	(186,102)
Adjustment for tax filing difference of prior years	(8,651)	(5,990)
Effect on share of profit of joint ventures and associates	(44,317)	(205,196)
Income not subject to tax	(151,676)	(100,780)
Non-deductible expenses	30,585	68,960
Preferential tax for qualified expenses	(321,844)	(231,617)
Utilisation of temporary difference and deductible losses that are not recognised as deferred tax assets in previous years	(17,830)	(54,037)
Deductible temporary difference and deductible losses that are not recognised as deferred tax assets in the current year	<u>3,266,768</u>	<u>208,588</u>
Income tax expenses	<u>(49,508)</u>	<u>1,080,436</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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 2021	For the year ended 31 December 2020
Consolidated net (loss)/profit attributable to ordinary shareholders of the parent company	(9,987,908)	3,758,175
Weighted average number of ordinary shares outstanding (i) (Unit: 1,000 shares)	15,662,253	15,174,280
Basic earnings per share	(0.64)元	0.25元
Including:		
- Basic earnings per share from continuing operations (i):	(0.64)元	0.25元
- Basic earnings per share from discontinued operations:	-	-

- (i) As mentioned in Note 1, the Company implemented an equity incentive scheme. In the calculation of basic earnings per share, the numerator is the consolidated net profit attributable to ordinary shareholders of the Company less the revocable cash dividends distributed in the current period attributable to shares that are expected to be unlocked in the future; the denominator does not include the number of restricted shares. As approved by the 1st interim shareholders' meeting in 2022, the 1st A share shareholders' meeting in 2022 and the 1st H share shareholders' meeting in 2022, the Company terminated equity incentive plan in January 2022 and restricted shares under equity incentive plan were repurchased and cancelled in March 2022.

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. The calculation is as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Consolidated net (loss)/profit attributable to ordinary shareholders of the parent company	(9,987,908)	3,758,175
Net interest expenses after tax due to the conversion of convertible bonds to shares (Note)	-	64,374
Weighted average number of ordinary shares outstanding (Unit: 1,000 shares)	15,662,253	15,174,280
Weighted average number of ordinary shares increased from convertible bonds to shares (Unit: 1,000 shares) (Note)	-	802,935
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	15,662,253	16,005,362
Diluted earnings per share	(0.64)元	0.24元
Including:		
- Diluted earnings per share from continuing operations:	(0.64)元	0.24元
- 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. In 2021, the equity incentive plan implemented by the Company has no impact on the calculation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

(a) Cash received relating to other operating activities

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net increase in transfers of factored accounts receivable	-	2,638,747
Net decrease in finance lease receivables from Lease Company	1,647,064	2,314,079
Income from government grants	873,961	1,261,919
Cash for interest, fee and commission	705,660	755,716
Interest income from parties excluding Financial Company and Lease Company	316,627	450,029
Income from leasing fixed assets	534,633	401,907
Net decrease in loans and advances to customers	-	214,578
Net increase in customer deposits and interbank deposits	909,046	-
Net decrease in deposits with central banks	801,080	-
Others	533,086	699,154
	<u>6,321,157</u>	<u>8,736,129</u>

(b) Cash paid relating to other operating activities

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net decrease in customer deposits and interbank deposits	-	2,919,279
Net increase in financial assets purchased under resale agreements and factoring	2,884,651	-
Net decrease in transfers of factored accounts receivable	2,562,979	-
General and administrative expenses	2,795,186	2,345,105
Selling and distribution expenses	2,533,851	2,405,063
Research and development expenses	2,948,182	2,559,972
Net increase in deposits with central banks	-	692,464
Cash for payment of interest, fee and commission	104,159	78,525
Net increase in loans and advances to customers	516,700	-
Others	488,403	766,801
	<u>14,834,111</u>	<u>11,767,209</u>

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

(72) Notes to the cash flow statement (Cont'd)

(c) Cash received relating to other investing activities

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net decrease in time deposit over three months	3,294,045	-
Net decrease in restricted cash at bank and on hand	-	463,520
	<u>3,294,045</u>	<u>463,520</u>

(d) Cash paid relating to other investing activities

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net increase in time deposit over three months	-	1,984,662
Net increase in restricted cash at bank and on hand	282,257	-
	<u>282,257</u>	<u>1,984,662</u>

(e) Cash received relating to other financing activities

	For the year ended 31 December 2021	For the year ended 31 December 2020
Loans from related parties to the Group	318,803	521,998

(f) Cash paid relating to other financing activities

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cash paid for acquisition of minority interests	934,855	-
Loans repaid by the Group to related parties	797,727	560,000
Repayments of lease liabilities	415,226	248,671
Repurchase of H share	-	95,084
Repurchase of share incentive	-	22,470
	<u>2,147,808</u>	<u>926,225</u>

In 2021, the total cash outflow related to leasing paid by the Group was RMB415,226 thousand, except for the above amount of payment of leasing liabilities included in financing activities, and the rest of the cash outflow was included in operating activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

(a) Supplementary information to the cash flow statement

Reconciliation from net (loss)/profit to cash flows from operating activities

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net (loss)/profit	(10,240,131)	5,266,003
Add: Asset impairment losses	4,525,332	1,117,708
Credit impairment losses	10,986,962	1,733,883
Depreciation of right-of-use assets	351,827	329,765
Depreciation of investment properties	80,061	87,810
Depreciation of fixed assets	1,713,952	1,945,299
Amortisation of intangible assets	334,456	558,088
Amortisation of long-term prepaid expenses	145,121	154,107
Gains on disposal of fixed assets, intangible assets and other long-term assets	(282,772)	(2,547,039)
Financial expenses	1,294,605	1,346,326
Exchange gains	-	-
Gains on changes in fair value	(1,705,848)	(15,245)
Investment income	(1,642,084)	(1,973,282)
Changes in deferred tax assets	(1,676,486)	(673,264)
Changes in deferred tax liabilities	(78,619)	(181,758)
Amortisation of deferred income	(996,998)	(1,119,036)
Changes in inventories	(6,043,723)	(2,608,021)
Changes in contract assets	(2,035,895)	(6,187,134)
Changes in contract liabilities	(5,697,738)	6,776,314
Changes in operating receivables	2,767,822	(12,345,768)
Changes in operating payables	(2,362,927)	13,024,187
Increase in special reserve	9,083	7,255
Net cash flows (used in)/from operating activities	<u>(10,554,000)</u>	<u>4,696,198</u>

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

(73) 現金流量表補充資料(續)

(a) 現金流量表補充資料(續)

	For the year ended 31 December 2021	For the year ended 31 December 2020
Purchase of inventory paid by bank acceptance notes	3,444,012	1,232,863
Transfer of convertible bonds to shares	2,691,291	367,554
Newly added right-of-use assets in the current period	795,020	547,615
Asset-for-debt transaction(4(5)(c)(i))	170,176	-
Trade off between accounts receivable and long-term accounts payable term accounts payable(Note)	652,832	-
Stock-for-debt transaction	8,475	-
	<u>7,761,806</u>	<u>2,148,032</u>

Note: In 2021, the Group's subsidiary Thvow Technology, Thvow Technology's subsidiary - China Sinogy Electric Engineering Co., Ltd. ("CSEEC") signed an agreement with China Energy Engineering Group Co., Ltd. ("China Energy") and some other related parties. For China Energy and related parties, the receivables due from Thvow Technology for equity transfer amounted to RMB652,832 thousand (of which RMB340,819 thousand related to China Energy, see Note 8(5)(k)), which can be used to offset the equivalent amount of the accounts receivable of CSEEC.

(b) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash at bank and on hand	25,359,181	24,243,832
Placements with banks and other financial institutions	28,992,175	36,593,978
	54,351,356	60,837,810
Less: Time deposit over three months	(7,017,425)	(10,311,470)
Less: Restricted funds in monetary funds	(3,752,602)	(4,271,425)
Cash and cash equivalents at the end of the year	<u>43,581,329</u>	<u>46,254,915</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(c) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	For the year ended 31 December 2021
Cash and cash equivalents in business combination incurred and paid in the current period	118,137
Including: Shanghai Kezhi Electric Automation Co., Ltd.	72,009
Shanghai Techgine Laser Technology Co., Ltd.	-
Inner Mongolia Mengfa Electric Power Development Co., Ltd.	-
Yulin Zhengxin Electric Power Construction Co., Ltd.	1,479
Shanghai Guangye Optical Cable Co., Ltd.	44,649
Cash and cash equivalents held by subsidiaries at acquisition date	(49,997)
Including: Shanghai Kezhi Electric Automation Co., Ltd.	(1,756)
Shanghai Techgine Laser Technology Co., Ltd.	(1,809)
Inner Mongolia Mengfa Electric Power Development Co., Ltd.	(10,701)
Yulin Zhengxin Electric Power Construction Co., Ltd.	(24,541)
Shanghai Guangye Optical Cable Co., Ltd.	(11,190)
Net cash paid to acquire subsidiaries and other business units	68,140

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

(73) Supplementary information to the cash flow statement (Cont'd)

(c) Acquisition or disposal of subsidiaries (Cont'd)

(ii) Disposal of subsidiaries

	For the year ended 31 December 2021
Cash and cash equivalents received from disposal of subsidiaries in the current year	2,237,157
Including: Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd.	128,930
Shanghai Yida Machinery Co., Ltd.	-
Shanghai Nengxi Industrial Co., Ltd.	138,112
Shanghai Relay Co., Ltd.	-
Shanghai Electric International Economic & Trading Co., Ltd.	1,957,467
China Sinogy Zhejiang Engineering Co., Ltd.	12,648
Less: Cash and cash equivalents held by subsidiaries at the date when control is lost	237,303
Including: Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd.	98
Shanghai Yida Machinery Co., Ltd.	13,407
Shanghai Nengxi Industrial Co., Ltd.	2,920
Shanghai Relay Co., Ltd.	2,575
Shanghai Electric International Economic & Trading Co., Ltd.	209,089
China Sinogy Zhejiang Engineering Co., Ltd.	9,214
Net decrease in cash from disposal of subsidiaries	<u>1,999,854</u>
Considerations for disposal of subsidiaries for the year ended 31 December 2021	
Including: Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd.	215,202
Shanghai Yida Machinery Co., Ltd.	-
Shanghai Nengxi Industrial Co., Ltd.	138,112
Shanghai Relay Co., Ltd.	-
Shanghai Electric International Economic & Trading Co., Ltd.	1,957,467
China Sinogy Zhejiang Engineering Co., Ltd.	12,648
	<u>2,323,429</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

	31 December 2021		
	Foreign currency balances	Exchange rate	RMB balances
Cash at bank and on hand -			
USD	422,518	6.3757	2,693,846
EUR	16,929	7.2197	122,225
MYR	2,934	1.5266	4,479
JPY	681,071	0.0554	37,742
VND	24,941,549	0.0003	6,985
HKD	71,981	0.8176	58,852
GBP	2,544	8.6064	21,894
IDR	37,916,597	0.0004	16,934
BDT	214,354	0.0752	16,125
ETB	46,425	0.1301	6,041
RSD	2,257,116	0.0616	138,976
INR	667,069	0.0859	57,284
Accounts receivable -			
USD	702,635	6.3757	4,479,789
EUR	44,149	7.2197	318,743
GBP	16,869	8.6064	145,178
MYR	1,779	1.5266	2,716

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

(74) Major monetary items denominated in foreign currency (Cont'd)

	31 December 2021		
	Foreign currency balances	Exchange rate	RMB balances
Other receivables -			
USD	55,042	6.3757	350,931
EUR	7,352	7.2197	53,082
ZAR	73,098	0.0752	5,499
GBP	27,894	8.6064	240,067
Accounts payable -			
USD	524,740	6.3757	3,345,588
MYR	67,925	1.5266	103,698
ZAR	15,137	0.4003	6,061
EUR	10,240	7.2197	73,929
JPY	224,554	0.0554	12,444
RSD	19,742,012	0.0616	1,215,566
Other payables -			
MYR	20,216	1.5266	30,862
USD	149	6.3757	951
EUR	5,356	7.2197	38,671
Short-term borrowings -			
EUR	397,659	7.2197	2,870,978
USD	155,600	6.3757	992,061
HKD	548,501	0.8176	448,454
Current portion of long-term borrowings -			
EUR	17,136	7.2197	123,714
USD	69,835	6.3757	445,249
Long-term borrowings -			
USD	242,501	6.3757	1,546,116
EUR	144,972	7.2197	1,046,654
Contract liabilities -			
USD	36,676	6.3757	233,835
MYR	4,882	1.5266	7,453
EUR	18	7.2197	132
JPY	483,601	0.0554	26,799
RSD	190,846	0.0616	11,751

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 thousand 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 RMB3.03 per share. After the completion of the subscription of such incentive plan, due to the issuance of new shares, the Company's share capital and capital surplus increased by RMB133,578 thousand and RMB271,163 thousand respectively, treasury stocks increased by RMB404,741 thousand and repurchase obligation under share incentive plan was RMB404,741 thousand. 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, 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 thousand. After completion of the repurchase and cancellation, the number of remaining restricted shares under the incentive scheme of all participants totalled 126,162 thousand.

On 17 December 2021, the Proposal on Adjusting the Repurchase Price of Restricted A Shares Under the Incentive Plan, and the Proposal on Termination of the Restricted A Shares Under the Incentive Plan and Repurchase and Cancellation of Granted but Locked-up Restricted Shares, were reviewed and approved at the 61st meeting of the 5th session of the Board of Directors and the 44th meeting of the 5th session of the Board of Supervisors of the Company. The Company plans to repurchase and cancel a total of 126,162 thousand restricted shares that have been granted to 2,099 participants but not yet unlocked. The above proposals are yet to be approved by the 1st interim shareholders' meeting in 2022.

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.

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

(75) Share-based payment (Cont'd)

(a) Equity-settled share-based payment (Cont'd)

In 2021, Shanghai Electric Group granted a total of 84,108 thousand restricted shares to the Group's participants, with no restricted shares exercised and forfeited (2020: 126,162 thousand shares). In 2021, expenses related to three-tranche share-based payments, amounting to RMB72,428 thousand, were recognised. Meanwhile, as the second tranche of share-based payment failed in the relevant performance assessment, accumulated recognised expenses of second tranche of share-based payment of RMB77,934 thousand were reversed. Therefore, in 2021, the Group recognised an expense of RMB5,506 thousand in relation to the share-based payment, and adjusted capital surplus downwards accordingly (2020: recognised relevant expenses and increased capital surplus by RMB91,159 thousand accordingly).

(ii) Statement of changes in restricted shares for the year

	For the year ended 31 December 2021	For the year ended 31 December 2020
Number of outstanding restricted shares at the beginning of the year	126,162,000	133,578,000
Number of restricted shares issued in the current year	-	-
Number of restricted shares exercised in the current year	-	-
Number of restricted shares failed in meeting requirements in the current year	(42,054,000)	(7,416,000)
Number of outstanding restricted shares at the end of the year	<u>84,108,000</u>	<u>126,162,000</u>

(iii) Effect of share-based payment on financial position and financial performance

	For the year ended 31 December 2021	For the year ended 31 December 2020
Accumulated amount in capital surplus for equity-settled share-based payment (Note 4(51))	152,309	157,815
Total expenses recognised by equity-settled share-based payment in the current year	(5,506)	91,159

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

5 CHANGES IN THE SCOPE OF CONSOLIDATION

(1) Addition of subsidiaries

(a) In 2021, subsidiaries newly incorporated and thus included in the consolidation scope were as follows:

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (Unit: RMB)
				Direct	Indirect	
Shanghai Prime Mingyu Machinery Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	95.56	-	RMB10,000,000
Shanghai Electric Europe Investment S.L.	Spain	Spain	Equity investments	-	100.00	EUR3,000
Shenyao Technology (Shenzhen) Co., Ltd.	Guangdong	Guangdong	Wholesale	-	100.00	HKD20,000,000
Shanghai Electric Smart City Information Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	-	70.00	RMB20,000,000
Shanghai Electric Group (Suning) Environmental Protection Technology Co., Ltd.	Hebei	Hebei	Production and supply of electric power and heat	100.00	-	RMB112,968,000
Shanghai Shangdian Electric Machinery Putian Co., Ltd.	Fujian	Fujian	Manufacturing of electrical machinery and equipment	-	100.00	RMB100,000,000
Shanghai Shangdian Electric Machinery Guangdong Co., Ltd.	Guangdong	Guangdong	Manufacturing of electrical machinery and equipment	-	100.00	RMB100,000,000
Jiangsu Yufeng Ship Technology Co., Ltd.	Jiangsu	Jiangsu	Water transportation industry	-	100.00	RMB70,000,000
Jiangsu Xiangfeng Ship Technology Co., Ltd.	Jiangsu	Jiangsu	Water transportation industry	-	100.00	RMB90,000,000
Rudong Liheng Wind Power Technical Service Co., Ltd.	Jiangsu	Jiangsu	Leasing industry	-	51.00	RMB10,000,000
Shanghai Electric Group Medical Technology Development Co., Ltd.	Shanghai	Shanghai	Wholesale	100.00	-	RMB50,000,000
Shanghai Electric Group Smart Energy Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	-	63.20	RMB100,000,000
Shanghai Shendiantong Rail Transit Technology Co., Ltd.	Shanghai	Shanghai	Manufacturing of railway, ships, aerospace and other transportation equipment	51.00	-	RMB50,000,000
Shanghai Electric Lingchu Technology Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	-	60.00	RMB5,000,000
Zhili (Zhejiang Zhoushan) New Energy Co., Ltd.	Zhejiang	Zhejiang	Production and supply of electric power and heat	-	51.00	RMB40,000,000
Huining Zhiheng New Energy Co., Ltd.	Gansu	Gansu	Production and supply of electric power and heat	-	100.00	RMB40,000,000
Dingxi Anding District Zhiheng New Energy Co., Ltd.	Gansu	Gansu	Production and supply of electric power and heat	-	100.00	RMB5,000,000
Yangzhong Shangfei Tools Co., Ltd.	Jiangsu	Jiangsu	Technology promotion and application service industry	-	66.67	RMB30,000,000
Inner Mongolia Changhai Wind Power Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Production and supply of electric power and heat	-	60.00	RMB1,000,000
Inner Mongolia Yanyang Clean Energy Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Production and supply of electric power and heat	-	60.00	RMB1,000,000
Erds Changfeng Solar Energy Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Production and supply of electric power and heat	-	60.00	RMB1,000,000

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(1) Addition of subsidiaries (Cont'd)

(b) In 2021, subsidiaries newly acquired and thus included in the consolidation scope were as follows:

Subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Registered capital (Unit: RMB)
				Direct	Indirect	
Tongliao Wulan Errige New Energy Technology Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Technology promotion and application service industry	-	65.00	RMB1,000,000
Tongliao Chulu New Energy Technology Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Technology promotion and application service industry	-	65.00	RMB1,000,000
Tongliao Jigesitai New Energy Technology Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Technology promotion and application service industry	-	65.00	RMB1,000,000
Shanghai Techgine Laser Technology Co., Ltd.	Shanghai	Shanghai	Professional technical service industry	54.14	-	RMB9,811,951
Shanghai Kezhi Electric Automation Co., Ltd.	Shanghai	Shanghai	Technology promotion and application service industry	-	51.00	RMB46,425,737
Inner Mongolia Mengfa Electric Power Development Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	Production and supply of electric power and heat	-	100.00	RMB3,000,000
Yulin Zhengxin Electric Power Construction Co., Ltd.	Shaanxi	Shaanxi	Production and supply of electric power and heat	-	100.00	RMB200,000,000
Shanghai Guangye Optical Cable Co., Ltd.	Shanghai	Shanghai	Wholesale	55.00	-	RMB130,493,206

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

5 CHANGES IN THE SCOPE OF CONSOLIDATION (CONT'D)

(2) Disposal of subsidiaries

(a) Information on disposal of subsidiaries in the current year 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
Chongqing Sikary Technology Co., Ltd.	-	100%	Cancellation	2 February 2021	Completion of industrial and commercial cancellation registration	-	-
Shanghai Relay Co., Ltd.	-	100%	Liquidation	28 February 2021	Transfer to the court to designate an asset manager	25,308	-
Shanghai Nengxi Industrial Co., Ltd.	138,112	100%	Equity transfer	14 April 2021	Completion of equity delivery	86	-
Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd.	215,202	100%	Equity transfer	30 April 2021	Completion of equity delivery	448	-
Shanghai Yida Machinery Co., Ltd.	-	60.73%	Liquidation	17 June 2021	Transfer to the court to designate an asset manager	151,372	-
Beijing Xinya Power Co., Ltd.	-	100%	Cancellation	25 June 2021	Completion of industrial and commercial cancellation registration	-	-
Shanghai Electric International Economic & Trading Co., Ltd.	1,957,467	80.59%	Equity transfer	31 August 2021	Completion of equity delivery	687,434	-
China Sinogy Zhejiang Engineering Co., Ltd.	12,648	51%	Equity transfer	15 July 2021	Completion of equity delivery	1,204	-
Huizhou Xinghe Technology Co., Ltd.	-	100%	Cancellation	17 August 2021	Completion of industrial and commercial cancellation registration	-	-

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) Shanghai Relay Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	-
Less: Share of net liabilities of Shanghai Relay Co., Ltd. at the level of consolidated financial statements	25,308
Gains on disposal recognised in the income statement	25,308

(ii) Shanghai Nengxi Industrial Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	138,112
Less: Share of net assets of Shanghai Nengxi Industrial Co., Ltd. at the level of consolidated financial statements	(138,026)
Gains on disposal recognised in the income statement	86

(iii) Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	215,202
Less: Share of net assets of Thvow Enke (Beijing) Nuclear Physics Research Institute Co., Ltd. at the level of consolidated financial statements	(145,344)
Gains on disposal recognised in the income statement	69,858

(iv) Shanghai Yida Machinery Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	-
Less: Share of net liabilities of Shanghai Yida Machinery Co., Ltd. at the level of consolidated financial statements	151,372
Gains on disposal recognised in the income statement	151,372

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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):

(v) Shanghai Electric International Economic & Trading Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal (Note)	1,957,467
Less: Share of net assets of Shanghai Electric International Economic & Trading Co., Ltd. at the level of consolidated financial statements	(1,270,033)
Gains on disposal recognised in the income statement	687,434

Note: on 17 August 2021, the Board of Directors of the Company reviewed and approved the Proposal on the Transfer of 80.59% Equity Interest in Shanghai Electric International Economic & Trading Co., Ltd. from Shanghai Electric Group Co., Ltd. to Shanghai Electric Holdings Group Co., Ltd., under which the equity transferee was Electric Holdings, the transfer price was based on the estimated net assets of RMB2,428,921 thousand of Shanghai Electric International Economic & Trading Co., Ltd. as at 30 June 2021, and the transfer price for 80.59% equity interest in Shanghai Electric International Economic & Trading Co., Ltd. was RMB1,957,461 thousand.

(vi) China Sinogy Zhejiang Engineering Co., Ltd.

Gains or losses on disposal is calculated as follows:

	Amount
Consideration received from the disposal	12,648
Less: Share of net assets of China Sinogy Zhejiang Engineering Co., Ltd. at the level of consolidated financial statements	(11,444)
Gains on disposal recognised in the income statement	1,204

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 2021

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 end of the period	Net (loss)/profit of the acquiree from the end of the period	Net cash flows of the acquiree from the end of the period
Shanghai Techgine Laser Technology Co., Ltd.	25 January 2021	13,783	54.14%	By purchasing shares and controlling relevant authorities	25 January 2021	Transfer of control right	14,834	(14,689)	3,985
Shanghai Kezhi Electric Automation Co., Ltd.	30 April 2021	86,524	51.00%	By purchasing shares and controlling relevant authorities	30 April 2021	Transfer of control right	101,524	3,431	30,775
Inner Mongolia Mengfa Electric Power Development Co., Ltd.	1 May 2021	17,215	100%	By purchasing shares and controlling relevant authorities	1 May 2021	Transfer of control right	16,785	7,310	(9,236)
Yulin Zhengxin Electric Power Construction Co., Ltd.	1 May 2021	1,479	100%	By purchasing shares and controlling relevant authorities	1 May 2021	Transfer of control right	33,832	15,665	(7,527)
Shanghai Guangye Optical Cable Co., Ltd.	31 August 2021	44,649	55%	By purchasing shares and controlling relevant authorities	31 August 2021	Transfer of control right	-	5,345	(90)
Tongliao Wulan Errige New Energy Technology Co., Ltd.	29 March 2021	-	65%	By purchasing shares and controlling relevant authorities	29 March 2021	Transfer of control right	-	(170)	(880)
Tongliao Chulu New Energy Technology Co., Ltd.	29 March 2021	-	65%	By purchasing shares and controlling relevant authorities	29 March 2021	Transfer of control right	-	(973)	(169)
Tongliao Jigesitai New Energy Technology Co., Ltd.	29 March 2021	-	65%	By purchasing shares and controlling relevant authorities	29 March 2021	Transfer of control right	-	(48)	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(b) The combination cost and the recognition of goodwill are as follows:

	Shanghai Techgine Laser Technology Co., Ltd.	Shanghai Kezhi Electric Automation Co., Ltd.	Inner Mongolia Mengfa Electric Power Development Co., Ltd.	Yulin Zhengxin Electric Power Construction Co., Ltd.	Shanghai Guangye Optical Cable Co., Ltd.	Total
Combination cost -						
Cash	-	72,009	17,215	1,479	44,649	135,352
Fair value of liabilities incurred or assumed	-	14,515	-	-	-	14,515
Long-term equity investments	13,783	-	-	-	-	13,783
Total cost of combination	13,783	86,524	17,215	1,479	44,649	163,650
Less: Fair value of the identifiable net assets obtained	13,783	60,255	20,450	3,600	43,616	141,704
Goodwill/(Non-operating income)	-	26,269	(3,235)	(2,121)	1,033	21,946

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) Shanghai Techgine Laser Technology Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Carrying amount at 31 December 2020
Cash at bank and on hand	1,809	1,809	2,487
Notes receivable	576	576	576
Receivables	3,261	3,261	3,096
Prepayments	1,936	1,936	1,948
Other receivables	802	802	766
Inventories	21,622	21,592	21,467
Other current assets	3,745	3,745	3,767
Construction in progress	9,305	7,803	7,798
Fixed assets	2,785	2,155	2,196
Intangible assets	16,541	640	647
Long-term prepaid expenses	4,093	4,273	4,412
Less: Borrowings	31,021	31,000	31,000
Payables	2,319	2,319	2,012
Contract liabilities	840	840	939
Deferred tax liabilities	4,466	-	-
Other liabilities	2,371	2,372	2,145
Net assets	25,458	12,061	13,064
Less: Minority interests	11,675	5,531	
Net assets acquired	13,783	6,530	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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):

(ii) Shanghai Kezhi Electric Automation Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Carrying amount at 31 December 2020
Cash at bank and on hand	1,756	1,756	4,944
Prepayments	34,820	34,820	19,871
Receivables	57,519	53,072	74,093
Other receivables	23,952	23,952	1,356
Inventories	96,677	90,224	81,065
Other current assets	2,221	2,221	762
Construction in progress	411	411	-
Fixed assets	16,353	9,747	10,035
Intangible assets	10,495	62	80
Other non-current assets	1,321	1,321	1,321
Deferred tax assets	1,928	1,928	1,928
Less: Borrowings	42,800	42,800	38,343
Notes payable	23,375	23,375	19,196
Payables	37,062	37,062	48,121
Contract liabilities	12,683	12,683	8,076
Deferred tax liabilities	4,191	-	-
Other liabilities	9,194	9,194	10,944
Net assets	118,148	94,400	70,775
Less: Minority interests	57,893	46,256	
Net assets acquired	60,255	48,144	

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) Inner Mongolia Mengfa Electric Power Development Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Carrying amount at 31 December 2020
Cash at bank and on hand	10,701	10,701	20
Prepayments	281	281	-
Receivables	56,610	56,610	75,235
Other receivables	30	30	100
Other current assets	408	408	5,534
Fixed assets	112,511	130,880	133,109
Intangible assets	26	26	26
Long-term prepaid expenses	3,404	3,404	3,476
Deferred tax assets	334	334	334
Less: Payables	102,984	102,984	122,097
Other liabilities	60,871	60,871	63,713
Net assets	20,450	38,819	32,024
Less: Minority interests	-	-	
Net assets acquired	20,450	38,819	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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):

(iv) Yulin Zhengxin Electric Power Construction Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Carrying amount at 31 December 2020
Cash at bank and on hand	24,541	24,541	5,968
Prepayments	5,400	5,400	-
Receivables	91,422	91,422	82,420
Other receivables	27,387	27,387	27,387
Other current assets	26,837	26,837	29,635
Construction in progress	5	5	-
Fixed assets	292,642	302,724	307,125
Long-term prepaid expenses	35,879	35,879	36,456
Deferred tax assets	465	465	465
Less: Payables	438,607	438,607	400,387
Other liabilities	62,371	62,371	83,735
Net assets	3,600	13,682	5,334
Less: Minority interests	-	-	-
Net assets acquired	3,600	13,682	

(v) Shanghai Guangye Optical Cable Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Carrying amount at 31 December 2020
Cash at bank and on hand	11,190	11,190	11,713
Fixed assets	8,592	8,592	8,847
Intangible assets	63,906	4,838	4,970
Less: Payables	303	303	310
Other liabilities	4,083	4,083	3,985
Net assets	79,302	20,234	21,235
Less: Minority interests	35,686	9,105	
Net assets acquired	43,616	11,129	

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 share capital and bonds issued	Shareholding (%)		Method of acquisition
						Direct	Indirect	
SMEI (Note 2(32)(a))	Shanghai	Listed	Shanghai	Manufacturing industry	Share capital 1,022,739	48.81	-	Equity contribution
Shanghai Boiler Works Co., 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
Broetje-Automation GmbH	Germany	Other limited liability	Germany	Manufacturing industry	-	-	100	Equity contribution
Shanghai Nanhua-Lanling Electrical Co., Ltd. (Note 2)	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	-	50	Equity contribution
Shanghai Machine Tool Works Co., Ltd.	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	100	-	Equity contribution
Shanghai Mitsubishi Elevator Co., Ltd. (Note 2)	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 Group Co., Ltd.	Shanghai	Listed	Shanghai	Manufacturing industry	Share capital 1,333,333	60	-	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 & Distribution Group Co., Ltd. (Note 2(32)(a))	Shanghai	Other limited liability	Shanghai	Manufacturing industry	-	50	-	Incorporation or investment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 share capital and bonds issued	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 SHMP Pulverising & Special 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 & Electrical Engineering Co., Ltd.	Shanghai	Shanghai	Other limited liability	Service industry	-	51.12	-	Incorporation or investment
Shanghai Najie Complete Sets of Electric Co., Ltd. (Note 2)	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 & 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
Shanghai Electric Group Finance Co., Ltd.	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	Incorporation or investment
Shanghai Jingteng Enterprise Management Consulting Partnership (Limited Partnership) (Note 1)	Shanghai	Shanghai	Limited Partnership	Service industry	-	-	20.03	Incorporation or investment
Shanghai Jixin Enterprise Management Consulting Partnership (Limited Partnership) (Note 1)	Shanghai	Shanghai	Limited Partnership	Service industry	-	-	20.03	Incorporation or investment

ote 1: The Group holds 67% of the voting rights of Shanghai Panxin 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 share capital and bonds issued	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Thales SEC Transportation System Limited Company	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	50.10	-	Business combination under common control
Shanghai Electric Group Asset Management Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Real estate industry	-	100	-	Business combination under common control
Shanghai Prime Mingyu Machinery Technology Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	95.56	-	Incorporation or investment
Shanghai Electric Power Generation Environment Protection Engineering Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	95	-	Business combination under common control
Shanghai Electric Industrial Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Service industry	-	51.82	-	Incorporation or investment
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 Co., Ltd.	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	100	-	Business combination under common control
Shanghai Electric Leasing Co., Ltd.	Shanghai	Shanghai	Other limited liability	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 Electric Wire & Cable Co., Ltd. (Note 2)	Shanghai	Shanghai	Corporate-owned	Manufacturing industry	-	-	60	Business combination not under common control
Shanghai Huapu Cable Co., Ltd. (Note 2)	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	-	80	Business combination not under common control
Communication Company (Note 3)	Shanghai	Shanghai	Other limited liability	Manufacturing industry	-	40	-	Incorporation or investment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 share capital and bonds issued	Shareholding (%)		Method of acquisition
						Direct	Indirect	
Shanghai Electric Investment Co., Ltd.	Shanghai	Shanghai	Corporate-owned	Financial industry	- Restricted shares outstanding 1,045	100	-	Incorporation or investment
Suzhou Thvow Technology Co., Ltd. (Note 2(32)(a))	Jiangsu	Jiangsu	Listed	Manufacturing industry	Outstanding shares 868,330	15.24	-	Business combination not under common control
Shenzhen Yinghe Technology Co., Ltd. (Note 2(32)(a))	Guangdon	Guangdon	Listed	Manufacturing industry	Share capital 649,537	28.39	-	Business combination not under common control

Note 2: According to the articles of association of Shanghai Nanhua-Lanling Electrical Co., Ltd., Shanghai Mitsubishi Elevator Co., Ltd., Shanghai Najie Complete Sets of Electric Co., Ltd., Shanghai Feihang Electric Wire & Cable Co., Ltd., and Shanghai Huapu Cable Co., Ltd., the Group holds the majority of seats in the Board of Directors of the above companies, and can lead their major financial and operation decisions. Therefore, the Group has substantial control over these companies and includes them in the scope of consolidation as subsidiaries.

Note 3: Article 7 of the PRC Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements provides that: The scope of consolidation of the consolidated financial statements shall be determined on the basis of control.

Control means that an investor has power over an investee, enjoys variable returns from its involvement with the investee's relevant activities; and has the ability to use its power over the investee to affect the amount of its returns.

The related activities referred to in this Standard are activities that have a significant influence on returns of the investee. The related activities of the investee shall be judged according to specific circumstances and generally include sales and purchases of goods or labor, management of financial assets, purchases and disposals of assets, research and development activities and financing activities.

Article 16 of the PRC Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements provides that:-

In some cases, it may be difficult for an investor to determine whether the rights entitled by it are sufficient to enable it to have the power over the investee. In such case, the investor shall consider the evidences of its actual single control over the relevant activities of the investee and thus determine whether it has the power over the investee. The factors the investor shall consider include without limitation the following aspects:

- (i) Whether the investor can appoint or approve the key managerial officers of the investee.
- (ii) Whether the investor can determine or deny for its own interest the major transactions of the investee.
- (iii) Whether the investor can control the procedure to appoint the members of the board of directors and the other similar power organs of the investee, or obtain the power of attorney from the other voting right holders.
- (iv) Whether the investor has related party relationship with the key managerial officers or majority members of the board of directors or similar power organs of the investee.

If the investor has a certain special relationship with the investee, in evaluating whether the investor has the power over the investee, the investor shall consider the effect of such special relationship. Typically, such special relationship includes the following circumstances that: a key managerial officer of the investee is a current or former employee of the investor; the operation of the investee depends on the investor; the major portion of any of the activities of the investee is conducted with the involvement or in the name of the investor; the risk from variable return taken by or the earnings from variable return received by the investor from the investee is far in excess of the shares with voting right or any other similar right it holds in the investee.

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in significant subsidiaries (Cont'd)

(a) Constitution of the Group (Cont'd)

In light of the above provisions of Articles 7 and 16 of the PRC Accounting Standards for Business Enterprises No. — 33 Consolidated Financial Statements, the Company's consolidation of SECT into the scope of consolidated financial statements complies with the provisions of the PRC Accounting Standards for Business Enterprises for the following reasons:

Although the Company only holds 40% of the equity interests in SECT, according to the Articles of Association:

According to Article 21 of the Articles of Association, all shareholders of SECT shall vote at the shareholders' meeting in favor of the resolutions proposed by the board of directors, and resolutions at the shareholders' meeting shall be passed by poll by the shareholders of SECT representing more than two-thirds of the voting rights.

According to Article 26 of the Articles of Association, SECT has a board of directors, which consists of seven directors, among which three directors shall be nominated by the Company, one director shall be nominated by Shanghai Xingdi, one director shall be nominated by Shanghai Dongjun, one director shall be nominated by Beijing Fuxin and one director shall be nominated by Anshan Shenghua. The directors of SECT shall be elected at the shareholders' meeting, and each shareholder shall vote in favour of the resolutions in relation to appointment or removal of the directors as nominated or removed by the other shareholders of SECT.

According to Article 28 of the Articles of Association, the board of directors of SECT are responsible for, including but not limited to, (1) deciding on the business plans and investment programs of SECT (the "Business Plan"), (2) formulating the annual preliminary and final financial budgets of SECT (the "Financial Budget"), (3) appointing or dismissing the general manager of SECT (the "Appointment of Manager"), and (4) appointing or dismissing the deputy general manager or the chief financial officer according to the general manager's nomination, and deciding on matters relating to their remunerations.

According to Article 31 of the Articles of Association, resolutions of a meeting of the board of directors of SECT shall be passed by poll by more than two-thirds of directors. However, matters of the Business Plan, the Financial Budget and the Appointment of Manager under Article 28 of the Articles of Association, which are important to SECT's operating and financing activities and considered as the relevant activities of SECT, shall be passed by only 40% of the directors of SECT including those nominated by the Company.

In light of the above, the Company believes that:-

1. The Company can decide on the appointment or removal of three directors (more than 40% of the member of the board of directors of SECT) including the chairman of SECT, and therefore it plays a dominant role in respect of the main financial and operational matters of SECT, and the Company can decide on the appointment or removal of the general manager, and can appoint or remove deputy general manager or the chief financial officer of SECT according to the general manager's nomination, and therefore the Company can appoint or approve key management personnel of SECT.

2. Although the shareholders' meeting is the company's highest authority of SECT and resolutions at the shareholders' meeting shall be passed by poll by the shareholders representing more than two-thirds of the voting rights, according to the provisions of the Articles of Association, all shareholders of SECT shall vote at the shareholders' meeting in favor of the resolutions proposed by the board of directors. In addition, the three directors nominated by the Company account for more than 40% of the total members of board of directors of SECT, and matters of the Business Plan, the Financial Budget and the Appointment of Manager shall be passed by only 40% of the directors of SECT including those nominated by the Company. As such, the Company, by controlling 3 out of 7 seats in the board of directors of SECT, is able to decide on the SECT's resolutions in relation to the Business Plan, the Financial Budget and the Appointment of Manager pursuant to the Articles of Association. As a result, the Company has the controlling position with respect to the Business Plan, the Financial Budget and the Appointment of Manager of SECT, and can direct the relevant activities of SECT.

3. The Company holds 40% equity interest in SECT as the largest single shareholder of SECT and is entitled to significant variable returns.

In conclusion, the Company has the controlling power over major financial and operational decision-making matters and other related activities of SECT, is entitled to significant variable returns, and has the ability to use its power to affect the amount of its returns. The financial statement of SECT should be consolidated into the consolidated financial statements of the Company pursuant to Articles 7 and 16 of the PRC Accounting Standards for Business Enterprises No. 33 "Consolidated Financial Statements".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

(i)

Subsidiaries	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders for the year ended 31 December 2021	Dividends paid to minority shareholders at the end of 2021	Minority interests as at 31 December 2021
Shanghai Electric Industrial Co., Ltd.	48.18%	279,084	150,000	3,013,773
SMEI	51.19%	776,789	678,434	8,624,969
Shanghai Electric Wind Power Group Co., Ltd.	40.00%	202,806	-	3,050,527
Shanghai Electric Transmission & Distribution Group Co., Ltd.	84.76%	(717,582)	15,680	1,961,372
Shenzhen Yinghe Technology Co., Ltd.	71.61%	210,808	23,257	3,983,996

(ii) The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2021				31 December 2020			
	Current assets	Non-current assets	Total assets	Total liabilities	Current assets	Non-current assets	Total assets	Total liabilities
Shanghai Electric Industrial Co., Ltd.	1,446,945	5,391,417	6,838,362	662,368	1,580,500	4,986,847	6,567,347	646,754
SMEI	30,519,873	6,691,752	37,211,625	22,575,842	29,680,523	6,491,269	36,171,792	21,784,872
Shanghai Electric Wind Power Group Co., Ltd.	20,572,531	10,120,068	30,692,599	23,068,487	21,042,504	7,104,043	28,146,547	23,749,546
Shanghai Electric Transmission & Distribution Group Co., Ltd.	22,146,279	6,326,076	28,472,355	26,235,095	24,328,693	6,059,202	30,387,895	27,301,418
Shenzhen Yinghe Technology Co., Ltd.	9,895,547	2,858,548	12,754,095	7,201,742	5,909,846	2,161,423	8,071,269	2,786,925

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(1) Interests in joint ventures and associates

(b) Minority interests in significant subsidiaries (Cont'd)

(ii) The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	For the year ended 31 December 2021				For the year ended 31 December 2020			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shanghai Electric Industrial Co., Ltd.	219,092	566,783	566,783	114,139	67,199	127,880	127,880	(54,909)
SMEI	24,716,739	1,172,598	1,172,827	720,405	23,394,106	1,785,742	1,784,771	1,096,371
Shanghai Electric Wind Power Group Co., Ltd.	23,972,183	507,016	506,066	336,113	20,685,415	416,685	417,105	1,476,944
Shanghai Electric Transmission & Distribution Group Co., Ltd.	6,806,791	(823,243)	(822,157)	(615,484)	7,712,474	(1,401,920)	(1,402,231)	49,153
Shenzhen Yinghe Technology Co., Ltd.	5,201,619	300,486	300,486	450,695	2,384,713	192,531	192,531	203,700

(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 ventures -					
Shanghai Yun Zhong Xin Enterprise Development Co., Ltd.	Shanghai	Shanghai	Commercial service	-	55
Associates -					
Shanghai Mitsubishi Electric Shangling Air Conditioner Electric Co., Ltd.	Shanghai	Shanghai	Manufacturing of electrical machinery and equipment	-	48
Chongqing Shenhua Thin Film Co., Ltd.	Chongqing	Chongqing	Technology promotion and application service industry	20	-

The above-mentioned equity investments are accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

	31 December 2021
	Shanghai Yun Zhong Xin Enterprise Development Co., Ltd.
Current assets	1,876,854
Non-current assets	241
Total assets	1,877,095
Current liabilities	83,558
Non-current liabilities	609,260
Total liabilities	692,818
Minority interests	-
Attributable to shareholders of the parent company	1,184,277
Share of net assets based on shareholding (i)	651,181
Adjustments - Goodwill	-
Carrying amount of investments in joint ventures	651,181
Revenue	-
Net loss	(6,465)
Other comprehensive income	-
Total comprehensive income	(6,465)
Dividends received from joint ventures by the Group for the current year	-

6 INTERESTS IN OTHER ENTITIES (CONT'D)

(2) Interests in joint ventures and associates (Cont'd)

(c) Summarised financial information for significant associates

	31 December 2021
Shanghai Mitsubishi Electric Shangling Air Conditioner Electric Co., Ltd.	
Current assets	1,913,225
Non-current assets	348,115
Total assets	2,261,341
Current liabilities	770,583
Non-current liabilities	25,389
Total liabilities	795,972
Minority interests	-
Attributable to shareholders of the parent company	1,465,369
Share of net assets based on shareholding (i)	697,516
Adjustments - Goodwill	(37,183)
Carrying amount of investments in associates	734,699
Revenue	3,290,003
Net profit	29,429
Other comprehensive income	-
Total comprehensive income	29,429
Dividends received from associates by the Group for the current year	59,098

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(c) Summarised financial information for significant associates (Cont'd)

	31 December 2021
	Chongqing Shenhua Thin Film Co., Ltd.
Current assets	171,383
Non-current assets	560,332
Total assets	731,715
Current liabilities	228,271
Non-current liabilities	768,382
Total liabilities	996,653
Minority interests	-
Attributable to shareholders of the parent company	(264,938)
Share of net assets based on shareholding (i)	(52,988)
Adjustments - Unrecognised excess loss	52,988
Carrying amount of investments in associates	-
Revenue	-
Net loss	(1,483,501)
Other comprehensive income	-
Total comprehensive income	(1,483,501)
Dividends received from associates by the Group for the current year	-

(i) The Group calculates share of net assets in proportion of the shareholding based on the amount attributable to the parent company of associates in their consolidated financial statements, which has taken into account the impacts of both the fair value of the identifiable assets and liabilities of the associates upon acquisition of investments in associates and the unification of accounting policies adopted by the associates to those adopted by the Group.

(ii) Other adjustments include the goodwill herein and unrecognised excess loss.

(d) There was no excess loss incurred in joint ventures and associates in the current year.

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 and construction industrialisation equipment;
- (3) the integration service 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, etc.; industrial internet services; financial services, covering finance leases, insurance brokerage; 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 on 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 tax expenses 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

7 SEGMENT INFORMATION (CONT'D)

Operating segment (Cont'd)

(a) Segment information as at and for the year ended 31 December 2021 is as follows:

	Energy equipment	Industrial equipment	Integration service	Others	Unallocated	Elimination	Total
Revenue							
Including: Revenue from external customers	55,785,337	39,327,765	36,180,826	74,395	19,529	-	131,387,852
Inter-segment revenue	<u>3,438,767</u>	<u>2,913,470</u>	<u>3,270,931</u>	<u>131,914</u>	<u>156,632</u>	<u>(9,911,714)</u>	<u>-</u>
	59,224,104	42,241,235	39,451,757	206,309	176,161	(9,911,714)	131,387,852
Operating cost	48,634,439	35,328,595	36,992,068	75,271	-	(9,443,455)	111,586,918
Credit impairment losses	559,097	8,013,608	2,447,363	165	8,383,872	(8,417,143)	10,986,962
Asset impairment losses	1,209,677	2,629,268	1,012,169	-	64,478	(390,260)	4,525,332
Depreciation and amortisation	994,385	545,492	817,389	29,223	238,938	-	2,625,427
Financial expenses	-	-	-	-	1,127,410	-	1,127,410
Share of profit of associates and joint ventures	-	-	-	-	22,785	-	22,785
Operating profit/(loss)	<u>535,110</u>	<u>(8,104,168)</u>	<u>(1,520,490)</u>	<u>(142,826)</u>	<u>(9,272,856)</u>	<u>7,666,766</u>	<u>(10,838,464)</u>
Non-operating income or expenses							548,825
Total loss							<u>(10,289,639)</u>
Assets and liabilities							
Total assets	<u>120,744,980</u>	<u>62,575,322</u>	<u>156,567,563</u>	<u>714,825</u>	<u>64,255,704</u>	<u>(104,056,204)</u>	<u>300,802,190</u>
Total liabilities	<u>81,790,164</u>	<u>41,666,402</u>	<u>113,038,321</u>	<u>294,435</u>	<u>66,919,942</u>	<u>(101,051,427)</u>	<u>202,657,837</u>
Non-cash expenses other than depreciation and amortisation	<u>1,941,170</u>	<u>87,339</u>	<u>3,889,594</u>	<u>46,894</u>	<u>180,496</u>	<u>-</u>	<u>6,145,493</u>
Increase in non-current assets	<u>1,554,869</u>	<u>950,395</u>	<u>2,183,885</u>	<u>164,023</u>	<u>42,829</u>	<u>-</u>	<u>4,896,001</u>

7 SEGMENT INFORMATION (CONT'D)

(b) Segment information as at and for the year ended 31 December 2020 is 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	(13,345,527)	114,277,544
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	256,312	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>42,250</u>	<u>-</u>	<u>8,773,906</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

7 SEGMENT INFORMATION (CONT'D)

(c) Revenue from external customers

	For the year ended 31 December 2021	For the year ended 31 December 2020
Mainland China	107,587,482	115,644,213
Other countries and geographical areas	23,800,370	21,640,843
	<u>131,387,852</u>	<u>137,285,056</u>

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

(d) Total non-current assets

	31 December 2021	31 December 2020
Mainland China	60,547,694	57,194,881
Other countries and geographical areas	8,955,539	11,777,310
	<u>69,503,233</u>	<u>68,972,191</u>

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

In 2021 and 2020, there was no single customer of the Group whose revenue exceeded 10% of the Group's revenue.

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
Electric Holdings	Shanghai	Contracting, manufacturing, sales and service

The parent company and ultimate holding company of the Company is Electric Holdings.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Electric Holdings	9,180,366	750,000	-	9,930,366

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2021		31 December 2020	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Electric Holdings	54.38%	54.38%	57.84%	57.84%

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 Schiak Testing Machinery Co., Ltd.	Controlled by the parent company
Zhanghua Yili Heavy Equipment Manufacturing 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 Instrumentation Co., Ltd.	Controlled by the parent company

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(4) Information of other related parties (Cont'd)

	Relationship with the Group
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
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
Shanghai Electric International Economic & Trading Co., Ltd.	Controlled by the parent company
Ansaldo Energia S.p.A.	Other related enterprises
Shanghai FANUC Robotics Co., Ltd.	Other related enterprises

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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
SPX Cooling Technologies (Beijing) Co., Ltd.	Other related enterprises
Shanghai Jianshe Luqiao Machinery Co., Ltd.	Other related enterprises
SIEMENS AG	Other related enterprises
Siemens Gamesa Renewable Energy (Shanghai) Co., Ltd.	Other related enterprises
Siemens Transformer (Jinan) Co., Ltd.	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 2021	For the year ended 31 December 2020
Companies controlled by the parent company	95,931	227,760
Joint ventures	-	25,935
Associates	3,203,877	2,802,602
Other related enterprises	1,512,522	1,059,710
	<u>4,812,330</u>	<u>4,116,007</u>

Sales of goods and rendering of services:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Electric Holdings	93,718	2,362
Companies controlled by the parent company	317,631	459,459
Joint ventures	3,628	99,373
Associates	4,040,987	544,394
Other related enterprises	4,380,418	4,174,146
	<u>8,836,382</u>	<u>5,279,734</u>

Construction income from related parties

	For the year ended 31 December 2021	For the year ended 31 December 2020
Electric Holdings	300	35,643
Companies controlled by the parent company	3,265,920	2,754,922
Associates	12,442	2,683,923
Other related enterprises	654,383	105
	<u>3,933,045</u>	<u>5,474,593</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 2021	For the year ended 31 December 2020
Lease income		
Electric Holdings	15,392	15,392
Companies controlled by the parent company	7,086	45,665
Associates	6,195	5,305
Other related enterprises	15,864	-
	<u>44,537</u>	<u>66,362</u>

Right-of-use assets leased in the current year with the Group as the lessee:

	Type of the leased asset	For the year ended 31 December 2021	For the year ended 31 December 2020
Electric Holdings	Fixed assets	20,005	-
Companies controlled by the parent company	Fixed assets	3,524	3,524
		<u>23,529</u>	<u>3,524</u>

(c) Loans from related parties to the Group:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Companies controlled by the parent company	<u>318,803</u>	<u>521,998</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 2021	For the year ended 31 December 2020
Joint ventures	-	33,908

(e) Loans from the Group to related parties:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Joint ventures	153,220	-
Associates	-	1,015,622
	153,220	1,015,622

(f) Loans repaid by the Group to related parties:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Electric Holdings	467,000	560,000
Companies controlled by the parent company	330,727	-
	797,727	560,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(g) Borrowing guarantees provided by the Group to related parties

(i)

	31 December 2021		31 December 2020	
	Cap amount	Actual amount	Cap amount	Actual amount
Nabtesco (China) Precision Machine Co., Ltd.	51,150	21,944	51,150	31,302
Chongqing Shenhua Thin Film Co., Ltd. (Note)	300,000	241,165	300,000	267,479
Tianjin Qingyuan Water Treatment Technology Co., Ltd.	253,000	201,325	253,000	252,993

Note: The Company, subject to its shareholding ratio of 20% in Chongqing Shenhua Thin Film Co., Ltd. ("Chongqing Shenhua"), provides Chongqing Shenhua with a guarantee for the principal with a cap amount of RMB300 million from 30 August 2018 to 8 August 2027. As at 31 December 2021, the balance of the guarantee provided by the Company for commercial bank loans of Chongqing Shenhua amounted to approximately RMB179 million. It was expected that Chongqing Shenhua would not be able to repay the debts on time, the guarantee for which was in Stage 3, and therefore a full provision for ECL of RMB179 million was made by the Company. Besides, as at 31 December 2021, the balance of the guarantee provided by the Company for Chongqing Shenhua for import letter of credit issued by commercial banks amounted to approximately RMB62 million. The guarantee was discharged upon maturity in January 2022.

(ii) A subsidiary of the Group and Electric Holdings jointly established Shanghai Electric Investment (Dubai) Co., Ltd. to participate in the power station project. After the project is launched, Electric Holdings provides guarantees for the financing of the project company. The Group provides counter-guarantees to Electric Holdings 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). As at 31 December 2021, the counter-guarantee was in Stage 1.

(h) Borrowing guarantees provided by related parties to the Group

Communication Company, a subsidiary of the Group, entered into the Contract for Syndicated Loans of RMB One Billion Two Hundred and One Million ("Host Contract") with Shanghai Pudong Development Bank Co., Ltd. Fengxian Sub-branch ("Guarantee Agency"), Postal Savings Bank of China Co., Ltd. Shanghai Putuo Sub-branch, Bank of Communications Co., Ltd. Shanghai Branch, Bank of Ningbo Co., Ltd. Shanghai Branch, Bank of Jiangsu Co., Ltd. Shanghai Fengxian Sub-branch, China CITIC Bank Corporation Limited Shanghai Branch and Bank of Hangzhou Co., Ltd. Shanghai Branch (collectively the "Syndicate" or "Lenders"). As the guarantor, the Group's parent company Electric Holdings concluded the Guarantee Contract for Syndicated Loans of RMB One Billion Two Hundred and One Million ("Guarantee Contract") with the Syndicate and Communication Company, in which Electric Holdings has affirmed that where Communication Company fails to fulfil debt obligations as per the Host Contract, the Guarantee Agency (on behalf of all Lenders) has the right to request all or any of guarantors under the Guarantee Contract to assume full guarantee liabilities within the scope of the contract, regardless of whether each Lender is entitled to other warranty for the debts in relation to the Host Contract (including but not limited to the form of guarantee, mortgage and pledge). However, the Guarantee Agency has no right to force other warrantors or guarantors to bear warranty liabilities. The guarantee period ends three years after the expiry of the debt obligations.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(i) Transfer of assets

In 2021, in addition to the related party transactions disclosed in (a)-(h), it also includes:

- (i) On 29 January 2021, the Board of Directors of the Company reviewed and approved the Proposal on the Transfer of Certain Assets from Shanghai Boiler Works Co., Ltd. to Shanghai Electric Enterprise Development Co., Ltd. The Board agreed that Shanghai Boiler Works Co., Ltd., a wholly-owned subsidiary of the Company, would transfer certain of its assets to Shanghai Electric Enterprise Development Co., Ltd., a wholly-owned subsidiary of Electric Holdings at a transfer price of RMB174,307 thousand.
- (ii) On 29 April 2021, the Board of Directors of the Company reviewed and approved the Proposal on the Agreed Transfer and Lease of Certain Fixed Assets of Shanghai Electric Shang Zhong Recasting and Forging Co., Ltd. to Shanghai Electric (Group) Corporation. The Board agreed that Shanghai Electric Shang Zhong Recasting and Forging Co., Ltd. (“Shang Zhong Recasting and Forging”), a wholly-owned subsidiary of the Company, would transfer 19 fixed assets to Electric Holdings at a transfer price of RMB125,890 thousand. The Company agreed that Shang Zhong Recasting and Forging would lease the above assets from Electric Holdings for a term commencing on 1 May 2021 and ending on 30 April 2036. The transfer of rights and obligations in relation to the asset transfer was completed.
- (iii) On 17 August 2021, the Board of Directors of the Company reviewed and approved the Proposal on the Transfer of 80.59% Equity Interest in Shanghai Electric International Economic & Trading Co., Ltd. from Shanghai Electric Group Co., Ltd. to Shanghai Electric (Group) Corporation. The Board agreed that the Company would transfer its 80.59% equity interest in Shanghai Electric International Economic & Trading Co., Ltd. to Electric Holdings. The equity interest transfer was settled on 26 August 2021, with rights and obligations transferred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(5) Related party transactions (Cont'd)

(j) Remuneration of key management (in HKD'000)

	For the year ended 31 December 2021	For the year ended 31 December 2020
Directors	4,156	6,094
Supervisors	2,468	3,154
Senior management	9,993	15,880
	<u>16,617</u>	<u>25,128</u>

(k) Commitments

The Company and its subsidiary Thvow Technology, together with China Energy Engineering Group Co., Ltd. (“China Energy”) - another shareholder of China Sinogy Electric Engineering Co., Ltd. (“CSEEC”), a subsidiary of Thvow Technology, are willing to provide support for the future development of CSEEC. As the general contractor of EPC, CSEEC undertakes projects with relatively longer periods. In 2020, to protect shareholders' due interests and rights, China Energy promised Thvow Technology and CSEEC that it would leverage its industry resources and customer relationships to assist CSEEC in collecting payments of existing projects per the commitments and would assume the corresponding responsibilities to the extent that it failed to help collect as many payments as promised within the agreed period and was ready to acquire assets of related projects to facilitate the collection work, as necessary. As at 31 December 2021, the above commitments were within the agreed period. Pursuant to the agreement signed by Thvow Technology, China Energy and CSEEC in 2021, China Energy promised to offset the payables for equity acquisition of RMB340,819 thousand from Thvow Technology against accounts receivable from CSEEC. In addition, the Company has imposed a judicial freeze on the 16% equity interest in CSEEC held by China Energy.

((l) Other issue

On 27 December 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 Holdings 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.

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Balances with related parties

		31 December 2021		31 December 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Electric Holdings	1,119	13	7,353	6,620
	Companies controlled by the parent company	1,516,517	96,960	1,114,371	9,485
	Joint ventures		1,692	83,172	1,741
	Associates	1,076,303	262,594	1,072,383	5,264
	Other related enterprises	8,93,165	5,848	852,601	5,993
		<u>3,557,895</u>	<u>367,107</u>	<u>3,129,880</u>	<u>29,103</u>
Notes receivable	Companies controlled by the parent company	5,163	-	37,268	-
	Associates		-	9,000	-
	Other related enterprises	3,147	-	4,830	-
		<u>8,310</u>	<u>-</u>	<u>51,098</u>	<u>-</u>
Other receivables	Electric Holdings	74,094	-	2	-
	Companies controlled by the parent company	6,135	100	2,625	-
	Joint ventures	-	-	2,366	-
	Associates	1,206,502	246,963	1,095,674	182,114
	Other related enterprises	589,327	-	22,442	-
		<u>1,876,058</u>	<u>247,063</u>	<u>1,123,109</u>	<u>182,114</u>
Contract assets	Companies controlled by the parent company	-	-	8,760	88
	Associates	1,345,715	18,947	40,461	577
	Other related enterprises	2,404	34	-	-
		<u>1,348,119</u>	<u>18,981</u>	<u>49,221</u>	<u>665</u>
Other non-current assets - Contract assets	Other related enterprises	13,113	433	13,336	-
Long-term receivables	Joint ventures	1,314,038	259,580	1,014,246	211,927

As at 31 December 2021 and 31 December 2020, the aforesaid balances of long-term receivables represented borrowing to related parties, which were in Stage 2.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Balances with related parties (Cont'd)

		31 December 2021	31 December 2020
Prepayments	Companies controlled by the parent company	26,350	24,547
	Joint ventures	-	61,490
	Associates	351,745	467,954
	Other related enterprises	164,853	80,841
		<u>542,948</u>	<u>634,832</u>
Dividends receivable	Associates	49,260	39,747
	Other related enterprises	37,450	-
		<u>86,710</u>	<u>39,747</u>
The above prepayments and dividends receivable have not been provided for bad debts.			
Current portion of non-current assets	Joint ventures	<u>85,418</u>	<u>249,386</u>
Accounts payable	Companies controlled by the parent company	88,863	157,370
	Joint ventures	296	681
	Associates	245,296	6,684
	Other related enterprises	391,404	288,704
		<u>725,859</u>	<u>453,439</u>
Notes payable	Companies controlled by the parent company	13,061	6,845
	Associates	189,209	84,188
		<u>202,270</u>	<u>91,033</u>
Advances from customers	Other related enterprises	<u>4,889</u>	-
Contract liabilities	Electric Holdings	32,194	185
	Companies controlled by the parent company	35,218	98
	Associates	142,804	7,591
	Other related enterprises	83,590	19,403
		<u>293,806</u>	<u>27,277</u>

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONT'D)

(6) Balances with related parties (Cont'd)

		31 December 2021	31 December 2020
Other payables	Companies controlled by the parent company	6,407	7,986
	Joint ventures	-	33,459
	Associates	219	20
	Other related enterprises	404,920	40,735
		<u>411,546</u>	<u>82,200</u>
Dividends payable	Electric Holdings	-	171
	Companies controlled by the parent company	-	21
	Other related enterprises	108,171	58,014
		<u>108,171</u>	<u>58,206</u>
Current portion of long-term payables	Electric Holdings	450,000	489,000
	Companies controlled by the parent company	510,401	327,899
	Other related enterprises	-	4,324
	Associates	29,420	24,249
		<u>989,821</u>	<u>845,472</u>
Long-term payables	Electric Holdings	101,600	529,600
	Companies controlled by the parent company	-	195,747
		<u>101,600</u>	<u>725,347</u>
Lease liabilities	Electric Holdings	20,266	-
	Companies controlled by the parent company	14,317	3,424
		<u>34,583</u>	<u>3,424</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

Deposits from customers

	31 December 2021	31 December 2020
Electric Holdings	1,895,567	1,028,715
Companies controlled by the parent company	3,100,313	2,874,525
Associates	15,665	53,994
Other related enterprises	29,367	35,881
	<u>5,040,912</u>	<u>3,993,115</u>

Interest costs

	For the year ended 31 December 2021	For the year ended 31 December 2020
Electric Holdings	45,026	13,910
Companies controlled by the parent company	45,199	35,589
Associates	175	245
Other related enterprises	461	553
	<u>90,861</u>	<u>50,297</u>

Loans

	31 December 2021	31 December 2020
Electric Holdings	6,500,000	5,767,000
Companies controlled by the parent company	894,000	1,014,300
Associates	15,000	111,000
Other related enterprises	20,000	20,000
	<u>7,429,000</u>	<u>6,912,300</u>

Discounting

	31 December 2021	31 December 2020
Companies controlled by the parent company	5,550	531,728
Associates	13,255	-
	<u>18,805</u>	<u>531,728</u>

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 2021	For the year ended 31 December 2020
Electric Holdings	166,307	199,900
Companies controlled by the parent company	41,076	14,496
Associates	3,133	30,224
Other related enterprises	775	-
	211,291	244,620

Bank acceptance notes issued for related parties

	31 December 2021	31 December 2020
Companies controlled by the parent company	455,386	1,305,190

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 2021 is as follows (in HKD'000):

Name of Directors	Title	Fees	Salaries and benefits	Pension scheme	Bonus	Other benefits	Compensation for other services provided to the Group	Total
Mrs. Leng Weiqing	Chairman and CEO	-	315	-	-	-	-	315
Mr. Gan Pin	Vice Chairman	-	494	-	-	-	-	494
Mr. Liu Ping	Director and President	-	275	-	-	-	-	275
Mr. Zhu Zhaokai	Executive director	-	725	-	-	-	-	725
Mrs. Yao Minfang	Non-executive director	-	-	-	-	-	-	-
Mrs. Li An	Non-executive director	-	-	-	-	-	-	-
Mr. Xi Juntong	Independent director	275	-	-	-	-	-	275
Mr. Xu Jianxin	Independent director	275	-	-	-	-	-	275
Mr. Liu Yunhong	Independent director	275	-	-	-	-	-	275
Ms. Cai Xiaoqing	Chairman of the Board of Supervisors	-	481	-	-	-	-	481
Mr. Han Quanzhi	Supervisors	-	-	-	-	-	-	-
Mr. Yuan Shengzhou	Staff Supervisor	-	921	-	-	-	-	921
Mr. Dong Jianhua	Executive vice president	-	1,079	-	-	-	-	1,079
Mr. Chen Ganjin	Vice president	-	959	-	-	-	-	959
Mr. Gu Zhiqiang	Vice president	-	1,079	-	-	-	-	1,079
Mr. Jin Xiaolong	Vice president	-	959	-	-	-	-	959
Mrs. Yanghong	Vice president	-	959	-	-	-	-	959
Mr. Zhou Zhiyan	Chief financial officer and Secretary of the Board of Directors	-	-	-	-	-	-	-
Ms. Dong Liping	Chief legal officer	-	1,636	-	-	-	-	1,636
Mr. Zhang Mingjie	Chief investment officer	-	1,388	-	-	-	-	1,388
Mr. Zheng Jianhua	Chairman and CEO (resigned)	-	481	-	-	-	-	481
Mr. Huang Ou	Director and President (resigned)	-	799	-	-	-	-	799
Mr. Zhu Bin	Director (resigned)	-	242	-	-	-	-	242
Mr. Zhou Guoxiong	Chairman of the Board of Supervisors (resigned)	-	-	-	-	-	-	-
Mr. Hua Xingsheng	Vice chairman of the Board Of Supervisors (resigned)	-	-	-	-	-	-	-
Mrs. Zhang Yan	Staff Supervisor (resigned)	-	1,066	-	-	-	-	1,066
Mr. Hu Kang	Chief financial officer (resigned)	-	959	-	-	-	-	959
Ms. Fu Rong	Secretary of the Board of Directors (resigned)	-	975	-	-	-	-	975
		825	15,792	-	-	-	-	16,617

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 2020 is as follows (in HKD'000):

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	-	1,101	30	165	-	-	1,296
Mr. Huang Ou	Executive director, President	-	1,630	30	99	-	-	1,759
Mr. Zhu Zhaokai	Executive director	-	966	30	-	-	-	996
Mr. Zhu Bin	Executive director	-	966	30	132	-	-	1,128
Mrs. Yao Minfang	Non-executive director	-	-	-	-	-	-	-
Mrs. Li An	Non-executive director	-	-	-	-	-	-	-
Mr. Xi Juntong	Independent non-executive director	297	-	-	-	-	-	297
Mr. Xu Jianxin	Independent non-executive director	297	-	-	-	-	-	297
Mr. Chu Junhao	Independent non-executive director (resigned)	272	-	-	-	-	-	272
Mr. Liu Yunhong	Independent non-executive director	50	-	-	-	-	-	50
Mr. Zhou Guoxiong	Chairman of the Board of Supervisors	-	-	-	-	-	-	-
Mr. Hua Xingsheng	Vice chairman of the Board of Supervisors	-	630	14	113	-	-	757
Mrs. Zhang Yan	Staff Supervisor	-	1,265	30	49	-	-	1,344
Mr. Yuan Shengzhou	Staff Supervisor	-	1,006	30	17	-	-	1,053
Mr. Han Quanzhi	Supervisors	-	-	-	-	-	-	-
Mr. Dong Jianhua	Vice president	-	1,494	149	-	-	-	1,643
Mr. Chen Ganjin	Vice president	-	1,261	30	51	-	-	1,342
Mr. Gu Zhiqiang	Vice president	-	1,464	30	-	-	-	1,494
Mr. Jin Xiaolong	Vice president	-	1,265	30	-	-	-	1,295
Mrs. Yanghong	Vice president	-	299	11	-	-	-	310
Mr. LV Yachen	Vice president (resigned)	-	644	14	132	-	-	790
Mr. Zhang Ke	Vice president (resigned)	-	880	25	132	-	-	1,037
		916	14,871	483	890	-	-	17,160

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(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 2021	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2020
Directors' remuneration	4,156	6,095	-	-	4,156	6,095

(ii) In 2021, no director waived any remuneration (2020: Nil).

The Group provided no other benefits in 2021.

(b) Director's retirement benefits

In 2021, the Group provided no retirement benefits arising from provision of director services (2020: Nil), and no retirement benefits arising from provision of other services (2020: Nil).

(c) Director's termination benefits

On 29 July 2021, the Company held the 54th meeting of the fifth session of the Board of Directors, which resolved to remove Mr. Zheng Jianhua from the positions of Chairman of the Board of Directors, President and Member of the Strategy Committee, and CEO. On 23 August 2021, the 2nd interim shareholders' meeting in 2021 reviewed and approved the Proposal on Removal of Mr. Zheng Jianhua from the Position of Director (2020: Nil). No compensation was made to Mr. Zheng Jianhua in respect of the early termination of appointment.

(d) Consideration paid to third parties in return for director services

In 2021, the Company made no payments to the company where a director of the Company had previously served (2020: Nil).

(e) Loans, quasi-loans and other transactions provided to directors, legal persons controlled by directors, and associated persons of directors

(i) In 2021, the Group did not provide loans and quasi-loans to directors, legal persons controlled by directors and associated persons of directors (2020: Nil), or did not provide guarantees for loans from directors, legal persons controlled by directors and associated persons of directors (2020: Nil).

(f) Substantial interests of directors in transactions, arrangements or contracts

In 2021, the Company did not sign with other parties any important transactions, arrangements or contracts related to the Group's business within which the directors of the Company directly or indirectly have substantial interests.

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 2021 included 0 director (2020: no director) whose remunerations were reflected in Note 8(8). The remunerations payable to the remaining 5 (2020: 5) individuals during the year were as follows (in HKD'000):

	For the year ended 31 December 2021	For the year ended 31 December 2020
Salaries	11,215	17,533
Housing subsidies	-	-
Bonus	-	-
Other benefits	-	-
Pension scheme	258	-
Entry bonus	-	-
Severance compensation	-	-
Others	-	-
	11,473	17,533

	Number of employees	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Range of remuneration:		
HKD1,500,001 - HKD2,000,000	2	-
HKD2,000,001 - HKD2,500,000	1	-
HKD2,500,001 - HKD3,000,000	1	2
HKD3,000,001 - HKD3,500,000	1	-
HKD3,500,001 - HKD4,000,000	-	2
HKD4,000,001 - HKD4,500,000	-	-
HKD4,500,001 - HKD5,000,000	-	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

9 CONTINGENCIES

In June 2008, Shanghai Electric signed the Equipment Supply and Service Contract with an Indian buyer 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 buyer, 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. In June 2021, the Company received a letter of withdrawal from SIAC, in which the applicant confirmed the conclusion of the arbitration case.

In August 2021, the Company received a copy of the indictment filed by the lawyer of the operator of the coal-fired power station project, in which the operator sued the general contractor and the buyer of the project (related parties of the operator), and Shanghai Electric as the equipment supplier and service provider, seeking joint liabilities from all defendants for losses of approximately RMB2,133 million, mainly including losses in power plant operation, losses in electricity revenue, interest and other expenses. Up to now, the Company has not received any formal documents issued by the Indian court.

In December 2021, the Company received a notice from SIAC for the acceptance of the arbitration application, where the buyer of the above-mentioned project in India filed a case against Shanghai Electric, claiming for losses of approximately USD389 million, mainly including losses in power plant operation, losses in electricity revenue, penalty for shipment delay and other expenses.

To date, the above arbitration cases and lawsuits have not yet been heard. In light of the written comment from external lawyers, management believed that it was unlikely that the court would uphold the claims against the Company and thus no provisions were made for the lawsuits.

Except for the above lawsuits, as at 31 December 2021, the Group's contingent liabilities arising from other pending lawsuits and arbitration cases amounted to RMB818,556 thousand. Since the management believes that the opponent's claim is less likely to be supported, no provision is made for estimated liabilities for the sued case (31 December 2020: RMB463,500 thousand).

As at 31 December 2021, the upper limit of loan guarantees to be provided by the Group for related parties was RMB604,150 thousand while the balance of loan guarantees already provided by the Group was RMB464,434 thousand (31 December 2020: RMB551,774 thousand) (Note 8(5)(g)), and provided counter-guarantees to Electric Holdings in an amount not expected to exceed USD166.8 million (equivalent to RMB1.09 billion) (Note 8(5)(g)). Finance Company didn't issue any non-financial guarantee letters for related parties (31 December 2020: Nil). Bank acceptances notes of RMB455,386 thousand (31 December 2020: RMB1,305,190 thousand) were issued for related parties (Note 8(7)). The Group recognised the above-mentioned related provision of RMB316,563 thousand (Note 4(42)(b)). As at 31 December 2021, non-financial guarantee letters issued by financial institutions for the Group amounted to RMB27,527,907 thousand (31 December 2020: RMB30,333,064 thousand).

As at 31 December 2021, there were no significant contingent liabilities related to the equity of joint ventures and associates.

10 COMMITMENTS

(1) Capital commitments

	31 December 2021	31 December 2020
Contracted	2,542,351	2,912,684
Authorised but not contracted	71,783	19,548
	<u>2,614,134</u>	<u>2,932,232</u>

(2) As the lessor under operating lease

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

	31 December 2021	31 December 2020
Within 1 year (inclusive)	69,302	46,215
1 to 2 years (inclusive)	47,877	38,715
2 to 3 years (inclusive)	39,356	34,546
Over 3 years	166,286	198,139
	<u>322,821</u>	<u>317,615</u>

(3) Investment commitments

	31 December 2021	31 December 2020
Contracted but not fulfilled	<u>493,878</u>	<u>412,510</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

11 EVENTS AFTER THE BALANCE SHEET DATE

- (1) On 10 February 2022, the Company held the 64th meeting of the fifth session of the Board of Directors, which reviewed and approved the acquisition of 100% equity interest in Shanghai Boiler Works Co., Ltd. held by the Company by way of share issuance by Thvow Technology, a holding subsidiary of the Company, and the non-public offering of shares to Shanghai Lixin Industrial Co., Ltd., a wholly-owned subsidiary of Electric Holdings (the parent company of the Company), to raise matching funds.
- (2) On 10 February 2022, the Company held the 64th meeting of the fifth session of the Board of Directors, which reviewed and approved the transfer of 116,000 thousand shares of Thvow Technology held by Mr. Chen Yuzhong to the Company, with the percentage of voting rights held by the Company in Thvow Technology unchanged.
- (3) On 17 January 2022, the Company held the 1st interim shareholders' meeting, which approved the Proposal on Termination of the Restricted A Shares Under the Incentive Plan and Repurchase and Cancellation of Granted but Locked-up Restricted Shares.

12 AS THE LESSOR UNDER FINANCE LEASE

As at 31 December 2021, unrealised financing income amounted to RMB1,339,884 thousand (31 December 2020: RMB1,465,575 thousand), 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 2021	31 December 2020
Within 1 year (inclusive)	4,471,934	4,758,809
1 to 2 years (inclusive)	1,218,401	1,858,278
2 to 3 years (inclusive)	766,271	1,106,034
Over 3 years	1,994,031	2,171,323
	<u>8,450,637</u>	<u>9,894,444</u>

13 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange 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 2021 and 31 December 2020 as follows:

	31 December 2021				
	USD	JPY	EUR	HKD	Total
Financial assets denominated in foreign currency -					
Cash at bank and on hand	2,693,846	37,742	122,225	58,852	2,912,665
Accounts receivable	4,479,789	-	318,743	-	4,798,532
Other receivables	350,931	192	53,082	526	404,731
	<u>7,524,566</u>	<u>37,934</u>	<u>494,050</u>	<u>59,378</u>	<u>8,115,928</u>
Financial liabilities denominated in foreign currency -					
Accounts payable	3,345,588	12,444	73,929	-	3,431,961
Other payables	951	1	38,671	47	39,670
Short-term borrowings	992,061	-	2,870,978	448,454	4,311,493
Long-term borrowings	1,546,116	-	1,046,654	-	2,592,770
Current portion of long-term borrowings	445,249	-	123,714	-	568,963
	<u>6,329,965</u>	<u>12,445</u>	<u>4,153,946</u>	<u>448,501</u>	<u>10,944,857</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(1) Market risk(Cont'd)

(a) Foreign exchange risk(Cont'd)

	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
Accounts receivable	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 -					
Accounts payable	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>

As at 31 December 2021, 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	(274,492)	274,492
HKD	(29,184)	29,184
JPY	1,912	(1,912)
USD	89,437	(89,437)

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. As at 31 December 2021, 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 RMB19,293,121 thousand (31 December 2020: RMB11,004,596 thousand) (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. Management 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 2021 and the year ended 31 December 2020, the Group did not enter into any significant interest rate swap agreements.

As at 31 December 2021, 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 RMB109,699 thousand (31 December 2020: approximately RMB98,165 thousand).

(c) Other price risk

The Group's other price risk mainly arises from investments in equity instruments which are exposed to the risk of price changes on equity instruments.

As at 31 December 2021, 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 RMB21,186 thousand (31 December 2020: approximately RMB48,286 thousand) higher/lower. There was no (31 December 2020: Nil) impact on other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

13 FINANCIAL INSTRUMENT AND RISK (CONT'D)

(2) Credit risk

The Group's credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, receivables financing, other receivables, contract assets, debt investments, other debt investments, financial guarantee contracts, and investments in debt instrument and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope. 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 RMB2,123,003 thousand that need to be paid for fulfilment of guarantee obligations/commitments (Note 13(3)).

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. The Group 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 receivable, 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 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. For trade acceptance notes receivable, accounts receivable and contract assets with significantly different credit risk characteristics, the Group evaluated the distribution of expected cash flows under multiple scenarios based on historical credit loss experience, operating model, current situations and forecasts of future conditions of contract counterparties under different situations, taking into account the professional legal advice from external lawyers and the asset preservation related to the litigation, and made corresponding provision for ECL according to ECL rate and the related probability weight under different scenarios.

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 Electric Holdings. 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..

As at 31 December 2021, the fair value of significant collateral held by the Group as a result of the debtor's mortgage was RMB 3,623,400 thousand and the risk exposure on the debt was RMB 5,563,780 thousand.

As at 31 December 2021, the book value of other receivables of the Group from an associate was RMB1,015,622 thousand. As for the above other receivables, a third party committed to assuming joint guarantee liabilities for outstanding amounts under guarantee.

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 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	11,957,092	-	-	-	11,957,092
Financial liabilities held for trading and derivative financial liabilities	38,194	-	-	-	38,194
Notes payable	16,578,854	-	-	-	16,578,854
Accounts payable	61,303,577	-	-	-	61,303,577
Deposits from customers	5,354,684	-	-	-	5,354,684
Current portion of long-term borrowings	6,828,214	-	-	-	6,828,214
Long-term borrowings	809,700	9,737,108	9,023,909	8,099,181	27,669,898
Bonds payable	103,750	2,599,771	-	-	2,703,521
Long-term payables	1,619,484	438,600	134,953	199,587	2,392,624
Lease liabilities	130,368	120,344	259,468	214,053	724,233
Other financial liabilities	6,132,925	-	-	-	6,132,925
	<u>110,856,842</u>	<u>12,895,823</u>	<u>9,418,330</u>	<u>8,512,821</u>	<u>141,683,816</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	15,827,945	-	-	-	15,827,945
Financial liabilities held for trading and derivative financial liabilities	77,861	-	-	-	77,861
Notes payable	14,060,051	-	-	-	14,060,051
Accounts payable	65,853,292	-	-	-	65,853,292
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
Long-term payables	1,971,243	822,872	240,878	215,772	3,250,765
Lease liabilities	443,941	235,565	359,321	360,427	1,399,254
Other financial liabilities	5,941,668	-	-	-	5,941,668
	<u>119,743,501</u>	<u>9,642,990</u>	<u>7,125,887</u>	<u>5,822,426</u>	<u>142,334,804</u>

(i) As at the balance sheet date, the Group's financial guarantees and non-financial guarantee letters 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 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial guarantee	1,667,617	-	-	-	1,667,617
Acceptance notes	455,386	-	-	-	455,386
	<u>2,123,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,123,003</u>

	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
	<u>2,945,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,945,317</u>

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 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Future contractual cash flow not included in lease liabilities	3,299	2,381	2,977	-	8,657

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Future contractual cash flow not included in lease liabilities	1,966	328	-	-	2,294

(iii) The analysis of repayment period of bank loans and other loans is as follows:

	31 December 2021		31 December 2020	
	Bank loan	Other loan	Bank loan	Other loan
Within 1 year	18,095,041	9,742,512	20,818,377	11,806,260
1 to 2 years	10,860,009	2,750,115	5,980,803	3,493,062
2 to 5 years	9,130,270	331,068	6,525,688	460,921
Over 5 years	8,365,789	214,053	5,246,227	360,427
	46,451,109	13,037,748	38,571,095	16,120,670

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 2021, 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	5,754,200	-	-	5,754,200
Investments in equity instruments held for trading	423,721	-	-	423,721
Investments in debentures held for trading	681,833	-	-	681,833
Wealth management products	-	430,793	-	430,793
Non-hedging derivative financial instruments	-	312,550	-	312,550
Derivative financial assets -	-	44,101	-	44,101
Receivables financing -				
Notes receivable measured at fair value through other comprehensive income	-	-	1,091,644	1,091,644
Accounts receivable measured at fair value through other comprehensive income	-	-	53,849	53,849
Other current assets -				
Interbank deposits	-	7,570,419	-	7,570,419
Other non-current financial assets	535,365	-	6,431,232	6,966,597
Other debt investments	-	81,874	-	81,874
Total assets	7,395,119	8,439,737	7,576,725	23,411,581

14 FAIR VALUE ESTIMATES (CONT'D)

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

As at 31 December 2021, 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	-	9,625	-	9,625
Financial liabilities held for trading	-	28,569	-	28,569
	-	38,194	-	38,194

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 instruments held for trading	1,034,163	-	55,142	1,034,163
Investments in debentures held for trading	329,898	-	-	329,898
Wealth management products	-	578,238	-	578,238
Non-hedging derivative financial instruments	-	325,533	-	325,533
Derivative financial assets -				
Forward foreign exchange contracts	-	98,146	-	951,913
Receivables financing -				
Notes receivable measured at fair value through other comprehensive income	-	-	951,913	951,913
Accounts receivable measured 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	7,261,024	10,089,177	16,064,393	33,414,594

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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

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 techniques. 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.

The changes in Level 3 assets and liabilities are analysed below:

	31 December 2020	Purchases	Decrease	Transfer into Level 3	Gains or losses recognised in profit or loss	Gains or losses charged to other comprehensive income	31 December 2021	Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2021 - gains or losses on changes in fair value
Financial assets -								
Other non-current financial assets	5,029,887	111,267	(39,051)	-	1,329,129	-	6,431,232	1,329,129
Assets held for sale	350,875	43,708	(350,875)	-	-	-	43,708	-
Receivables financing	10,912,246	101,345	(54,545)	(9,363,980)	-	(449,573)	1,145,493	-
	16,293,008	256,320	(444,471)	(9,363,980)	1,329,129	(449,573)	7,620,433	1,329,129

14 FAIR VALUE ESTIMATES (CONT'D)

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

(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.

Information about the Level 3 fair value measurement is as follows:

	Valuation technique	Fair value as at 31 December 2021	Name	Inputs		
				Scope/ Weighted average	Relationship with fair value	Observable/ Unobservable
Other non-current financial assets -						
	Recent financing price method	1,752,755	Investment cost	1,752,755	Positive correlation	Unobservable
	Market multiple Amethod	2,182,039	Price to book ratio (P/B)	0.9-3.6	Positive correlation	Unobservable
			Price earnings ratio (PE)	19.1-33.7	Positive correlation	Unobservable
			Price sales ratio (PS)	2.9-7.4	Positive correlation	Unobservable
			Others/Scale risk discount	17.7%-30%	Negative correlation	Unobservable
			Liquidity discount	25%-31%	Negative correlation	Unobservable
	Asset-based approach	2,496,438	Discount due to lack of control	12%-15%	Negative correlation	Unobservable
Notes receivable measured at fair value through other comprehensive income -	Income approach	1,091,644	Discount rates	4.14%	Negative correlation	Unobservable
Accounts receivable measured at fair value through other comprehensive income -	Income approach	<u>53,849</u>	Discount rates	4.79%-6%	Negative correlation	Unobservable
		<u>7,576,725</u>				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 2 fair value measurement is as follows:

	Fair value as at 31 December 2021	Valuation technique	Observable inputs	
			Name	Scope/ Weighted average
Derivative financial assets -				
Forward foreign exchange contracts	6,322	Income approach	Forward exchange rate of USD against RMB	Range: 6.4021 - 6.6155 Weighted average: 6.5516
Other debt investments -				
Local government bonds and treasury bonds	81,874	Market method	Valuation of the Stock Exchange	-
	<u>88,196</u>			

	Fair value as at 31 December 2020	Valuation technique	Observable inputs	
			Name	Scope/ Weighted average
Derivative financial assets -				
Forward foreign exchange contracts	119,167	Income approach	Forward exchange rate of USD against RMB	Range: 6.6726- 7.1847 Weighted average: 6.9006
Other debt investments -				
Local government bonds and treasury bonds	236,232	Market method	Valuation of the Stock Exchange	-
	<u>355,399</u>			

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 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	23,845,417	24,361,698	15,408,452	16,073,930
Bonds payable	2,490,445	2,472,522	6,506,905	6,968,168
	<u>26,335,862</u>	<u>26,834,220</u>	<u>21,915,357</u>	<u>23,042,098</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 amount 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 'shareholders' 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 2021 and 31 December 2020, the Group's gearing ratio was as follows:

	31 December 2021	31 December 2020
Interest-bearing bank borrowings and other borrowings	42,195,848	35,176,587
Bonds	2,490,445	6,604,198
Lease liabilities	1,503,787	1,157,196
Deposits from customers	5,198,722	4,289,676
Net liabilities	51,388,802	47,227,657
Total equity	98,144,353	106,849,342
Total equity and net liabilities	149,533,155	154,076,999
Gearing ratio	34.37%	30.65%

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Notes receivable

	31 December 2021	31 December 2020
Trade acceptance notes	31,239	57,943
Bank acceptance notes	252,058	356,243
Less: Provision for bad debts	(1,250)	-
	282,047	414,186

(a) As at 31 December 2021, the Company had no pledged notes receivable.

(b) As at 31 December 2021, the Group's notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	-	29,363
Trade acceptance notes	-	-
	-	29,363

(2) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	12,283,858	10,696,075
Less: Provision for bad debts	(3,692,043)	(2,284,976)
	8,591,815	8,411,099

	31 December 2021		31 December 2020	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Individual provision (c)(iii)	2,702,797	(2,329,119)	662,098	(662,098)
Sovereign credit portfolio (b)	1,140,600	(961,470)	1,097,017	(891,191)
Ageing grouping of accounts receivable (c)(iv)	8,440,461	(401,454)	8,936,960	(731,687)
	12,283,858	(3,692,043)	10,696,075	(2,284,976)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable (Cont'd)

(a) The ageing of accounts receivable is analysed as follows (Cont'd):

(i) The overdue ageing of accounts receivable is analysed as follows:

	31 December 2021	31 December 2020
Not overdue	4,255,317	3,288,907
Overdue within 1 year	2,680,438	2,079,750
Overdue 1 to 2 years	1,514,111	1,414,811
Overdue 2 to 3 years	1,073,954	1,185,091
Overdue 3 to 4 years	803,498	1,185,459
Overdue 4 to 5 years	500,035	824,778
Overdue over 5 years	1,456,505	717,279
	12,283,858	10,696,075

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

	31 December 2021	31 December 2020
Within 1 year	4,745,167	5,353,520
1 to 2 years	3,018,747	1,395,077
2 to 3 years	1,052,157	1,195,111
3 to 4 years	1,061,251	1,186,904
4 to 5 years	871,527	844,137
Over 5 years	1,535,009	721,326
	12,283,858	10,696,075

(b) As at 31 December 2021, accounts receivable with a book value of RMB1,140,600 thousand, provision for bad debts of RMB961,470 thousand, net book value of RMB179,130 thousand (31 December 2020: book value of RMB1,097,017 thousand, provision for bad debts of RMB891,191 thousand, net book value of RMB205,826 thousand) were accounts receivable with sovereign credit risk.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(2) Accounts receivable (Cont'd)

(c) Provision for bad debts

(i) Movements in provision for bad debts of accounts receivable are as follows:

31 December 2020	2,284,976
Provision in the current year	1,431,224
Other transfer-in	265,263
Reversal in the current year	(289,420)
31 December 2021	<u>3,692,043</u>

(ii) As at 31 December 2021, provision for bad debts amounted to RMB1,431,224 thousand. The amount recovered or reversed amounted to RMB289,420 thousand.

(iii) As at 31 December 2021, accounts receivable with provision for bad debts made on the individual basis were analysed as follows:

	Book balance	Lifetime ECL (%)	Provision for bad debts	Reason
Accounts receivable 1	854,746	100%	853,064	Unrecoverable by estimation
Accounts receivable 2	807,056	54%	435,060	Unrecoverable by estimation
Others	<u>1,040,995</u>	100%	<u>1,040,995</u>	Unrecoverable by estimation
	<u>2,702,797</u>		<u>2,329,119</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(iv) As at 31 December 2021, 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 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue	4,255,317	0.1%-1%	29,767
Overdue within 1 year	2,517,476	3%-10%	94,520
Overdue 1 to 2 years	929,143	7%-22%	77,003
Overdue 2 to 3 years	225,617	8%-21%	18,265
Overdue 3 to 4 years	165,114	15%-65%	25,747
Overdue 4 to 5 years	220,778	20%-90%	46,692
Overdue over 5 years	127,016	81%-100%	109,460
	<u>8,440,461</u>		<u>401,454</u>

(v) As at 31 December 2020, accounts receivable with provision for bad debts made on the grouping basis were analysed as follows:

	31 December 2020		
	Book balance	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	8%-22%	64,532
Overdue 2 to 3 years	946,706	10%-21%	76,501
Overdue 3 to 4 years	630,672	15%-65%	81,432
Overdue 4 to 5 years	672,433	20%-90%	103,569
Overdue over 5 years	414,565	90%-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)

(d) *Accounts receivable derecognised due to transfer of financial assets were analysed as follows:*

For the year ended 31 December 2021, the Company had no accounts receivable that were derecognised after the Company had applied a non-recourse factoring (2020: RMB2,433,648 thousand).

(3) Receivables financing

	31 December 2021	31 December 2020
Accounts receivable measured at fair value through other comprehensive income	-	918,755

(a) The ageing of receivables financing was analysed as follows:

	31 December 2021	31 December 2020
Not overdue	-	799,601
Overdue within 1 year	-	119,154
Overdue 1 to 2 years	-	-
	-	918,755

(b) As at 31 December 2021, the balance of accounts receivable categorised as financial assets at fair value through other comprehensive income by the Company's subsidiaries was zero (31 December 2020: RMB918,755 thousand).

For the year ended 31 December 2021, the Company had no accounts receivable at fair value through other comprehensive income that were derecognised after the Company had applied a non-recourse factoring (2020: RMB109,733 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Other receivables

	31 December 2021	31 December 2020
Receivables from the Group's subsidiaries	11,447,941	3,177,411
Receivables from third parties	1,393,650	1,160,380
Receivables from associates	1,015,622	1,015,622
Receivables from Electric Holdings and its subsidiaries	2,625	2,625
Dividends receivable	754,038	710,556
	<u>14,613,876</u>	<u>6,066,594</u>
Less: Provision for bad debts	<u>(8,241,253)</u>	<u>(214,246)</u>
	<u>6,372,623</u>	<u>5,852,348</u>

(a) As at 31 December 2021, receivables from Electric Holdings and its subsidiaries and dividends receivable of the Company were in the Stage 1.

(b) As at 31 December 2021, other receivables with provision for bad debts made on the individual basis were analysed as follows:

	Book balance	Lifetime ECL rate	Provision for bad debts	Reason
Other receivables 1	7,791,423	100.00%	7,791,423	Unrecoverable by estimation Unrecoverable in remaining by estimation considering the warranty obligations to be performed
Other receivables 2	<u>1,015,622</u>	20.89%	<u>212,114</u>	
	<u>8,807,045</u>		<u>8,003,537</u>	

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Other receivables (Cont'd)

(c) Provision for losses and changes in book balance statement

As at 31 December 2021, other receivables with provision for bad debts made on the grouping basis were analysed as follows:

	31 December 2021			31 December 2020		
	Book balance	Provision for bad debts	Provision ratio	Book balance	Provision for bad debts	Provision ratio
	Amount	Amount		Amount	Amount	
Stage 1 - 12-month ECL						
Receivables within 1 year from third parties	802,897	784	0%-1%	771,752	34	0%-1%
Stage 2 - Lifetime ECL						
Receivables within 1 year from associates	-	-	-	1,015,622	182,114	18%-
Stage 3 - Lifetime ECL						
1 to 2 years	411,749	134	0%-2%	210,375	102	0%-2%
2 to 3 years	17,612	-	0%-2%	100,326	92	0%-2%
Over 3 years	161,392	21,405	0%-2%	77,927	325	0%-2%
	590,753	21,539		388,628	519	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(4) Other receivables (Cont'd)

(d) 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 2020	34	182,114	32,098	214,246
Net increase in the current year	750	(182,114)	8,208,371	8,027,007
Balance at 31 December 2021	784	-	8,240,469	8,241,253

(e) As at 31 December 2021, other receivables from top two debtors in respect of outstanding balance were analysed as follows:

	Nature	Balance	Ageing	% of the total balance of other receivables	Provision for bad debts
Other receivables 1	Receivables from the Group's subsidiaries	7,791,423	2 to 3 years	53.32%	7,791,423
Other receivables 2	Receivables from the Group's subsidiaries	2,170,582	2 to 3 years	14.85%	158,406
Other receivables 3	Related party loans	1,015,622	1 to 2 years	6.95%	212,114
Other receivables 4	Export Tax Rebates	212,146	Within 1 year	1.45%	-
Other receivables 5	Land Collection and Savings	180,768	Within 1 year	1.24%	-
		<u>11,370,541</u>			<u>8,161,943</u>

(5) Long-term equity investments

	31 December 2021	31 December 2020
Subsidiaries (a)	46,807,497	45,246,273
Joint ventures (b)	454,207	219,192
Associates (c)	2,152,197	3,581,544
	<u>49,413,901</u>	<u>49,047,009</u>
Less: Provision for impairment of long-term equity investments	(216,801)	(152,323)
	<u>49,197,100</u>	<u>48,894,686</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

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

(a) Subsidiaries

	Movements in the current year							31 December 2021	Shareholding (%)	Provision for impairment loss	Cash dividends declared in the current year
	31 December 2020	New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decreases	Others				
Shanghai Electric Wind Power Group Co., Ltd.	4,726,260	-	-	-	-	-	(461)	4,725,799	60%	-	-
Shanghai Electric Hong Kong Co., Ltd.	4,447,750	-	7,775	-	-	-	(32)	4,455,493	100%	-	-
Shenzhen Yinghe Technology Co., Ltd.	4,107,488	-	-	-	-	-	-	4,107,488	28%	-	9,221
Shanghai Electric Leasing Co., Ltd.	3,091,379	-	-	-	-	-	-	3,091,379	100%	-	-
Shanghai Electric Investment Co., Ltd.	2,839,047	-	50,000	-	-	-	-	2,889,047	100%	-	-
Shanghai Electric Group Asset Management Co., Ltd.	2,221,645	-	-	-	-	-	(116)	2,221,529	100%	-	-
Shanghai Electric Nuclear Power Equipment Co., Ltd.	2,096,641	-	-	-	-	-	(162)	2,096,479	58%	-	-
Shanghai Prime Mingyu Machinery Technology Co., Ltd.	-	2,690,416	-	-	-	-	-	2,690,416	96%	-	219,184
Shanghai Mechanical & Electrical Industry Co., Ltd.	1,671,054	-	-	-	-	-	-	1,671,054	49%	-	191,519
Shanghai Electric Industrial Co., Ltd.	1,356,103	-	-	-	-	-	(65)	1,356,038	52%	-	161,333
Shanghai Electric Group Finance Co., Ltd.	1,331,172	-	-	-	-	-	(153)	1,331,019	75%	-	-
Shanghai Institute of Mechanical & Electrical Engineering Co., Ltd.	1,105,281	-	-	-	-	-	-	1,105,281	51%	-	83,700
Shanghai Boiler Works Co., Ltd.	788,494	-	299,347	-	-	-	(239)	1,087,602	100%	-	-
Shanghai Electric Technology Venture Capital Co., Ltd.	675,490	-	348,600	-	-	-	(3)	1,024,087	100%	-	-
Shanghai Electric Transmission & Distribution Group Co., Ltd.	1,016,843	-	-	-	-	-	-	1,016,843	50%	-	80,000
Shanghai Electric (Nantong) Technology Innovation Centre Co., Ltd.	826,000	-	-	-	-	-	-	826,000	100%	-	-
Shanghai Electric Group Shanghai Electric Machinery Co., Ltd.	754,231	-	-	-	-	-	-	754,231	100%	-	-
Shanghai Turbine Company, Ltd.	728,140	-	-	-	-	-	-	728,140	100%	-	-
Suzhou Thvow Technology Co., Ltd.	664,943	-	-	-	-	-	-	664,943	15%	-	-
Shanghai No.1 Machine Tool Works Co., Ltd.	621,614	-	-	-	-	-	(86)	621,528	100%	-	-
Shanghai Electric (Qidong) Water Development Co., Ltd.	516,046	-	-	-	-	-	-	516,046	98%	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

	Movements in the current year							31 December 2021	Shareholding (%)	Provision for impairment loss	Cash dividends declared in the current year
	31 December 2020	New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decreases	Others				
Shanghai Denso Fuel Injection Co., Ltd.	454,960	-	-	-	-	-	-	454,960	61%	-	1,428
Shanghai Electric SHMP Casting & Forging Co., Ltd.	451,759	-	-	-	-	-	(62)	451,697	100%	-	-
Shanghai Xinji Machine Tool Co., Ltd.	428,730	-	-	-	-	-	-	428,730	100%	-	-
Shanghai Electric Lingang Heavy Machinery Equipment Co., Ltd.	409,584	-	-	-	-	-	(49)	409,535	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 Jinshajiang Asset Management Co., Ltd.	13,523	-	343,472	-	-	-	-	356,995	54%	-	-
Shanghai Power Station Auxiliary Machinery Factory Co., Ltd.	356,996	-	-	-	-	-	(17)	356,979	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 Electric Guoxuan New Energy Technology Co., Ltd.	237,000	-	-	-	-	-	-	237,000	47%	-	-
Zhangjiagang Twentsche Cable Co., Ltd.	234,144	-	-	-	-	-	-	234,144	95%	-	28,675
Shanghai Machine Tool Works Co., Ltd.	209,468	-	-	-	-	-	(78)	209,390	100%	-	-
Shanghai Electric (Xinjiang) New Energy Investment Co., Ltd.	202,000	-	-	-	-	-	-	202,000	100%	-	-
Shanghai Electric Group Automation Engineering Co., Ltd.	200,000	-	-	-	-	-	-	200,000	100%	-	-
Thvow (Shanghai) Power Complete Equipment Co., Ltd.	200,000	-	-	-	-	-	-	200,000	57%	-	-
Thales SEC Transportation System Limited Company	193,377	-	-	-	-	-	(29)	193,348	50%	-	32,313

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

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

(a) Subsidiaries (Cont'd)

	Movements in the current year							31 December 2021	Shareholding (%)	Provision for impairment loss	Cash dividends declared in the current year
	31 December 2020	New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decreases	Others				
Shanghai Electric Group (Dandong) Environmental Protection Technology Co., Ltd.	155,130	-	-	-	-	-	-	155,130	88%	-	-
Shanghai Electric Group Digital Technology Co., Ltd.	61,999	-	91,700	-	-	-	(70)	153,629	100%	-	-
Shanghai Electric SHMP Pulverising & Special Equipment Co., Ltd.	151,812	-	-	-	-	-	(63)	151,749	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-SPX Engineering & Technologies Co., Ltd.	126,637	-	-	-	-	-	(16)	126,621	55%	(14,775)	-
Shanghai Electric Group (Ma'anshan) Water Treatment Co., Ltd.	108,900	-	-	-	-	-	-	108,900	90%	-	-
Shanghai Electric Automation Design and Research Institute Co., Ltd.	102,989	-	-	-	-	-	(42)	102,947	100%	-	-
Shanghai Electric Nuclear Power Group Co., Ltd.	93,280	-	-	-	-	-	-	93,280	100%	-	-
Shanghai Electric (Rudong) Water Development Co., Ltd.	64,019	-	27,437	-	-	-	-	91,456	90%	-	-
Shanghai Electric (Rudong) Water Environment Treatment Co., Ltd.	55,773	-	23,903	-	-	-	-	79,676	95%	-	-
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 Enterprise Service Co., Ltd.	58,223	-	-	-	-	-	(78)	58,145	80%	-	-
Shanghai Centrifugal Machinery Research Institute Co., Ltd.	56,258	-	-	-	-	-	-	56,258	100%	(14,629)	-
Shanghai Electric Group Intelligent Transportation Technology Co., Ltd.	53,242	-	-	-	-	-	(7)	53,235	52%	-	-
Shanghai Electric New Era Co., Ltd.	53,126	-	-	-	-	-	116	53,242	52%	-	-
Shanghai Electric Group (Suning) Environmental Protection Technology Co., Ltd.	50,000	-	-	-	-	-	-	50,000	100%	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

	Movements in the current year							31 December 2021	Shareholding (%)	Provision for impairment loss	Cash dividends declared in the current year
	31 December 2020	New additions	Increase in investments	Decrease in investments	Provision for impairment	Other decreases	Others				
Shanghai Guangye Optical Cable Co., Ltd.	-	44,649	-	-	-	-	-	44,649	55%	-	-
Shanghai Electric Group Battery Technology Co., Ltd.	44,000	-	-	-	-	-	-	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.	25,982	-	-	-	-	-	(13)	25,969	51%	-	-
Shanghai Electric Distributed Energy Technology Co., Ltd.	5,250	-	20,000	-	-	-	-	25,250	70%	-	-
Shanghai Electric Group Medical Technology Development Co., Ltd.	-	25,000	-	-	-	-	-	25,000	100%	-	-
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 Shendiantong Rail Transit Technology Co., Ltd.	-	15,300	-	-	-	-	-	15,300	51%	-	-
Shanghai Electric Liangyuan Photothermal Engineering Co., Ltd.	10,449	-	-	-	-	-	(16)	10,433	50%	-	-
Shanghai Electric Group Europa Co., Ltd.	9,899	-	-	-	-	-	-	9,899	100%	-	-
Shanghai Electric Panama Co., Ltd.	4,434	-	-	-	-	-	-	4,434	100%	-	-
Shanghai Prime Machinery Company Limited	1,755,559	-	-	(1,755,559)	-	-	-	-	100%	-	-
Shanghai Blower Works Co., Ltd.	299,347	-	-	(299,347)	-	-	-	-	0%	-	-
Shanghai Electric Communication Technology Co., Ltd.	20,000	-	-	-	(20,000)	-	-	-	40%	(20,000)	-
Shanghai Electric International Economic & Trading Co., Ltd.	456,398	-	-	(455,394)	-	-	(1,004)	-	0%	-	1,488,080
Others	290,705	44,478	-	(5,047)	(44,478)	-	(2,645)	283,013	—	(110,038)	-
	245,093,950	2,869,843	1,212,234	(2,515,347)	(64,478)	-	(5,506)	46,590,696	—	(216,801)	2,295,452

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

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

(b) Joint ventures

Movements in the current year													
	31 December 2020	Increase in investments	Increase 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	New associate combined from enterprises not under common control	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment	Others	31 December 2021	Provision for impairment loss
Shanghai Fanuc Intelligent Machines Co., Ltd.	219,192	-	-	174,495	-	-	-	-	(10,880)	-	-	382,807	-
Jinzhai Zhichu New Energy Technology Co., Ltd.	-	71,400	-	-	-	-	-	-	-	-	-	71,400	-
	<u>219,192</u>	<u>71,400</u>	<u>-</u>	<u>174,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,880)</u>	<u>-</u>	<u>-</u>	<u>454,207</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

(c) Associates

	Movements in the current year											31 December 2021	Provision for impairment loss
	31 December 2020	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	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 Rail Traffic Equipment Development Co., Ltd.	592,163	-	-	25,742	-	-	-	-	(46,091)	-	-	571,814	-
Zhejiang Zhuji Lianchuang Yongjun Equity Investment Partnership (Limited Partnership)	196,035	-	-	(1,910)	-	-	-	-	-	-	-	194,125	-
Shanghai Siemens Switchgear Co., Ltd.	181,236	-	-	103,676	-	-	-	-	(95,738)	-	-	189,174	-
Legend Electric (Shenyang) Co., Ltd.	158,177	-	-	59,131	-	-	-	-	(74,900)	-	-	142,408	-
KSB Shanghai Pumps Co., Ltd.	134,967	-	-	13,520	-	-	-	-	(16,000)	-	-	132,487	-
Shanghai Schneider Power Distribution Electrical Apparatus Co., Ltd.	74,239	-	-	116,434	-	-	-	-	(103,718)	-	-	86,955	-
Shanghai Schneider Industrial Control Co., Ltd.	70,549	-	-	70,768	-	-	-	-	(57,473)	-	-	83,844	-
Shanghai ABB Transformer Co., Ltd.	82,473	-	-	36,254	-	-	-	-	(35,752)	-	-	82,975	-
SEC Alstom (Shanghai Baoshan) Transformers Co., Ltd.	82,172	-	-	(5,722)	-	-	-	-	-	-	-	76,450	-
Shanghai Cooper Power Capacitor Co., Ltd.	50,868	-	-	3,820	-	-	-	-	(5,950)	-	-	48,738	-
Shanghai Ansaldo Gas Turbine Co., Ltd.	32,026	-	-	1,668	-	-	-	-	-	-	-	33,694	-

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

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

(c) Associates (Cont'd)

Movements in the current year													
	31			Share of		Subsidiary	New		Cash	Provision		Provision	
	December	Increase in	Decrease in	net profit/ (loss) under	Share of other	enterprises not	associate	Share	dividends	for	Others	31	
	2020	investments	investments	equity	comprehensive	under common	combined	of other	or profits	impairment		December	
				method	income	control	from	changes in	declared			2021	
							business	equity				loss	
							combination						
							involving						
							enterprises						
							not under						
							common						
							control						
Shanghai Electric Fuji Electric Technology (Wuxi) Co., Ltd.	28,244	-	-	2,946	-	-	-	-	-	-	-	31,190	-
China Energy Engineering Group Co., Ltd.	986,635	-	-	(986,635)	-	-	-	-	-	-	-	-	-
Chongqing Shenhua Thin Film Co., Ltd.	244,562	-	-	(244,562)	-	-	-	-	-	-	-	-	-
Others	667,198	27,000	(57,001)	19,953	-	(44,478)	-	-	(134,329)	-	-	478,343	-
	<u>3,581,544</u>	<u>27,000</u>	<u>(57,001)</u>	<u>(784,917)</u>	<u>-</u>	<u>(44,478)</u>	<u>-</u>	<u>-</u>	<u>(569,951)</u>	<u>-</u>	<u>-</u>	<u>2,152,197</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(6) Capital surplus

	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Share premium (Note 4(51))	16,853,555	-	-	16,853,555
Effect of convertible bond on equity	1,214,919	2,166,673	-	3,381,592
Capital contribution by shareholders due to equity incentive	256,109	-	-	256,109
Amount recorded in owners' equity arising from share-based payment arrangements (Note 4(51))	157,815	(5,506)	-	152,309
Others	173,104	-	-	173,104
	<u>18,655,502</u>	<u>2,161,167</u>	<u>-</u>	<u>20,816,669</u>

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium (Note 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 (Note 4(51))	271,163	(15,054)	-	256,109
Amount recorded in owners' equity arising from share-based payment arrangements (Note 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>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(7) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for year ended 31 December 2021				
	31 December 2020	Increase in the current year	Reclassification of other comprehensive income	31 December 2021	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								
Provision for credit impairment of other debt investments and receivables financing (Note)	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)	-	-	-	-
	<u>249,980</u>		<u>(280,607)</u>	<u>(30,627)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(7) Other comprehensive income(Cont'd)

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for year ended 31 December 2020				
	31 December 2020	Increase in the current year	Reclassification of other comprehensive income	31 December 2021	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								
Provision for credit impairment of other debt investments (including 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)	-	-	-	-
	<u>(30,627)</u>	<u>280,607</u>	<u>-</u>	<u>249,980</u>	<u>280,607</u>	<u>-</u>	<u>-</u>	<u>280,607</u>

Note: In 2021, as a result of changes in business model for accounts receivable, the Company reclassified related receivables financing to accounts receivable and transferred out the accumulated gains or losses previously included in other comprehensive income, with a corresponding adjustment made to the carrying amount of accounts receivable.

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(8) Surplus reserve

	31 December 2020	Appropriation in the current year	Decrease in the current year	31 December 2021
Statutory surplus reserve	2,639,825	-	-	2,639,825

	31 December 2019	Appropriation in the current year	Decrease in the current year	31 December 2020
Statutory surplus reserve	2,534,686	105,139	-	2,639,825

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 (2020: 10% of the net profit, totalling RMB105,139 thousand).

(9) Retained earnings

	For the year ended 31 December 2021	For the year ended 31 December 2020
Retained earnings at the beginning of the year	12,794,008	11,847,763
Add: Net (loss)/profit for the current year	(9,761,529)	1,051,384
Less: Appropriation to statutory surplus reserve	-	(105,139)
Dividends payable to the Company's shareholders	(1,127,375)	-
Retained earnings at the end of the year	1,905,104	12,794,008

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(10) Revenue and operating cost

	For the year ended 31 December 2021	For the year ended 31 December 2020
Revenue from main operations	17,947,614	26,470,967
Revenue from other operations	344,376	348,194
	<u>18,291,990</u>	<u>26,819,161</u>
Operating cost from main operations	19,459,590	24,467,251
Operating cost from other operations	279,704	243,720
	<u>19,739,294</u>	<u>24,710,971</u>

Revenue from main operations refers to sales income from energy equipment, integration services, etc. Operating cost refers to cost of products related to main operations.

	For the year ended 31 December 2021								
	Products			Projects					
	China	Other Asian countries/ geographical areas	Other regions	China	Other Asian countries/ geographical areas	Other regions	Labour service	Labour service	Total
Revenue	8,679,312	18,598	1,226	4,705,057	3,902,137	569,228	72,056	-	17,947,614
Including:									
Recognised at a time point	8,679,312	18,598	1,226	-	-	-	58,226	-	8,757,362
Recognised within a certain period	-	-	-	4,705,057	3,902,137	569,228	13,830	-	9,190,252
Revenue from other operations	-	-	-	-	-	-	-	344,376	344,376
	<u>8,679,312</u>	<u>18,598</u>	<u>1,226</u>	<u>4,705,057</u>	<u>3,902,137</u>	<u>569,228</u>	<u>72,056</u>	<u>344,376</u>	<u>18,291,990</u>

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONT'D)

(10) Revenue and operating cost(Cont'd)

	For the year ended 31 December 2020								Total
	Products			Projects			Labour service	Labour service	
	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 a time point	15,813,346	80,003	383	-	-	-	12,321	-	15,906,053
Recognised within a certain 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>

- (i) As at 31 December 2021, the Company's income corresponding to the performance obligations that have been signed but not yet fulfilled or not yet completed was RMB10,787,124 thousand, of which RMB3,767,096 thousand was expected to be recognised in 2021 and RMB7,020,028 thousand was expected to be recognised in 2022 and beyond.
- (ii) For the year ended 31 December 2021, the Company had no extra award due to the completion of services in advance.

(11) Investment income

	For the year ended 31 December 2021	For the year ended 31 December 2020
Income from long-term equity investments accounted for using the cost method	2,295,452	1,118,555
Income from long-term equity investments accounted for using the equity method	(610,422)	454,377
Interest income of entrusted loan	367,703	394,763
Investment income obtained during the holding of other non-current financial assets	68,651	74,002
Investment income from disposal of subsidiaries	1,502,073	-
Investment losses from disposal of associates	(12,434)	-
Investment income from disposal of other non-current financial assets	15,555	-
Losses arising from derecognition of financial assets measured at amortised cost	-	(4,153)
Losses arising from derecognition of receivables financing	-	(12,334)
	<u>3,626,578</u>	<u>2,025,210</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1 Statement of non-recurring profit or loss

	For the year ended 31 December 2021	For the year ended 31 December 2020
Profit or loss on disposal of non-current assets	183,064	2,754,223
Government grants recognised in profit or loss for the current period	929,196	1,119,036
Profit or loss from debt restructuring	341	303
Recombination expenses, such as staff resettlement expenditure, integration charges and etc.	-	(221,900)
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, 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.	872,034	(83,641)
Reversal of provision for impairment of receivables tested for impairment on an individual basis	32,913	158,413
Reversal of provision for impairment of contract assets tested for impairment on an individual basis	5,318	26,688
Investment income from disposal of subsidiaries	935,262	184,235
Non-operating income and expenses other than aforesaid items	548,485	283,099
	<u>3,506,613</u>	<u>4,220,456</u>
Effect of income tax	(875,970)	(801,943)
Effect of minority interests (net of tax)	(729,043)	(702,170)
	<u>1,901,600</u>	<u>2,716,343</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 15 April 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 2019. 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

	Earnings per share (RMB Yuan)					
	Weighted average return on equity (%)		Basic earnings per share		Diluted earnings per share	
	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2020
Net profit attributable to ordinary shareholders of the Company	-15.69	5.79	-0.64	0.25	-0.64	0.24
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	-18.64	1.60	-0.76	0.07	-0.76	0.07