

IMPORTANT NOTICE

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Confirmation of your representation: You have accessed the attached offering circular on the basis that you have confirmed your representation that (1) you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission and agree to the terms set forth herein; (2) (i) you are a non-U.S. Person (as defined in Regulation S under the Securities Act) outside the United States and, to the extent you purchase the securities described in the attached offering circular, you will be doing so pursuant to Regulation S under the Securities Act, and (ii) the e-mail address to which the attached offering circular has been delivered is not located in the United States (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and (3) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic conditions with respect to your decision to subscribe for or purchase any securities.

You are reminded that this offering circular has been delivered to you on the basis that you are a non-U.S. Person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver, circulate, forward or distribute this offering circular to any other person.

The materials relating to the offering of securities to which this offering circular relates do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer (as defined in this offering circular), UBS AG Hong Kong Branch (incorporated in Switzerland with limited liability), Barclays Bank PLC (incorporated in England and Wales with limited liability), ICBC International Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability), Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the People's Republic of China with limited liability), China Construction Bank (Asia) Corporation Limited, J.P. Morgan Securities plc, MUFG Securities Asia Limited, CLSA Limited and United Overseas Bank Limited, Hong Kong Branch (incorporated in Singapore with limited liability) (the “**Joint Lead Managers**”), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee, or, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as principal paying agent and transfer agent in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

Within the United Kingdom, this offering circular is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; (ii) are outside the United Kingdom; or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as “**Relevant Persons**”). This offering circular is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This offering circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on the offering circular or any of its contents.

The securities described herein are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification: Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the “**SFA**”), the Issuer (as defined herein) has determined, and hereby notifies all relevant persons (as defined in 309A of SFA) that the securities are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

You are reminded that this offering circular has been delivered to you on the basis that you are a “professional investor” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or, if you are outside Hong Kong, you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located. You may not, nor are you authorized to, deliver or disclose the contents of this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate, as the case may be, on behalf of the Issuer in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Trustee, the Agents, or any of their affiliates, directors, officers, employees, representatives, agents or any person who controls each of them accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

SHANGHAI ELECTRIC GROUP GLOBAL INVESTMENT LIMITED

(incorporated in the British Virgin Islands with limited liability)

U.S.\$300,000,000 2.30% Guaranteed Bonds due 2025

Issue Price: 99.864%

unconditionally and irrevocably guaranteed by



SHANGHAI ELECTRIC (GROUP) CORPORATION (上海電氣(集團)總公司)

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

The 2.30% Guaranteed Bonds due 2025 (the “**Bonds**”) will be issued in the aggregate principal amount of U.S.\$300,000,000 by Shanghai Electric Group Global Investment Limited (the “**Issuer**”) and are in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Bonds will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) (the “**Company**” or the “**Guarantor**”). The Guarantor is incorporated in the People's Republic of China with limited liability.

The Bonds will bear interest on their outstanding principal amount from 21 February 2020 at the rate of 2.30% per annum. Interest on the Bonds is payable semi-annually in arrear on 21 February and 21 August in each year, commencing with the first Interest Payment Date (as defined in “Terms and Conditions of the Bonds”) falling on 21 August 2020. Unless previously redeemed or purchased and cancelled, the Bonds will mature on 21 February 2025 at their principal amount.

The Bonds constitute direct, general, unconditional, unsubordinated and, subject to Condition 3(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Guarantor will enter into a deed of guarantee (the “**Deed of Guarantee**”) with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**”) as trustee of the Bonds on or around 21 February 2020 (the “**Issue Date**”). The Guarantor will file or cause to be filed with the State Administration of Foreign Exchange (“SAFE”) the Deed of Guarantee within 15 PRC Business Days (as defined in “Terms and Conditions of the Bonds”) after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE. The Guarantor will use all reasonable endeavours to complete the registration of the Deed of Guarantee with SAFE. The obligations of the Guarantor under the Deed of Guarantee constitute direct, general, unconditional, unsubordinated and, subject to Condition 3(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Payments on the Bonds will be made without withholding or deduction for taxes of the PRC or the British Virgin Islands (each as defined herein) to the extent described in “Terms and Conditions of the Bonds — Taxation”.

The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with interest accrued up to, but excluding, the date of redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of the PRC or the British Virgin Islands. The Guarantor or the Issuer may, at the Guarantor's option, at any time on or after 21 November 2024 redeem the Bonds, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Bonds redeemed plus any accrued but unpaid interest, if any, to the redemption date. Upon the occurrence of a Relevant Event (as defined in “Terms and Conditions of the Bonds”), the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds at a redemption price equal to 101% of their principal amount (in the case of a redemption for a Change of Control Triggering Event) or at 100% of their principal amount (in the case of a redemption for a SAFE Noncompliance Event), in each case together with interest accrued up to, but excluding, the date of redemption. See “Terms and Conditions of the Bonds — Redemption and Purchase”.

Application has been made for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission of the Bonds on the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Company, their respective subsidiaries, their respective affiliates or the Bonds.

Investing in the Bonds involves risks. See “Risk Factors” beginning on page 20 for a description of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act (“Regulation S”). For a description of these and certain restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see “Subscription and Sale”.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) promulgated by National Development and Reform Commission of the PRC (the “**NDRC**”) on 14 September 2015 which came into effect on the same day, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC dated 11 October 2019 evidencing such registration. Pursuant to the registration certificate, the Issuer intends to provide the requisite information on the issuance of the Bonds to the NDRC within 10 PRC Business Days after the Issue Date.

The Bonds will be represented by beneficial interests in the global bond certificate (the “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with a common depositary for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

The Bonds are expected to be rated “A2” by Moody's Investors Services, Inc. (“**Moody's**”) and “A” by Standard & Poor's Rating Services (“**S&P**”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Guarantor is rated “A2” by Moody's, “A” by S&P and “A-” by Fitch Inc.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS	Barclays
ICBC International	Guotai Junan International
	Bank of Communications

Joint Bookrunners and Joint Lead Managers

Shanghai Pudong Development Bank Hong Kong Branch	China Construction Bank (Asia)
J.P. Morgan	MUFG
	CLSA
	United Overseas Bank

Offering Circular dated 13 February 2020

Each of the Issuer and the Guarantor, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (collectively, the "**Group**"), the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Bonds and the Guarantee), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are in all material respects true and accurate and not misleading, (iii) the opinions and intentions relating to the Issuer, the Guarantor and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee the omission of which would, in the context of the issue and offering of the Bonds and the giving of the Guarantee, make any statement in this Offering Circular, in light of the circumstances under which they were made, misleading, and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers (named in the section entitled "Subscription and Sale" in this Offering Circular), the Trustee or the Agents (as defined in the "Terms and Conditions of the Bonds") (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, the Guarantor giving the Guarantee and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and re-sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the Bonds to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Guarantee other than as contained herein and, if given or made, any such other

information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) to subscribe for or purchase, any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Bonds offered by this Offering Circular is prohibited. Each offeree of the Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them). The Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) accepts any responsibility for the contents of

this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective directors, officers or affiliates.

This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS ACTING AS THE STABILISING MANAGER (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Bonds, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees,

representatives, agents, advisers or any person who controls any of them) are not making any representation to any purchaser of Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers or affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them), and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them) makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only.

For the purposes of this Offering Circular, any references to a regulation or directive of the European Union as it applies to the United Kingdom shall be interpreted to include such regulation or directive as retained in the United Kingdom by the European Union Withdrawal Act 2018 as such retained regulation or directive may be amended, supplemented or replaced from time to time.

PRESENTATION OF FINANCIAL INFORMATION

The Guarantor

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2017 and 2018 included in this Offering Circular have been extracted from the Guarantor's 2017 annual report and 2018 annual report. The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2017 and 2018 have been prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") and have been audited by Baker Tilly China.

The interim financial statements of the Guarantor as at and for the six months ended 30 June 2019, were prepared and presented in accordance with PRC GAAP, which are included elsewhere in this Offering Circular, have been reviewed but not audited by Baker Tilly China. Consequently, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit by an independent auditor. None of the Joint Lead Managers or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition, results of operations and results. Such financial statements as at and for the six months ended 30 June 2019 should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year ended 31 December 2019.

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2017 and 2018 and the interim financial statements of the Guarantor as at and for the six months ended 30 June 2019 were issued in Chinese only and English translations of such financial statements had been prepared and included in this Offering Circular for reference only. None of the Joint Lead Managers or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates has independently verified or checked their accuracy and can give no assurance that the information contained therein is accurate, truthful or complete.

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "Description of Certain Differences between PRC GAAP and IFRS".

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to “**Renminbi**”, “**CNY**” and “**RMB**” are to the lawful currency of the PRC, “**U.S. dollars**”, “**U.S.\$**” and “**USD**” are to the lawful currency of the United States of America, “**Hong Kong dollars**”, “**HK\$**” and “**HKD**” are to the lawful currency of Hong Kong, the “**PRC**” and “**China**” mean the People’s Republic of China which for the purpose of this Offering Circular excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan, “**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC, and “**Macau**” means the Macau Special Administrative Region of the PRC.

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Solely for convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.8650 to U.S.\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 28 June 2019. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all. For further information relating to exchange rates, see “Exchange Rate”.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “forward-looking statements”. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding the Company’s and the Group’s future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Company or the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company’s or the Group’s control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Company’s and the Group’s present and future business strategies and the environment in which

the Company or the Group will operate in the future. Important factors that could cause the Company's or the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- industry risks;
- general economic, political, social conditions and developments in China;
- the Group's business and operating strategies;
- the Group's capital expenditure plans;
- various business opportunities that the Group may pursue;
- the Group's operations and business prospects;
- the Group's financial condition and results of operations;
- fluctuation in price and availability of raw materials;
- availability and charges of bank loans and other forms of financing;
- changes in competitive conditions and its ability to compete under these conditions;
- changes in currency exchange rates; and
- other factors beyond the Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Offering Circular. The Issuer and the Company caution investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. Neither the Issuer nor the Company undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

ENFORCEMENT OF ARBITRATION AWARDS

The Issuer is incorporated in the British Virgin Islands ("BVI"). The enforcement of arbitration awards in the BVI is governed by the Arbitration Act (Cap 6). Under this legislation (which incorporates the provisions of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards adopted by the United Nations Conference on International Commercial

Arbitration on 10 June 1958 (the “**New York Convention**”)), an arbitration award may, by leave of the British Virgin Islands High Court, be enforced in the same manner as a judgment or order of the British Virgin Islands High Court that has the same effect, and where leave is so given, the British Virgin Islands High Court may enter judgment in terms of the award.

Enforcement of an arbitration award in these circumstances may be refused where:

- (i) the person against whom it is invoked proves that: (a) a party to the arbitration agreement was, under the law applicable to that party, under some incapacity; (b) the arbitration agreement was not valid under the law to which the parties subjected it or, if there was no indication of the law to which the arbitration agreement was subject, under the law of the country where the award was made; (c) the person was not given proper notice of the appointment of the arbitrator or the arbitral proceedings or was otherwise unable to present his case; (d) the award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration or contains decisions on matters beyond the submission to arbitration (subject to the fact that an award which contains decisions on matters not submitted to arbitration may be enforced to the extent that it contains decisions on matters submitted to arbitration which can be separated from those on matters not so submitted); (e) the composition of the arbitral authority or arbitral procedure was not in accordance with the agreement of the parties or, if there was no such agreement, with the law of the country where the arbitration took place; or (f) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, it was made; or
- (ii) the award is in respect of a matter which is not capable of settlement by arbitration under the laws of the BVI or it would be contrary to public policy to enforce the award, or if for any other reason the British Virgin Islands High Court considers it just to refuse enforcement.

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SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Bonds. Prospective investors should read the entire Offering Circular, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

THE SEC GROUP

Overview

The SEC Group comprises the Guarantor and its subsidiaries. The Guarantor is an enterprise wholly owned by Shanghai SASAC and is one of the largest comprehensive equipment manufacturing conglomerates in China.

The SEC Group was established in 1954, when the Administration Bureau of Heavy Industry of the Shanghai municipal government was established. In 1996, following a series of reorganisations of the SEC Group, the Guarantor officially became the investment holding company for the SEC Group. The Guarantor is a holding company that operates a wide portfolio of quality, diversified and well-established businesses. Specifically, the SEC Group’s four major business segments are:

- new energy and environmental protection equipment;
- high-efficiency and clean energy equipment;
- industrial equipment; and
- modern services.

The SEC Group operates in the above four major business segments primarily through three core subsidiaries — Shanghai Electric, Shanghai Prime and Shanghai Highly. Shanghai Electric is the core operation platform of the SEC Group and the largest subsidiary of the Guarantor in terms of total operating revenue and total assets as at and for the six months ended 30 June 2019, which amounted to approximately RMB52.5 billion and RMB254.7 billion, respectively.

The SEC Group has five subsidiaries listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and/or the Shenzhen Stock Exchange. The following table sets forth the SEC Group’s listed subsidiaries and their respective listing venues and stock codes as at the date of this Offering Circular.

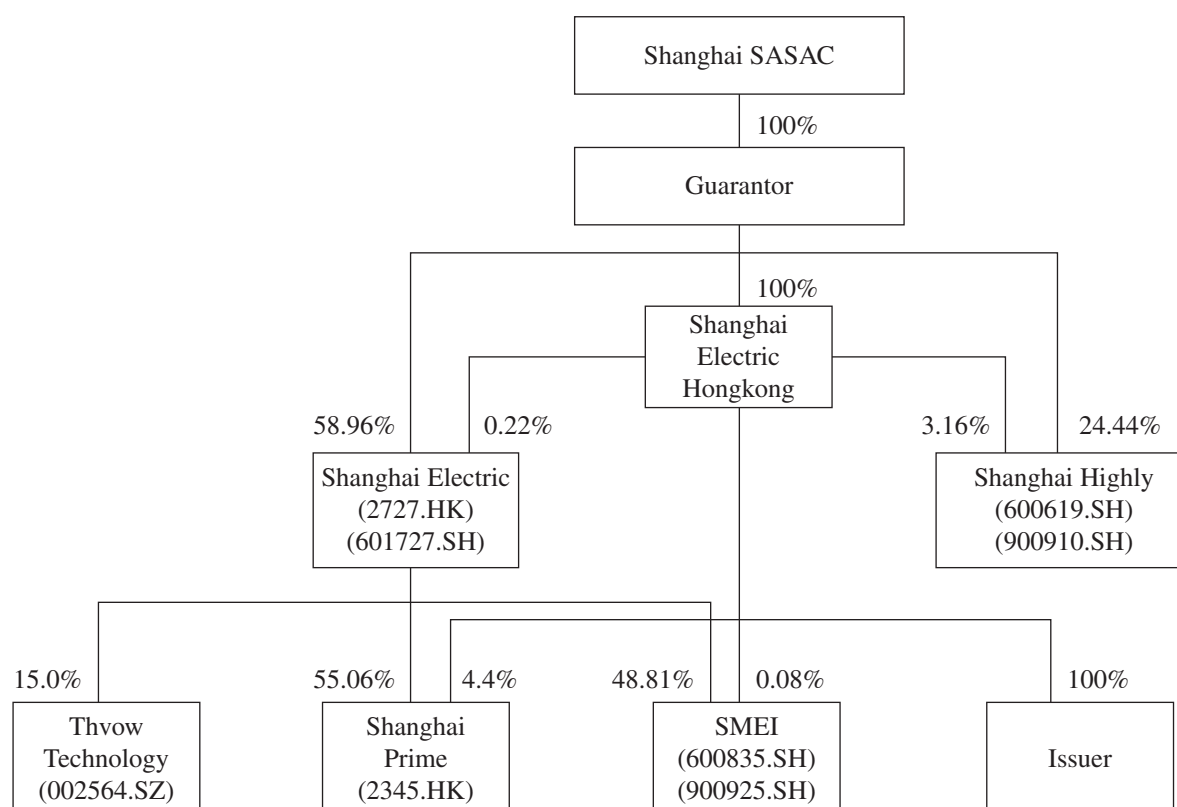
Listed Subsidiary	Listing Venue
Shanghai Electric.	Hong Kong Stock Exchange (2727)
	Shanghai Stock Exchange (601727)

Listed Subsidiary	Listing Venue
Shanghai Prime	Hong Kong Stock Exchange (2345)
Shanghai Highly	Shanghai Stock Exchange (600619, 900910)
Shanghai Mechanical & Electrical	Shanghai Stock Exchange (600835, 900925)
Thvow Technology	Shenzhen Stock Exchange (002564)

As at 31 December 2016, 2017, 2018 and 30 June 2019, the SEC Group had total assets of approximately RMB222.2 billion, RMB230.2 billion, RMB250.8 billion and RMB289.2 billion, respectively. The SEC Group had total operating revenue of approximately RMB97.8 billion, RMB91.8 billion, RMB114.5 billion and RMB60.4 billion, respectively, and net profits attributable to the parent company owners of approximately RMB1.3 billion, RMB1.3 billion, RMB1.4 billion and RMB0.9 billion for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, respectively.

Group Structure

The following chart provides an overview of the shareholding structure of the SEC Group's key operating subsidiaries as at 30 June 2019.



Business Segments

New Energy and Environmental Protection Equipment

The new energy and environmental protection equipment segment primarily comprises the research and development, manufacture and sale of nuclear power and nuclear island equipment, wind power equipment, large-scale castings and forgings and other environmental protection equipment. The SEC Group enjoys a leading position in China in terms of nuclear power product technology.

High Efficiency and Clean Energy Equipment

The high efficiency and clean energy equipment segment principally includes the research and development, manufacture and sale of (i) thermal power equipment, (ii) gas turbine equipment and (iii) power transmission and distribution equipment. The SEC Group's operations under this segment include the supply of a broad range of products used in power generation, transmission and distribution, including the research and development, manufacture and sale of various types of power equipment.

Industrial Equipment

The industrial equipment segment primarily involves the research and development, manufacture and sale of elevators, air-conditioning compressors, electromechanical equipment products, mechanical basic components and solution packages for industrial automation.

Modern Services

Under the modern services segment, the SEC Group provides the integrated services related to electric power projects and other types of engineering projects which are expanding from single thermal power market to a new energy and distributed energy market. In addition, it also provides financial services and seeks to build a comprehensive financial platform in order to provide robust support for the development of the SEC Group.

Others

The SEC Group is also engaged in research and development activities through its technology research institutes and provides services such as human resource management, real estate management and property management. These businesses are ancillary in nature and do not constitute the core businesses of the SEC Group.

The following table sets forth a total operating revenue breakdown of the SEC Group by business segment for the periods indicated.

Segment	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	Total		Total		Total		Total		Total	
	Operating		Operating		Operating		Operating		Operating	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
<i>RMB in billions except for percentages</i>										
New Energy and Environmental										
Protection Equipment	12.7	13.0%	10.4	11.3%	13.3	11.6%	6.8	11.5%	7.9	13.0%
High Efficiency and Clean Energy										
Equipment	27.2	27.8%	25.2	27.5%	32.9	28.7%	16.5	27.9%	14.6	24.2%
Industrial Equipment	37.5	38.4%	40.2	43.8%	44.9	39.2%	23.5	39.8%	26.0	43.1%
Modern Services	26.5	27.1%	23.9	26%	27.8	24.3%	14.8	25.1%	16.9	27.9%
Other Business	1.7	1.8%	2.6	2.8%	5.9	5.1%	0.3	0.6%	0.2	0.4%
Elimination	7.9	8.1%	10.5	11.4%	10.2	8.9%	2.9	4.9%	5.2	8.7%
Total	97.8	100.0%	91.8	100.0%	114.5	100%	59.1	100%	60.4	100%
Competitive Strengths										
• The largest conglomerate in the comprehensive equipment manufacturing industry in the PRC with unparalleled importance in the high-end equipment manufacturing industry • Strong R&D capabilities, leading technologies, strong backlog orders and foreseeable revenues to ensure sustained and stable growth of the business • Group competitive advantage formed by full synergies from diversified business segments • Strong credit and liquidity support • Experienced and outstanding management team • Strong and comprehensive support from various levels of government										
Strategies										
• Taking green, environmental protection, intelligence, interconnection, and comprehensive system solution as developing directions to strengthen the involvement of the SEC Group in these new industries; establishing a new type of industry cluster; and building itself into an industry conglomerate with a healthier industrial structure, more optimised business layout and more reasonable spatial distribution										

- Focusing on key emerging areas to expand the business scope from mechanical manufacturing to mechatronics manufacturing; gradually upgrading the business industries it operates in from traditional energy equipment to new energy equipment; and improving its industrial level from traditional manufacturing to intelligent manufacturing
- Strengthening its science and technology capability by focusing on science and technology development to perfect its science and technology innovation system
- Internationalising its businesses and enhancing the transnational level by realising the globalisation of its market, capital, research and development and production capability in a comprehensive manner
- Accelerating intelligent manufacturing by digitalization to transform from production-oriented manufacturing to service-oriented manufacturing
- Bringing existing business segments into the first echelon by focusing on and enhancing its main businesses, utilising the synergy advantage of the SEC Group, and maintaining its leading position

THE ISSUER

The Issuer, Shanghai Electric Group Global Investment Limited, was incorporated on 18 July 2014 and is a BVI business company with limited liability incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1833712). The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is located at Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

RECENT DEVELOPMENT

Issuance of Exchangeable Bonds

The Guarantor proposed to use the A shares it holds in Shanghai Electric and the corresponding yields as exchangeable objects for the non-public issuance of exchangeable corporate bonds (the “**Exchangeable Bonds**”). The Guarantor has received a no objection letter from the SSE, pursuant to which the Guarantor may issue exchangeable bonds with a total amount of not exceeding RMB5 billion to qualified investors in a non-public way within 12 months after the date of its issuance. The 1,120,000,000 A shares the Guarantor holds in Shanghai Electric, representing 7.39% of the total issued share capital of Shanghai Electric, have been pledged and transferred to the designated share pledge account and the registration procedures for the share pledge were completed on 15 January 2020 at China Securities Depository and Clearing Corporation Limited. The offering of the Exchangeable Bonds was completed on 3 February 2020. The actual offering size of the Phase 1 Exchangeable Bonds is RMB4 billion with a term of 3 years and a coupon rate of 0.1%.

Proposed Listing of Shanghai Electric Wind Power Group Co., Ltd.

Shanghai Electric Wind Power Group Co., Ltd. (“**SEWP**”, a subsidiary of Shanghai Electric) 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 issuance (the “**Spin-off**”). SEWP will remain a subsidiary of Shanghai Electric after the completion of the Spin-off. On 6 January 2020, the Spin-off had been approved by the board of directors of Shanghai Electric. As of the date of this Offering Circular, the Spin-off was still subject to certain approvals including but not limited to the approval of general meeting of Shanghai Electric and SEWP and the approval from the Hong Kong Stock Exchange.

Issuance of U.S.\$500,000,000 Guaranteed Senior Bonds

On 21 November 2019, the Issuer issued a principal amount of U.S.\$500,000,000 guaranteed bonds at the coupon rate of 2.65% due 2024. The Bonds are unconditionally and irrevocably guaranteed by the Guarantor.

Subscription of Certain Shares of Yinghe Technology

On 11 November 2019, Shanghai Electric, one of the Guarantor’s subsidiary listed on Shanghai Stock Exchange, entered into a share transfer agreement with Mr. Wang Weidong and Ms. Xu Xiaojun, pursuant to which, Shanghai Electric will acquire 9.73% of the total share capital of Shenzhen Yinghe Technology Co., Ltd. (“**Yinghe Technology**”) which is a listed company on Shenzhen Stock Exchange (stock code: 300457) for a consideration of RMB959,022,117.72. Such share transfer has been completed on 17 December 2019. On 11 November 2019, Shanghai Electric also entered into a conditional share subscription agreement (the “**Share Subscription Agreement**”) with Yinghe Technology, pursuant to which, Shanghai Electric intends to subscribe some newly issued shares of Yinghe Technology through private placement for a total subscription amount of no more than RMB2 billion. As at the date of this Offering Circular, the completion of this transaction is subject to the fulfilment or waiver (as the case may be) of various conditions precedent.

Subscription of Certain Shares of Thvow Technology

Thvow Technology, a listed company on the Shenzhen Stock Exchange (stock code: 002564) decides to issue new A shares to Shanghai Electric by way of private placement. On 12 September 2019, Shanghai Electric entered into a subscription agreement with Thvow Technology to subscribe for the shares with a consideration of no more than RMB1,200 million. The private placement of A shares is not yet closed and is subject to internal approval from Thvow Technology and external approvals from CSRC and other state-asset management authorities.

THE OFFERING

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” shall have the same meanings in this summary. For a complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.

Issuer.....	Shanghai Electric Group Global Investment Limited
Guarantor	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)
Bonds	U.S.\$ 300,000,000 2.30% Guaranteed Bonds due 2025.
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment in full of all sums expressed to be payable by the Issuer under the Trust Deed or in respect of the Bonds.
	The Guarantor will undertake to file or cause to be filed with the SAFE the Deed of Guarantee within 15 PRC Business Days (as defined in “Terms and Conditions of the Bonds”) after the execution of the Deed of Guarantee in accordance with, the Provisions on the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE. The Guarantor will use all reasonable endeavours to complete the registration of the Deed of Guarantee with SAFE prior to the date that is 90 PRC Business Days after the Issue Date.
Issue Price.....	99.864%
Form and Denomination.....	The Bonds will be issued in registered form in the denomination of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 21 February 2020 at the rate of 2.30% per annum, payable semi-annually in arrear on 21 February and 21 August in each year.
Issue Date	21 February 2020.

Maturity Date	21 February 2025.
Status	The Bonds constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantee constitutes a direct, general, unconditional, unsubordinated and (subject to Condition 3(a) of the Terms and Conditions of the Bonds) unsecured obligation of the Guarantor which will at all times rank at least <i>pari passu</i> with all other present and future unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Guarantor is a holding company, and accordingly, payments under the Guarantee are effectively subordinated to all existing and future liabilities of each of the Guarantor's subsidiaries (other than the Issuer). See "Risk Factors — Risks relating to the Issuer and the Guarantor".
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 3(a) of the Terms and Conditions of the Bonds.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed on 21 February 2025 at their principal amount.

Taxation	All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction (as defined in the Terms and Conditions of the Bonds) or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Guarantor as a result of the Guarantor being deemed by PRC tax authorities to be a PRC tax resident at the rate of up to (and including) the rate applicable on 13 February 2020 (the “Applicable Rate”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. In that event the Issuer or the Guarantor is required to make a deduction or withholding (i) in the case of the Guarantor, in excess of the Applicable Rate; or (ii) by or within any Relevant Jurisdiction except the PRC, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. Notwithstanding anything to the contrary in Condition 7 of the Terms and Conditions of the Bonds, no additional amounts referred to therein shall be payable in respect of any Bond in certain exceptions.
Tax Redemption	The Issuer may redeem the Bonds in whole, but not in part only, at their principal amount, together with interest accrued up to, but excluding, the date fixed for redemption, in the event of certain changes affecting the taxes of any Relevant Jurisdiction, as further described in Condition 5(c) of the Terms and Conditions of the Bonds.

Redemption for Relevant Events.....	Following the occurrence of a Relevant Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds at 101% (in the case of a redemption for a Change of Control Triggering Event) or 100% (in the case of a redemption for a SAFE Noncompliance Event) of their principal amount, together in each case with accrued interest, as further described in Condition 5(d) of the Terms and Conditions of the Bonds.
Redemption at the option of the Guarantor or the Issuer.....	The Guarantor or the Issuer may, at the Guarantor's option, at any time on or after 21 November 2024 redeem the Bonds, in whole but not in part, on not less than 30 nor more than 60 calendar days' prior notice at a redemption price equal to 100% of the principal amount of the Bonds plus any accrued but unpaid interest to the date of redemption.
Events of Default	The Bonds will contain certain events of default provisions as further described in Condition 8 of the Terms and Conditions of the Bonds.
Cross-acceleration	The Bonds will contain a cross-acceleration provision as further described in Condition 8(c) of the Terms and Conditions of the Bonds.
Clearing Systems.....	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement.....	The Bonds have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2110952962 Common Code: 211095296

Governing Law.....	English law
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Registrar, Principal Paying Agent and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Listing.....	Application has been made for the listing and quotation of the Bonds on the SGX-ST. If approved, the Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Bonds are listed on the SGX-ST. No application has been made or will be made for the listing of the Bonds on any other stock exchange.
Rating.....	The Bonds are expected to be rated “A2” by Moody’s and “A” by S&P. Security ratings are not recommendations to buy, sell or hold the Bonds. Ratings are subject to revision or withdrawal at any time by the rating agencies.
Use of Proceeds	See “Use of Proceeds”.
LEI.....	529900Y3SWJ0FFDION78

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the selected consolidated financial information of the Guarantor as at the dates and for the periods indicated. The selected audited consolidated financial information as at and for the years ended 31 December 2016, 2017 and 2018 set forth below is derived from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018 which were prepared and presented in accordance with PRC GAAP and have been audited by Baker Tilly China.

The selected unaudited but reviewed consolidated financial information as at and for the six months ended 30 June 2018 and 2019 set forth below is derived from the Guarantor's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2019 which were prepared and presented in accordance with PRC GAAP and have been reviewed by Baker Tilly China. Such financial information have been reviewed but have not been audited by Baker Tilly China and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit by an independent auditor. Such financial information as at and for the six months ended 30 June 2019 should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending 31 December 2019.

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2016, 2017, 2018, and the six months ended 30 June 2018 and 2019

(all amounts in RMB'000 unless otherwise stated)

Item	For the year ended			For the six months ended	
	31 December			30 June	
	2016	2017	2018	2018	2019
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Total operating revenue	97,804,292	91,775,835	114,527,580	59,108,230	60,378,860
Including: Operating revenue.	97,804,292	91,775,835	114,527,580	59,108,230	60,378,860
Total operating costs	96,379,344	91,908,226	111,952,985	56,061,160	57,566,257
Including: Operating costs	76,772,760	71,477,473	91,382,700	48,134,360	48,807,127
Tax and surcharges	807,687	712,287	741,435	318,798	271,465
Selling expenses	3,879,772	3,523,628	3,956,839	1,853,179	1,752,842
Administrative expenses	11,115,241	8,308,018	7,761,205	3,555,671	3,765,672
Research and development expenses. . .	—	3,406,796	4,211,924	1,634,341	1,826,339
Financial expenses	714,705	1,047,559	1,597,260	564,812	1,142,811
Impairment losses of assets	3,089,179	3,432,465	2,105,936	1,090,515	659,700
Credit impairment loss	—	—	195,686	—	429,055
Other income.	—	571,386	1,203,105	378,242	429,531
Investment income	2,183,121	4,234,874	1,361,170	691,478	902,034
Gains from changes in fair values	-4,450	25,547	82,779	-60,325	-37,540
Gains from asset disposal	—	438,050	597,594	50,628	424,515
Operating profit	3,603,619	5,137,465	5,819,243	3,016,578	3,442,388
Add: Non-operating income	2,959,643	544,159	351,072	166,603	230,375
Less: Non-operating expenses	411,932	212,556	113,407	73,062	87,183
Total profit	6,151,330	5,469,068	6,056,907	3,110,119	3,585,581
Less: Income tax expenses	1,572,368	687,569	817,774	354,817	751,786
Net profit	4,578,962	4,781,499	5,239,134	2,755,302	2,833,795
Net profits attributable to the parent company owners	1,254,931	1,287,230	1,410,136	748,842	905,369
Minority net profits	3,324,031	3,494,268	3,828,997	2,006,460	1,928,426
Net other comprehensive income after tax	-1,656,154	-2,570,202	-2,740,964	-2,116,427	1,897,145
Total comprehensive income attributable to:					
The parent Company	-358,571	-885,058	-1,146,971	-1,346,504	2,816,888
Minority shareholders	3,281,379	3,096,355	3,645,141	1,985,378	1,914,053

CONSOLIDATED BALANCE SHEETS

As at 31 December 2016, 2017, 2018 and 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

Item	As at 31 December			As at 30 June
	2016 (audited)	2017 (audited)	2018 (audited)	2019 (unaudited)
Assets				
Current Assets				
Cash and cash equivalents	45,841,393	38,769,027	47,741,751	38,168,624
Financial assets held for trading	898,093	—	4,419,450	5,206,468
Financial Assets Calculated At Fair Value With Their Variance Recorded Into				
Current Profits And Losses	—	518,550	—	—
Derivative financial assets	67,061	80,511	788	1,527
Notes receivable and Accounts receivable	41,069,897	4,4026,739	30,044,734	41,266,586
Finance Receivables	—	—	—	7,863,293
Prepayments	8,965,921	9,728,405	11,976,433	17,182,762
Accrued Interest Receivable	126,929	—	—	—
Dividend Receivable	63,835	—	—	—
Other receivables	2,702,289	2,208,366	5,610,705	4,972,975
Redemptory Monetary Capital For Sale	—	—	—	1,524,539
Inventories	29,887,532	37,448,107	30,775,100	33,361,135
Contractual assets	—	—	12,229,782	24,435,288
Assets classified as held for sale	318,784	—	—	8,344
Non-current assets due within one year	4,466,830	4,815,509	4,200,539	4,230,426
Other current assets	8,211,235	3,237,831	13,566,212	10,039,319
Total Current Assets	142,619,802	140,833,046	160,565,494	188,261,286
Non-Current Assets				
Available-for-sale financial assets	21,611,097	25,565,149	12,758,797	15,884,993
Other Debt Investments	—	—	261,372	322,991
Held-to-maturity investments	—	—	—	—
Long-term receivables	6,979,629	8,755,971	5,213,409	5,821,278
Long-term equity investments	10,621,106	11,774,554	14,519,244	14,846,056
Other Equity Investments	—	—	—	22,427
Other non-current financial assets	—	—	5,360,846	5,835,739
Investment real estate	1,073,482	960,048	1,112,759	1,401,829
Fixed assets	21,516,290	20,366,240	20,445,274	21,969,728
Construction in progress	2,261,807	2,953,138	2,228,261	4,283,283
Right-Of-Use Assets	—	—	—	900,096
Intangible assets	7,194,120	7,099,296	8,509,747	8,862,560
Development expenditure	144,389	118,603	146,163	176,580
Goodwill	2,879,045	2,973,116	3,723,160	4,039,578
Long-term prepaid expenses	589,763	630,694	578,561	574,583
Deferred tax assets	4,394,696	6,197,853	7,157,312	7,696,340
Other non-current asset	348,307	2,014,404	8,215,891	8,286,887
Total Non-Current Assets	79,613,730	89,409,065	90,230,796	100,924,948
TOTAL ASSETS	222,233,532	230,242,111	250,796,290	289,186,234

CONSOLIDATED BALANCE SHEETS

As at 31 December 2016, 2017, 2018 and 30 June 2019

(All amounts in RMB'000 unless otherwise stated)

Item	As at 31 December			As at 30 June
	2016	2017	2018	2019
	(audited)	(audited)	(audited)	(unaudited)
Liabilities				
Current Liabilities				
Short-term borrowings	4,459,559	4,936,443	14,226,850	19,904,524
Financial liabilities held for trading	—	—	104,540	125,422
Financial liabilities measured at fair value with their variance recorded into current profits and losses	—	—	13,126	—
Derivative financial liabilities	100,865	75,914	5,168	3,910
Notes payable and Accounts payable	43,964,731	46,879,226	51,540,706	62,759,843
Receipts in advance	44,705,837	44,601,117	799,445	899,903
Financial Assets Sold For Repurchase	—	—	—	1,004,000
Absorbing Deposits And Interbank Deposits	—	—	—	452,912
Contractual liabilities	—	—	36,566,071	39,827,664
Employee benefits payable	2,870,901	3,236,599	3,309,047	2,656,027
Taxes and surcharges payable	2,652,331	2,205,929	2,950,640	2,490,750
Interests payable	279,733	440,882	—	—
Dividends payable	466,466	418,753	—	—
Other payables	9,580,375	9,621,853	12,634,053	14,303,437
Non-current liabilities due within one year	1,715,635	4,221,871	5,275,345	13,775,110
Other current liabilities	7,224,318	7,589,364	9,172,900	9,491,668
Total Current Liabilities	118,020,750	124,227,951	136,597,890	167,695,170
Non-Current liabilities				
Long-term loans	1,939,789	2,644,375	11,587,113	10,043,223
Bonds payable	20,745,872	18,311,927	18,675,287	9,346,371
Lease Liabilities	—	—	—	686,996
Long-term payables	3,380,111	3,422,670	2,836,466	2,562,844
Long-term employee benefit payable	2,473,399	2,728,642	2,607,264	2,549,534
Special payable	370,606	414,298	—	—
Estimated liabilities	204,007	347,898	321,670	405,678
Deferred revenues	1,579,454	1,651,528	1,543,903	1,920,374
Deferred tax liabilities	2,990,642	2,472,434	2,093,805	2,906,123
Other non-current liabilities	444,832	395,505	406,705	417,932
Total Non-Current Liabilities	34,128,714	32,389,277	40,072,212	30,839,076
TOTAL LIABILITIES	152,149,464	156,617,228	176,670,102	198,534,246
Owners' Equity				
Paid-in capital	7,896,366	8,780,366	9,080,366	9,080,366
Capital reserves	10,591,767	9,102,337	9,041,682	10,824,808
Other Comprehensive Incomes	8,078,234	5,905,945	3,347,339	5,256,504
Special reserves	122,150	141,797	152,058	159,211
Surplus reserves	369,793	667,532	747,238	747,238
Retained earnings	5,869,535	6,735,438	7,923,315	8,674,132
Total owner's equity attributable to parent	32,927,845	31,333,415	30,291,999	34,742,260
Minority interests	37,156,222	42,291,467	43,834,189	55,909,728
TOTAL OWNERS' EQUITY	70,084,067	73,624,883	74,126,188	90,651,988

DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following expressions shall have the following meanings.

“AEN”	Ansaldo Energia S.p.A., a joint stock company incorporated under the laws of Italy, whose registered address is Via Niclo Lorenzi no.8, 16152, Genoa, Italy
“Board” or “Board of Directors”	the board of directors of the Guarantor
“Bondholder(s)”	holder(s) of the Bond(s)
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this Offering Circular, Hong Kong, Macau and Taiwan
“CNY”, “RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CSRC”	the China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Guarantor
“EU”	European Union
“EUR”	euro, the official currency of the European Union’s member states
“FSI”	Fondo Strategico Italiano S.p.A., a joint stock company incorporated under the laws of Italy, whose registered address is Corso Magenta no.71, 20123, Milan, Italy
“GDP”	gross domestic product
“Guarantor”	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)

“HK\$”, “HKD” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“IFRS”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
“Issuer”	Shanghai Electric Group Global Investment Limited, a BVI business company with limited liability incorporated in BVI, and a wholly-owned subsidiary of Shanghai Electric Hongkong
“Macau”	the Macau Special Administrative Region of the PRC
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Nedschroef”	Nedfast Investment B.V., a private limited liability company incorporated in the Netherlands
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC GAAP”	generally accepted accounting principles in the PRC
“Qinshan Nuclear Power Plant Project”	a multi-unit nuclear plant under construction in Qinshan Town, Haiyan County, Zhejiang, China
“Regulation S”	Regulation S under Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SEC Group”	the Guarantor and its subsidiaries
“SGX-ST”	the Singapore Exchange Securities Trading Limited

“Shanghai Automation”	Shanghai Automation Instrumentation Co., Ltd. (上海自動化儀表股份有限公司), a company incorporated in the PRC, in which the Guarantor owned a 51.01% equity interest as at 30 June 2019
“Shanghai Electric”	Shanghai Electric Group Company Limited (上海電氣集團股份有限公司), a company listed on the Hong Kong Stock Exchange under stock code 2727 and listed on the Shanghai Stock Exchange under stock code 601727, in which the Guarantor directly and indirectly owned a 59.18% equity interest as at 30 June 2019
“Shanghai Electric Hongkong”	Shanghai Electric Group Hongkong Company Limited (上海電氣集團香港有限公司), a limited liability company incorporated in Hong Kong, and a wholly-owned subsidiary of the Guarantor as at 30 June 2019
“Shanghai Highly”	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司), a company listed on the Shanghai Stock Exchange under stock codes 600619 and 900910, in which the Guarantor directly and indirectly owned a 27.6% equity interest as at 30 June 2019
“Shanghai Mitsubishi Elevator”	Shanghai Mitsubishi Elevator Co., Ltd. (上海三菱電梯有限公司), a limited company incorporated in Shanghai, China and a 52% owned subsidiary of Shanghai Mechanical & Electrical as at 30 June 2019
“Shanghai Mechanical & Electrical”	Shanghai Mechanical & Electrical Industry Co., Ltd. (上海機電股份有限公司), a company listed on the Shanghai Stock Exchange under stock codes 600835 and 900925, in which the Guarantor indirectly owned a 48.89% equity interest as at 30 June 2019
“Shanghai Prime”	Shanghai Prime Machinery Company Limited (上海集優機械股份有限公司), a company listed on the Hong Kong Stock Exchange under stock code 2345, in which the Guarantor indirectly owned a 59.46% equity interest as at 30 June 2019
“Shanghai SASAC”	the 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)

“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“SOE(s)”	state-owned enterprise(s)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Subsidiary(ies)”	the meaning ascribed to it in section 2 of the Companies Ordinance
“Supervisor(s)”	the supervisor(s) of the Guarantor
“Supervisory Committee”	the board of supervisors of the Guarantor
“Thvow Technology”	Suzhou Thvow Technology Co. Ltd., a company listed on the Shenzhen Stock Exchange under stock code 2564, in which the Guarantor owned a 15% equity interest as at 30 June 2019
“U.S. or United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$, USD or U.S. dollars”	United States dollars, the lawful currency of U.S.
“Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated
“VAT”	value added tax
“West-to-East Gas Pipeline Project”	the major natural gas transmission projects with a set of natural gas pipelines which run from the west to the east of China for the development of the western regions in China
“Yangtze River Three Gorges Project”	the hydropower project with a hydroelectric dam that spans the Yangtze River by the town of Sandouping, located in Yiling District, Yichang, Hubei Province, China

GLOSSARY OF TECHNICAL TERMS

“ac”	alternating current
“AP”	advanced passive
“CNC”	the computer numerical control
“CO₂”	carbon dioxide
“dc”	direct current
“EPC”	the engineering, procurement and construction
“GWP”	global warming potential
“IGCC”	Integrated Gasification Combine Cycle
“KN”	kilonewton
“KW”	kilowatt
“KV”	kilovolt
“MW”	megawatt
“PMSM”	permanent magnet synchronous motor
“R&D”	the research and development
“SC”	supercritical
“USC”	ultra-supercritical
“VVVF”	variable voltage and variable frequency

RISK FACTORS

Prospective purchasers of the Bonds should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular. The risks described below are not the only ones that may affect the Issuer, the Guarantor, the SEC Group, the Bonds or the Guarantee. Additional risks and uncertainties which the Issuer, the Guarantor or the SEC Group is not aware of or that the Issuer, the Guarantor or the SEC Group currently believes are immaterial may also adversely affect the SEC Group's financial condition or results of operations. If any of the possible events described below occur, the SEC Group's financial condition or results of operations could be materially and adversely affected. In such case, the Issuer or the Guarantor may not be able to satisfy their respective obligations under the Bonds and the Guarantee (as the case may be) and investors could lose all or part of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Issuer's, the Guarantor's or the SEC Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

Risks Relating to the SEC Group

The SEC Group faces significant competition in the markets in which it operates, which could adversely affect its businesses.

The SEC Group faces significant competition in the relevant markets in which it operates. Given that the macro economy of China is operating in the context of weak market demand, the overall capacity utilisation rate of the equipment manufacturing industry is low. Moreover, the production capacity of certain products has already exceeded the actual demand. In addition, another round of restrictive policies on reducing coal-fired power generation and improve the situation of overcapacity of the domestic thermal power market in China may have an adverse effect on the SEC Group's operation and business.

The SEC Group's market position depends on its ability to anticipate and respond to various competitive factors, including the introduction of new or improved products and services, pricing strategies adopted by competitors and changes in customer preferences. There can be no assurance that current or potential competitors will not offer products comparable or superior to those the SEC Group offers at the same or lower prices or adapt more quickly to evolving industry trends or changing market requirements. The SEC Group may lose its customers to its competitors if, among other things, it fails to keep its prices at competitive levels for comparable products or services or if it is unable to differentiate itself from its competitors. Increased competition may result in price reductions, reduced profit margins and loss of market share, any of which could adversely affect the business, financial condition and results of operations of the SEC Group.

The SEC Group's financial performance is dependent on income derived from material large-scale and long-term contracts.

A substantial portion of the revenue of the SEC Group is dependent on the earnings derived from its new energy and environmental protection equipment, high efficiency and clean energy equipment, industrial equipment and modern services businesses. Typically, the contracts entered into with respect to the SEC Group's aforementioned businesses are long-term contracts. Generally, these large-scale and long-term contracts are awarded in a competitive bidding process, pursuant to which tendering bidders may be required to agree to supply goods or services at pre-agreed prices without any, or with only limited, ability to make subsequent adjustments following award of the relevant contracts. The SEC Group may incur extensive capital costs in performing the contracts, and its performance of the contracts may also be adversely affected by many factors, including shortages of, and increases in, the price of materials, equipment, technical skills and labour, accidents, and other unforeseeable problems and circumstances beyond its control. The occurrence of any of these factors could cause a delay in the completion of an order and result in cost overruns or compensation payments to its customers for late delivery. The profit margins that the SEC Group realises on such fixed-price contracts may be significantly lower than its original estimates. There can be no assurance that all of its fixed-price contracts can be completed profitably and on time. In addition, its failure to secure large contracts for a sufficient number of major projects could adversely affect its ability to generate revenue. Failure to complete the Group's large-scale and long-term contracts on time and profitably, or the inability of the SEC Group to secure a sufficient number of such contracts in the future, could adversely affect the business, financial condition and results of operations of the SEC Group.

The SEC Group may be adversely affected by fluctuations in the PRC as well as global economy and financial markets.

In recent years, the international economic environment has been complex and severe, global economic growth has slowed down and there continues to be uncertainty as to the global economy in general, the decrease in consumer demand and the impact of such financial stress and uncertainty on the PRC economy. Most of the SEC Group's business is concentrated in the PRC, therefore the Group's operations, revenue, performance and future growth depend, to a large extent, on the continued growth of the markets in the PRC. A slowdown in demand in China would lead to lower investment in markets in which the Group operates, which could impact the SEC Group's business. In addition, the global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near-failure of a number of institutions in the banking and insurance industries. There remains a concern that the debt crisis in Europe will impinge upon the health of the global financial system. These and other related events have had a significant impact on the global credit and financial markets. Unfavourable political conditions, including, for instance, the trade war between the U.S. and China, trade restrictions, sanctions, embargoes, boycotts, trade measures, exchange controls and currency fluctuations may also affect the business of the SEC Group. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely

affected, and may continue to affect adversely, the Chinese market and consumption capacity in this market, which may lead to a decline in the general demand for products and erosion of their sale prices. Therefore, if the global economic slowdown and turmoil in the financial markets continue, the business, financial condition and results of operations of the SEC Group may be adversely affected.

Changes in, or termination of, arrangements with its joint venture partners could have an adverse impact on business operations of the SEC Group.

The SEC Group undertakes some of its key business operations in cooperation with a number of domestic and international companies through joint venture arrangements. As a result of these arrangements, the SEC Group has been able to improve its capacity utilisation, gain access to advanced technologies and management techniques and achieve cost savings. The continuation of certain of its existing joint venture arrangements is material to the successful operation and development of the businesses which it undertakes through such joint ventures. Further, the success of such joint ventures is dependent on current domestic or global economic conditions. For example, in an economic downturn, the SEC Group's joint ventures may need to raise more funds in order to continue to meet their obligations and there is no assurance that such funds will be successfully raised. There can be no assurance that such joint venture arrangements will continue smoothly or that they will not require additional significant investment from the SEC Group or be renewed or extended at the end of their term. Changes in, or termination of, such arrangements may have an adverse effect on the business, financial condition and results of operations of the SEC Group.

The SEC Group relies on technology owned by its joint venture partners and other third parties for the production of some of its products and it must keep pace with technological changes to remain competitive.

The SEC Group relies on its joint venture partners and other third parties for the technologies required to manufacture some of its products. However, there can be no assurance that the existing technology partners of the SEC Group will continue to provide the necessary technology support, or that the SEC Group will be able to enter into new arrangements with other partners on commercially acceptable terms, or at all. The cost of implementing new technologies or upgrading its production technologies may be significant and may require it to make substantial expenditures in the near future. Further, should the SEC Group be unable to anticipate trends in technological developments and to rapidly develop and implement new and innovative technology that its customers require, it may not be able to produce sufficiently advanced products at competitive prices, resulting in decreased sales of its products. In addition, its operating results may also suffer if the SEC Group invests in technologies that do not meet its performance targets or are not accepted in the marketplace. Any occurrence of these events may have an adverse effect on the business, financial condition and results of operations of the SEC Group.

Any acquisition or strategic investment and, in particular, overseas acquisitions or strategic investments that the SEC Group undertakes, could be difficult to integrate and/or operate, which may adversely affect the SEC Group's operations.

The SEC Group has historically pursued, and may continue in the future to pursue, strategic acquisitions and investments in quality business and assets that support or complement its businesses. For example, in 2016, Shanghai Electric acquired the entire share capital of TEC4AERO GmbH. On 29 March 2018, Shanghai Electric Group Property Company Limited (the “**SEC Property**”) entered into an equity transfer agreement with Schuler AG, pursuant to which SEC Property acquired a 79.39% equity interest in Shanghai Schuler Presses Co., Ltd. on 29 March 2018.

Although the SEC Group conducts due diligence investigations on the target companies, such due diligence may not reveal all facts that are necessary or material in evaluating the target company and the acquisition. Any failure to discover material risks and liabilities relating to the target company before the acquisition could increase the SEC Group's exposure to financial and legal risks and liabilities. There can be no assurance that any anticipated benefits of an acquisition or a strategic investment will be realised.

Acquisitions and strategic investments may result in the incurrence of debt and the impairment or amortisation of expenses related to goodwill and other intangible assets. In addition, acquisitions and strategic investments involve numerous risks, including difficulties in the assimilation of operations, corporate culture and personnel of the acquired business, diversion of management's attention from other business concerns, risks of entering into new markets and the potential loss of key employees of the acquired business. In particular, overseas acquisitions may expose the SEC Group to additional risks, including, among others, difficulties with managing overseas operations, including complying with the various regulatory and legal requirements of different jurisdictions, challenges in providing products, services and support in the overseas markets, differences in accounting treatment in different jurisdictions, foreign exchange losses, changes in local government laws, regulations and policies and local political and economic instability or civil unrest. The construction and operation of an overseas power plant, including its ancillary facilities, may be adversely affected by many factors, some of which are beyond the SEC Group's control. All of these factors may have an adverse effect on the SEC Group's business, financial condition and results of operations.

The SEC Group may not successfully expand its business and develop new products

The SEC Group may, from time to time, expand its businesses to new industries and markets and develop new products in which it has limited operating experience. Facing higher technical, management and market risk, such expansion and development require substantial capital investment and higher production cost. The Group's ability to successfully expand its business and develop new products depends on the possibility of large-scale production. The new product may reduce the overall gross profit margin of the SEC Group if it does not reach the expected level of

sales. Therefore, there can be no assurance that the SEC Group will be able to successfully its expand business or develop new products, and the failure to do so may have an adverse effect on its business or financial condition.

The SEC Group may encounter unexpected difficulties managing its expansion.

To meet the needs of customers, the SEC Group plans to continue expanding its business activities in terms of geography, customers and services. As the SEC Group continues to grow, it must continue to improve its managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage its expanded operations, the SEC Group needs to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy its development requirements. In order to fund the SEC Group's ongoing operations and its future growth, it needs to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, the SEC Group will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. The SEC Group will need to further strengthen its internal control and compliance functions to ensure that it is able to comply with its legal and contractual obligations and to reduce its operational and compliance risks. There can be no assurance that the SEC Group will not experience issues such as capital constraints, construction delays, operational difficulties at new locations, or difficulties in expanding its existing business and operations and in training an increasing number of personnel to manage and operate the expanded business. As the SEC Group carries out a series of mergers and acquisitions, thereby increasing business scale and the number of employees, the SEC Group may fail to establish sound personnel training and management. The SEC Group's expansion plans may also adversely affect its existing operations and thereby have an adverse effect on the business, prospects, financial condition and results of operations of the SEC Group.

Further, as the SEC Group is expanding internationally it may encounter additional challenges due to its lower level of familiarity with the local regulatory and business environment in overseas markets. Foreign countries, such as the U.S., India, Indonesia and Vietnam, where the SEC Group currently operates, may impose government controls, trade restrictions, trade tariffs and other similar laws and policies. Other overseas operations of the SEC Group may be affected by various trade and labour policies. Failure to implement its expansion strategy and effectively manage its multinational operations may adversely affect the SEC Group's business, financial condition and results of operations.

The SEC Group's offshore operations are subject to economic and political uncertainties in overseas markets.

The SEC Group has been expanding its operations in overseas countries and regions, including less-developed areas. For the year ended 31 December 2018, approximately 11.8% of the SEC Group's revenue was generated from its overseas operations. The SEC Group is currently actively expanding various businesses in overseas markets, including power station engineering, power

station services, power transmission and distribution engineering, and environmental protection projects. The SEC Group's business is therefore subject to changing international economic and political conditions, and local conditions, including Asia Pacific, the Middle East and Africa, where political and economic conditions are often subject to instability. If the political conditions of such geographical areas deteriorate, or other political or military turmoil occurs, the SEC Group may face certain geopolitical risks which may adversely affect the smooth implementation of its overseas business. As a result of its overseas operations, the SEC Group is exposed to various risks associated with conducting business in foreign countries and regions that include, among other factors:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, other armed conflict, regional and global political or military tensions and strained or altered foreign relations;
- abrupt changes in foreign government regulations or policies;
- expropriation and nationalisation of its assets in foreign countries;
- natural disasters;
- inflation;
- currency value fluctuations and conversion restrictions;
- tax increases, confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- government activities that may result in the deprivation of contract rights;
- government activities that may result in the inability to obtain or retain licences required for operations;
- delays in receiving requisite approvals, licences, permits or qualifications;
- competition from other international large-scale power companies;
- adverse labour conditions;
- negative media and investor attention to the Group;
- cyclical nature and demand of international power markets; and

- lack of a well-developed or independent legal system in the foreign countries in which the SEC Group has overseas operations, which may create difficulties in the enforcement of contractual rights.

As the SEC Group's overseas operations are susceptible to changes in the overseas countries' respective local economic, political and regulatory environments as well as changes in global economy, a variety of factors, many of which are beyond the control of the SEC Group, could significantly affect the profitability and growth of these operations. Any slowdown of the global economy could result in reduced infrastructure development which could, in turn, affect the SEC Group's overseas operations. In addition, the SEC Group may be required to deploy management resources and personnel to high-risk areas where its overseas projects are located. As such, the SEC Group may incur substantial costs to implement safety and security measures to protect its personnel and assets. Such measures may not always be adequate. The SEC Group's level of exposure to certain risks varies with respect to each project, and is dependent on the particular work stage of each project. Any of the above factors could lead to, amongst others, project disruptions, losses of personnel and assets and other indirect losses, which could harm its international business operations, overall financial condition and profitability.

The SEC Group or its customers may engage in certain transactions in or with countries or persons that are the subject of U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries or governments (such as Iran, Cuba, North Korea, Sudan and Syria) and with certain persons or businesses that have been specially designated by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") or other U.S. government agencies. In addition, certain U.S. sanctions laws apply on an entirely extraterritorial basis to non-U.S. companies that engage in certain forms of proscribed activity. In particular, these sanctions, sometimes called "secondary sanctions", seek to deter non-U.S. companies such as the SEC Group, and non-U.S. financial institutions from dealings with certain sectors of sanctioned countries such as Iran and Sudan, dealings with these sanctioned countries in certain types of materials, dealings with certain other designated entities and transactions that might facilitate nuclear proliferation, human rights abuses or certain weapons acquisitions by these sanctioned countries. Other governments and international or regional organisations also administer similar economic sanctions.

The SEC Group has certain dealings in countries, such as Cuba, that are targeted by U.S. and other sanctions. The projects in those countries involve providing equipment and services to entities for the transmission and distribution of power. While the SEC Group does not believe that it has engaged in any activity that would subject the SEC Group to secondary sanctions or designation by OFAC, if it were determined that any transaction in which the SEC Group participated violates U.S. or other sanctions, the SEC Group could be subject to sanctions or other penalties and its reputation and future business prospects in the United States or with U.S. persons or in other jurisdictions, could be adversely affected. Even if it has not participated in transactions that violate

sanctions, it may still face reputational harm as a result of having business in countries targeted by U.S. sanctions. Further, investors in the offering could incur reputational risk or other risks as the result of its and its customers' dealings in or with countries or persons that are the subject of U.S. sanctions.

Production process and results of operations of the SEC Group may be impaired by manufacturing capacity constraints.

The SEC Group's ability to manufacture products is limited by the capacity of its production facilities and workforce. The SEC Group manages its capacity by various means, including outsourcing, but it cannot guarantee that it will be able to manage its capacity effectively, nor can it guarantee the availability of skilled labour or at a reasonable cost.

To expand its production capacity, the SEC Group would either have to upgrade its existing equipment or acquire new equipment and hire skilled workers to operate it. There can be no assurance that the relevant equipment would be made available in a timely manner or at a reasonable cost, or that the SEC Group will have access to a sufficient number of skilled employees to upgrade, install or operate the relevant equipment. If the SEC Group is unable to increase its production capacity effectively or in a timely manner, its business, financial condition and growth prospects could be adversely affected.

The business operations of the SEC Group may be capital-intensive, and a significant increase in capital costs could have an adverse effect on the SEC Group's financial performance.

The SEC Group's business operation and development may require significant capital expenditures. In particular, significant capital investment may be required to build, maintain and operate its production facilities. The SEC Group may also need significant capital for the purchase of manufacturing equipment, the development of new services and products and the development and implementation of new technologies. Any potential rise in the price of equipment due to market demand exceeding available supply, or if the prices of key components and raw materials used to build such equipment increase, could result in additional capital investment being required.

Further, the SEC Group's may incur capital expenditure in advance of any additional sales to be generated by new or upgraded production facilities resulting from the expenditure. In the event that the current resources of the SEC Group are not sufficient for its needs, it may have to seek additional financing, including equity or debt financing. The SEC Group's ability to obtain external financing in the future is subject to a variety of uncertainties, including: (i) obtaining the necessary PRC government approvals to raise financing for projects; (ii) its future financial condition, operating results and cash flows; and (iii) the general condition of the global and domestic financial markets and changes in the monetary policy of the PRC government with respect to bank interest rates and lending policies. There is no assurance that the SEC Group will be able to raise the financing required for its planned capital expenditures on acceptable terms, or

at all. If the SEC Group were unable to raise such financing, it may have to reduce its planned capital expenditures and/or delay/abandon its expansion plan, which, in turn, could have an adverse effect on its business or results of operations.

Fluctuations in the supply and price of raw materials could result in increased operating expenses that the SEC Group may not be able to pass on to its customers.

As part of its operations, the SEC Group must obtain from its commodity suppliers sufficient quantities of raw materials, such as steel, copper, aluminium and other metals at acceptable prices and quality and in a timely manner. Although the SEC Group believes it has established long-term and stable relationships with most of its key commodity suppliers, there can be no assurance that the SEC Group will be able to obtain sufficient amounts of raw materials from its existing suppliers or from alternative sources at acceptable prices, in a timely manner, or at all. Furthermore, raw materials, such as steel products, that are critical to the production of its products, have been subject to substantial pricing cyclicalities, periodic shortages of supply in the PRC and national policies, thus increasing the uncertainty of profitability of the SEC Group. There can be no assurance that shortages of raw materials will not occur in the future or that the SEC Group will be able to pass on any cost increases to its customers. Any failure to obtain adequate raw materials, or to do so on commercially acceptable terms and in a timely manner, could interfere with its manufacturing operations, and hence have an adverse effect on the business, financial condition and results of operations of the SEC Group.

The SEC Group is dependent upon timely delivery by third parties of certain parts, components and services that meet its quality standards to manufacture its products.

The SEC Group generally outsources the production of non-technology intensive and non-key components to third-party manufacturers to achieve greater cost efficiency and increase production capacity, while retaining the manufacture of technologically advanced or key components in-house. Using third parties to manufacture, assemble and test some of its products enhances its cost structure but reduces its control over manufacturing yields, quality assurance and product delivery schedules. The third parties who supply the SEC Group with parts and components may not have sufficient capacity to meet all of its needs in a timely manner and in accordance with its quality standards in the event of excess demand. There can be no assurance that the SEC Group will not encounter these problems in the future, or that it will be able to replace a supplier that is not able to meet its requirements or claim sufficient damages. Any such shortages or delays in the supply of parts, components or services from third-party contract manufacturers could adversely affect the business, financial condition and results of operations of the SEC Group.

The SEC Group may not be able to adequately protect its intellectual property, which could potentially weaken its competitiveness.

The SEC Group relies on a combination of patent, copyright and trade mark laws and contractual rights to protect its intellectual property. The SEC Group cannot guarantee that these measures will be sufficient to prevent any misappropriation of its intellectual property, or that its competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on its intellectual property. Any infringement of SEC Group's intellectual property, or any leak of the core technology, may have an adverse effect on the operation performance. The legal regime governing intellectual property in China and the level of protection of intellectual property rights in China may differ from those in other jurisdictions. In the event that the steps the SEC Group has taken and the protection afforded by law do not adequately safeguard its proprietary technology, or in the event that the SEC Group is involved in intellectual property disputes, the SEC Group could suffer losses in profits due to the sales of competing products which exploit its proprietary technology and the lengthy legal proceedings, which, in turn, may have an adverse effect on the business, financial condition and results of operations of the SEC Group.

The SEC Group's corporate structure, which consists of a large number of companies in multiple business sectors, exposes it to challenges to integrate and manage its business.

The SEC Group consists of portfolio companies operating in multiple industries and has grown rapidly in its business scale and geographical coverage in recent years. Due to the diverse characteristics of the SEC Group's portfolio companies, the SEC Group is exposed to business, market and regulatory risks relating to different industries. It needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies that fit the needs of the portfolio companies affected. As the SEC Group continues to grow through acquisitions of businesses in an increasing number of industries across various jurisdictions, its operations will become more widespread and complex and project management may become more difficult, which could, in turn, result in management risks. Successful operation of the SEC Group requires an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on portfolio companies, and creates value-focused incentives for management.

In particular, it will become increasingly difficult for the SEC Group to direct and monitor the day-to-day operations of its businesses and to prevent or detect any fraud and protect the SEC Group's assets, both physical and intangible, and the SEC Group may not be able to fully control the actions or development strategies of its non-wholly owned subsidiaries and affiliates, which could adversely affect the SEC Group's business and financial condition.

The SEC Group depends on its key senior management members and key senior officers and may have difficulty in attracting and retaining skilled employees.

The success of the SEC Group depends, to a significant extent, upon the abilities, expertise and efforts of its key senior management members and key senior officers and skilled employees in each of its business areas. Competition for attracting and retaining these individuals is intensive, and the SEC Group may be unable to attract or retain these personnel to achieve its business objectives. If the SEC Group loses the services of its key senior management members or key senior officers or skilled employees, it may face difficulties in employing and integrating suitable replacement personnel in the short term. The loss of the services of its key personnel or its inability to attract and retain qualified personnel in the future may have an adverse effect on its core competitiveness, business, financial condition and results of operations. In addition, if any of these key senior management members or key senior officers joins a competitor or forms a competing company, the SEC Group may lose customers and suppliers and incur additional expense to recruit and train personnel, which may have an adverse effect on the business, prospects, financial condition and results of operations of the SEC Group.

The inherent hazardous nature of the SEC Group's business exposes it to potential liabilities, which could harm its reputation and cause it to incur substantial costs.

The operation of the business of the SEC Group has inherent hazards including fire, collisions, explosions and other disasters, environmental pollution, cargo and property loss or damage, and possible business interruption caused by mechanical failure, human error, political action, labour strikes, adverse weather conditions and other circumstances or events. Despite compliance with the requisite safety requirements and standards, the SEC Group is subject to risks surrounding these activities, such as the risk of equipment failure, industrial accidents, fire, explosion and failure of employees to follow proper safety procedures. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, and environmental damage and pollution, any of which could result in damage to the SEC Group's business reputation and corporate image, suspension of the SEC Group's operations and the imposition of civil or criminal penalties.

The SEC Group may not be able to meet the deadlines provided in the contracts and may not be able to limit the related liabilities through contractual limitations.

Many of the SEC Group's contracts provide for various deadlines. If the SEC Group fails to meet these deadlines on a project, it may be responsible for the payment of liquidated damages. It may also face liabilities associated with the subsequent use by its customers or third parties of facilities or products it has constructed after the completion of its projects. The SEC Group normally seeks to limit exposure to such claims through contractual limitations of liability, indemnities from its

customers, subcontractors and suppliers, and insurance as part of its risk management strategy. However, such measures may not offer sufficient protection and may be limited by various factors outside the SEC Group's control, including:

- in some of the jurisdictions in which the SEC Group operates, including China, environmental and workers' compensation liabilities may be assigned to the SEC Group as a matter of law and may not be limited through contracts;
- customers and subcontractors may not have adequate financial resources to satisfy their indemnity obligations to the SEC Group;
- losses may arise from risks not addressed in the indemnity agreements; and
- insurance coverage of the SEC Group may not be sufficient because it may not be possible to obtain adequate insurance against some risks on commercially reasonable terms, or at all.

Insurance policies, in particular, have become increasingly expensive and sometimes very difficult to obtain. Moreover, there may be circumstances where the SEC Group is not fully covered by insurance policies for environmental liability, third-party liability, business interruption or loss of profit arising from disruptions of its operations, such as accidents, at its construction sites or facilities, demonstrations and protests by its workers or third parties. Failure to effectively cover the SEC Group against these risks for any of the above reasons could expose it to substantial costs and potentially lead to losses. Additionally, the occurrence of any of these risks could damage its reputation and relationship with regulators and other customers, which may materially hinder the SEC Group's chance to win tenders for new projects, which, in turn, may have an adverse effect on the business, prospects, financial condition and results of operations of the SEC Group.

Any adverse change in preferential tax treatment or government subsidy in the PRC may have a negative impact on the results of operations of the SEC Group.

A number of subsidiaries held by the Guarantor are high-tech enterprises which enjoy a preferential enterprise income tax rate of 15% as at 30 June 2019. Qualification of the high-tech enterprise is subject to re-examination by the relevant government authorities every three years. Although the SEC Group believes that there are no obstacles for the relevant subsidiaries to renew the qualification when due, there is no assurance that these subsidiaries will always complete such renewal of qualification on time, the failure of which may cause an increase in the SEC Group's tax payment, which may, in turn, have an adverse impact on the SEC Group's financial condition and results of operations.

The SEC Group has also enjoyed favourable policies for certain of its businesses. The SEC Group recognised government subsidies of approximately RMB733.73 million, RMB660.63 million, RMB1256.08 million and RMB441.39 million for the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, respectively, accounting for approximately 11.93%, 12.08%, 20.74% and 12.31% of the total profit of the SEC Group, respectively.

Considering the policy change is unpredictable, there is no assurance that such government support will continue. If there exists possibility that such support would be withdrew or changed, the SEC Group's results of operations and financial condition could be adversely affected.

The SEC Group's investment income and the value of available-for-sale securities are subject to market volatility and the SEC Group's investment decisions.

For the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, the SEC Group's investment income in the PRC amounted to approximately RMB2,183.12 million, RMB4,234.87 million, RMB1,361.17 million and RMB902.03 million, respectively, representing approximately 35.49%, 77.43%, 22.47% and 25.16% of the total profit of the SEC Group, respectively.

The SEC Group's investment generally involves long-term equity investment and investment in securities assets. The performance of the SEC Group's investment is determined by its investment decisions and judgements based on its assessment of existing and future market conditions. However, investment decisions are a matter of judgement, which involves management discretion and assumptions. In addition, certain classes of the SEC Group's assets, such as available-for-sale securities, are marked to market. As at 31 December 2016, 2017, 2018 and 30 June 2019, the SEC's available-for-sale financial assets were RMB21.6 billion, RMB25.6 billion, RMB12.8 billion and RMB15.9 billion, respectively, accounting for 27.14%, 28.59%, 14.14% and 15.74%, respectively, of non-current assets. Any deterioration in the market value of available-for-sale securities could result in a decline in the value of the SEC Group's available-for-sale securities. If the SEC Group's decision-making process fails to effectively minimise losses while capturing gains, or its forecasts do not conform to actual changes in market conditions, its securities investment may not achieve the investment returns it anticipates, and it could even suffer losses, which would adversely affect its business, financial condition and results of operations.

The SEC Group and certain of its subsidiaries have incurred indebtedness and may incur additional indebtedness in the future.

The SEC Group now has, and will continue to have, a certain amount of indebtedness. Such indebtedness could cause adverse results, including but not limited to adversely affecting the financial indicators and increasing the cost of additional financing.

In the future, the SEC Group and some of its subsidiaries may, from time to time, incur additional indebtedness and contingent liabilities. The relevant subsidiary continually reviews its current and expected future funding requirements and evaluates and engages in discussions with financial institutions and other market participants, from time to time, on proposals regarding different sources of funding. Neither the Bonds nor the Guarantee restrict the SEC Group or any of its subsidiaries from incurring additional debt and contingent liabilities. If the SEC Group or any of its subsidiaries incur additional debt, the risks that the SEC Group faces as a result of its existing indebtedness and leverage may intensify.

In addition, certain financing arrangements entered into by the SEC Group from time to time may impose operating and financial restrictions on the SEC Group's ability or, as the case may be, the ability of the relevant subsidiary to incur additional indebtedness, unless it is able to satisfy certain financial ratios, to create security or grant guarantees or to change its business and corporate structure, without the lender's prior approval. There is no assurance that such ratios can be met or maintained. Such restrictions may also negatively affect the SEC Group's ability to react to changes in market conditions, take advantage of business opportunities the SEC Group believes to be desirable, obtain future financing, fund capital expenditures needed, or withstand a continuing downturn in its businesses.

Any of the aforementioned factors could adversely affect the SEC Group's ability to satisfy its obligations for other indebtedness incurred, including those under the Bonds and the Guarantee.

Furthermore, if the SEC Group or the relevant subsidiary is unable to comply with the restrictions and covenants in its current or future debt and other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the holders of the debt could terminate their commitments to lend to the SEC Group or the relevant subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing arrangements entered into by the SEC Group or its subsidiaries contain cross-acceleration or cross-default provisions. As a result, a default under one debt agreement may cause the acceleration of debt or result in a default under other debt agreements. If any of these events occur, there is possibility that the SEC Group may not be able to have sufficient cash flow to repay in full all of such indebtedness, or that the SEC Group may not be able to find alternative financing. Even if the SEC Group could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to it. Any occurrence of these events may have an adverse effect on the business, financial condition and results of operations of the SEC Group.

If the SEC Group fails to collect its account receivables, cash flows of the SEC Group may be adversely affected.

As at 31 December 2016, 2017, 2018 and 30 June 2019, the Guarantor's accounts receivable amounted to RMB32.04 billion, RMB31.01 billion, RMB21.98 billion and RMB35.03 billion, respectively, accounting for 22.46%, 22.02%, 13.69% and 18.61% of current assets, respectively.

There can be no assurance that the SEC Group will be able to collect all account receivables from all of its customers in full or in a timely manner, and its failure to do so may adversely affect its cash flows and thereby have an adverse effect on the business, financial condition and results of operations of the SEC Group.

The SEC Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The SEC Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which, in turn, would affect its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- performing sub-standard construction tasks in a defrauding manner;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the SEC Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the SEC Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the SEC Group's customers; or
- otherwise not complying with applicable laws or the SEC Group's internal policies and procedures.

The SEC Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it

is not always possible to detect and prevent fraud and other misconduct, and the precautions the SEC Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may result in negative publicity.

The SEC Group faces litigation risks in the course of its business.

In the ordinary course of the SEC Group's business, claims from project owners, customers, subcontractors, joint venture partners and other parties may be brought against the SEC Group or by the SEC Group in connection with its contracts from time to time. Claims may be brought against the SEC Group for alleged defective or incomplete work, liabilities for defective products, related personal injuries and death, damage to, or destruction of, property, breaches of warranty and late completion of the project. The claims can involve actual damages and liquidated damages. If the SEC Group was found to be liable, the SEC Group would have to incur a charge against earnings to the extent that a reserve had not been established for the matter in its accounts, or to the extent the that claims were not sufficiently covered by its insurance. Claims brought by the SEC Group against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Claims between the SEC Group and its labour sub-contractors and vendors may include claims similar to those described above.

Both claims brought against the SEC Group and by the SEC Group, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings which could also be disruptive to the SEC Group's normal business operations. The SEC Group may be subject to prolonged adverse publicity and its management's attention may be distracted. The results of these legal proceedings are often difficult to predict and the amounts ultimately realised from project claims by the SEC Group could differ from the balances included in the SEC Group's financial statements. Moreover, legal proceedings resulting in judgments or findings against the SEC Group may harm its reputation, cause economic losses and damage its prospects for future contract awards. Such claims could therefore have an adverse impact on the SEC Group's financial condition, results of operations and cash flow.

No representation or warranty on public information of some listed companies within the SEC Group.

Shares of certain companies within the SEC Group, namely Shanghai Electric, Shanghai Prime, Shanghai Highly, Shanghai Mechanical & Electrical, and Thvow Technology are listed on the stock exchanges of Hong Kong, Shanghai or Shenzhen (the "**Stock Exchanges**") and these listed companies are therefore subject to the continuous disclosure requirements imposed by the respective Stock Exchanges. As such, information relating to them can be obtained from a variety of sources. The Issuer and the Guarantor assume no responsibility and accept no liability for, and make no representation or warranty (whether express or implied) as to the accuracy and

completeness of, any information obtained by any investor about these listed companies. Investors should make their own enquiries and, where appropriate, obtain advice in relation to any investment decision.

Public information on the Issuer and the Guarantor may be limited.

Even though some of the Guarantor's subsidiary companies are listed in the PRC and in Hong Kong, the Issuer and the Guarantor are private companies incorporated in the British Virgin Islands and established in the PRC, respectively, and both are not listed on any stock exchange. Publicly available information on the Issuer and the Guarantor may be more limited than that for listed companies.

Risks Relating to the PRC

The PRC's economic, political and social conditions, as well as government policies, could affect SEC Group's businesses.

A substantial majority of SEC Group's businesses, assets and operations are located in the PRC. Accordingly, SEC Group's business prospects, financial condition, and results of operations are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. A substantial portion of productive assets in the PRC is still owned by the PRC government. The government also exercises significant control over the PRC's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the Chinese government has pushed forward a large number of economic reform measures to introduce market forces and promote the establishment of sound corporate governance structure. Such economic reform measures may be adjusted, modified or applied according to different industries and different regions of the country. As a result, SEC Group may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic controls affecting the PRC's economy. For example, since 2012, the PBOC announced several decreases in benchmark interest rates for general lending and the deposit reserve ratio for commercial banks in the PRC. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Any further increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to SEC Group, which may limit the Group's flexibility and ability to use bank loans or other forms of financing to finance the Group's business and therefore may require the Group to maintain a relatively high level of internally sourced cash. The government has implemented various measures in an effort to control

the growth rate of certain industries and restrain inflation. As measured by GDP, the PRC has been one of the world's fastest growing economies in recent years. China's real GDP growth was 6.7%, 6.8%, 6.6% and 6.3% in 2016, 2017, 2018, and the first half of 2019 respectively. If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for SEC Group's customers could negatively impact their ability or willingness to implement the contracts signed between them and SEC Group and reduce their demand for SEC Group's products and services. SEC Group's business, financial condition and results of operations may be adversely affected.

Fluctuation of foreign exchange rates could have an adverse effect on the SEC Group's business, financial condition and results of operations.

The SEC Group conducts most of its operations in the PRC and the SEC Group's functional currency is Renminbi. A substantial portion of the Group's revenues and cost of sales were denominated in Renminbi for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019.

However, the SEC Group conducts part of its engineering contracting business and exporting business overseas, and may make equity and other investments in overseas projects. The SEC Group's foreign currency denominated assets and liabilities are expected to significantly increase as the SEC Group further expands its overseas business, including, in particular, undertaking additional EPC projects. The SEC Group is therefore subject to risks associated with foreign exchange rate fluctuations.

Changes in the value of foreign currencies could affect the SEC Group's Renminbi costs and revenues, and the prices of its exported products and the prices of its imported equipment. Any increased costs or reduced revenues as a result of foreign currency fluctuations could adversely affect the SEC Group's profits and margins. A depreciation in the value of the Renminbi against one or more of the currencies in which the SEC Group incurs significant costs with respect to its principal activities will, to the extent it has not been hedged, result in an increase in the cost of these operations in Renminbi terms and could adversely affect the SEC Group's results. In addition, such depreciation in value of the Renminbi may also negatively impact the value of the SEC Group's earnings and its ability to satisfy its obligations under the Bonds and other indebtedness denominated in foreign currencies. There are limited hedging instruments available in China to reduce its exposure to exchange rate fluctuations between the Renminbi and other currencies. The fluctuation of foreign exchange rates also affects the value of the SEC Group's monetary and other assets and liabilities denominated in foreign currencies. Generally, an appreciation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in U.S. dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in U.S. dollars and other foreign currencies. Conversely, a devaluation of Renminbi against the U.S. dollar and other relevant foreign

currencies could result in a foreign exchange gain for assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The value of Renminbi is subject to changes in China's governmental policies and to international economic and political developments. There can be no assurance that the exchange rate of Renminbi will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further, and more significant, appreciation of Renminbi against U.S. dollar or other foreign currencies. Further appreciation of Renminbi against these currencies may lead to a decline in the revenues of the SEC Group's overseas operations. Fluctuations in exchange rates may adversely affect the value, translated into U.S. dollars or Hong Kong dollars, of the SEC Group's net assets and earnings.

The PRC Government's control of foreign currency conversion may limit the SEC Group's foreign exchange transactions.

Currently, the Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that, under a certain exchange rate, the SEC Group will have sufficient foreign currencies to meet the Group's demand for foreign currencies. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the SEC Group do not require advance approval from SAFE, but the SEC Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the SEC Group, however, must be approved in advance by SAFE. If the SEC Group fails to obtain approval from SAFE to exchange Renminbi into any foreign currencies for any purposes, the SEC Group's capital expenditure plans, and even the SEC Group's businesses, operating results and financial condition, may be materially and adversely affected.

The PRC legal system could limit the legal protections available to Bondholders.

Most of the members of the SEC Group were organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, may be subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference, but such cases have limited precedent

value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to Bondholders and can adversely affect the value of their investment.

The bankruptcy laws of the PRC may differ from those of other jurisdictions with which the Bondholders are familiar.

Most of the members of the SEC Group were incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the SEC Group would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on SEC Group's business, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including coronavirus, avian influenza, Severe Acute Respiratory Syndrome ("SARS"), H5N1 influenza, H1N1 influenza or H7N9 influenza, may adversely affect SEC Group's business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect SEC Group's business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn SEC Group's business, financial condition and results of operations. The recent coronavirus outbreak in China may affect investment sentiment and result in sporadic volatility in global capital markets. In addition such outbreaks may result in restrictions on travel and public transport and prolonged closures of workplaces. There is no guarantee that any future occurrence of natural disasters or outbreak of some coronavirus, avian influenza, SARS, H5N1 flu, H1N1 flu, H7N9 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt SEC Group's operations or its customers, which may have a material adverse effect on SEC Group's results of operations.

Certain facts and statistics are derived from publications not independently verified by the Issuer, the Guarantor, the SEC Group or the Managers or their respective advisers.

Facts and statistics in this Offering Circular relating to China's economy and the industries in which the SEC Group operates are derived from publicly available sources. While reasonable care has been taken to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by the Issuer, the Guarantor, the SEC Group or the Managers or their respective agents, employees, affiliates or advisors and, therefore, they make no representation as to the accuracy of such facts and statistics, which may not be consistent with

other information compiled within or outside China. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

Under the Enterprise Income Tax Law of the PRC (“EIT Law”), the Issuer may be classified as a “resident enterprise” of the PRC. Such classification could result in unfavourable tax consequences to the Group and non-PRC Bondholders.

Under the EIT Law, an enterprise established outside the PRC with a “de facto management body” within the PRC may be treated as a “resident enterprise” for PRC enterprise income tax purposes. The EIT Law and its implementation regulations (the “**Implementation Regulations**”) define “de facto management” as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. As at the date of this Offering Circular, the Issuer has not been given notice or been informed by the PRC tax authorities that it is considered a PRC resident enterprise for the purpose of the EIT Law. However, there can be no assurance that it will not be treated as a “resident enterprise” under the EIT Law. If the PRC tax authorities determine that the Issuer is a PRC resident enterprise, a number of PRC tax consequences could result, as described below.

Pursuant to the EIT Law and its Implementation Regulations, in the event that the Issuer is deemed to be a PRC resident enterprise by the PRC tax authorities, the Issuer would be subject to PRC tax at a rate of 25 per cent. on its worldwide taxable income. Furthermore, pursuant to the EIT Law and its implementation regulations, any non-resident enterprise shall pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident enterprise is established and the PRC. Any non-resident individual shall be required to pay an individual income tax at the rate of 20 per cent. on the income sourced inside the PRC, unless a preferential rate is applicable, pursuant to the PRC individual income tax laws. The preferential rate will be 7 per cent. if the Bondholders are Hong Kong residents. Such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Bonds for any non-resident Bondholder. Similarly, any gain realised by such non-resident investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax for the non-resident enterprise and 20 per cent. PRC withholding tax for the non-resident individual.

However, despite the potential withholding of PRC tax by the Issuer, the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Bonds of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and

could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Bonds, as well as its profitability and cash flow. In addition, if any Bondholder is required to pay PRC income tax on the transfer of the Bonds, the value of such Bondholder's investment in the Bonds may be materially and adversely affected. In addition, under the terms of the Bonds of the relevant series, the Issuer may have the right to redeem the Bonds of the relevant series in the event that it has or will become obliged to pay Additional Tax Amounts (as defined in Terms and Conditions of the relevant series), as further described in Condition 8 of the Terms and Conditions of the relevant series of Bonds. Holders of the Bonds are therefore subject to reinvestment risk if the Issuer is deemed to be a PRC resident enterprise by the PRC tax authorities and redeems the relevant series of Bonds.

The PRC Government's pilot plan to replace business tax with value-added tax ("VAT") may subject the Group to more taxes, which could adversely affect the Group's business and future results of operations.

Pursuant to the PRC Provisional Regulations on Business Tax, taxpayers providing taxable services falling under the category of service industry in China are required to pay a business tax at a normal tax rate of 5 per cent. of their revenues. In November 2011, the MOF and the State Administration of Taxation (the "SAT") promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. Pursuant to this pilot plan and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some of the modern service industries in China. Under the pilot plan, a VAT rate of 6 per cent. applies to certain modern service industries. On 23 March 2016, the Ministry of Finance and SAT promulgated the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner ("**Circular 36**"). Pursuant to Circular 36, starting from 1 May 2016, the VAT pilot programme will cover the construction industry, the real estate industry, the finance industry and the life service industry on a nationwide basis. Although the VAT pilot programme is mainly intended to reduce double taxation under the business tax system, the Group may be subject to more taxes under the VAT pilot programme in connection with the Group's operations and activities in China, which could adversely affect the Group's business and future results of operations.

In addition, if the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC for VAT purpose, or if the interest component of the amount payable by the Guarantor to the holders of the Bonds under the Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to VAT when receiving the interest payments under the Bonds. In that case, since Bondholders are located outside of the PRC, the Issuer or the Guarantor (as the case may be), acting as withholding agent in accordance with applicable law, may be required to withhold VAT and local levies from the payment of interest income to Bondholders.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located within the PRC. If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

Circular 36 has been issued recently and remains subject to the issuance of further clarification rules and/or different interpretations by the competent tax authority. There is uncertainty as to the application of Circular 36 in the context of the issuance of the Bonds, payments thereunder, and their sale and transfer. If the Issuer is required to withhold PRC tax from interest payments on the Bonds, the Issuer may be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds and could have an adverse effect on the Issuer's financial condition.

Our auditors were under supervisory measures and investigations initiated by CSRC in relation to its audit work performed for various companies.

Baker Tilly China, our independent auditors, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the Ministry of Finance and the CSRC. Baker Tilly China was under various supervisory measures initiated by the CSRC.

Baker Tilly China was subject to a warning notice issued by CSRC in June 2015 and subsequent investigation by CSRC in relation to audit procedures and evidence during its audit work performed for Xiangyun Feilong Resources Recycling Technology Co., Ltd. No administrative penalty was imposed on Baker Tilly China after investigation and the case was closed.

In March 2016, Baker Tilly China received a warning notice issued by CSRC with regard to non-compliance of relevant securities laws and regulations during its audit of 2014 financial statements of Visual China Group Co., Ltd. Revised report was subsequently submitted to CSRC. In October 2016, Baker Tilly China was subject to certain supervisory measures imposed by CSRC for non-compliance of rules and regulations of disclosure requirements by listed companies in the 2015 audited report of Chtc Helon Co., Ltd. Relevant auditors in charge subsequently undertook certain quality control measures and the supervisory measures was complied.

In July 2017, Baker Tilly China was subject to certain supervisory measures by Fujian CSRC for non-compliance of rules and regulations of disclosure requirements by listed companies in the 2015 and 2016 audited reports of Kingnet Network Co., Ltd. Revised report was subsequently submitted to CSRC. In December 2017, Baker Tilly China received warning notice issued by

Yunnan CSRC with regard to non-compliance of relevant securities laws and regulations during its audit work of 2016 financial statements of Yunnan Copper Co., Ltd. Revised report was subsequently submitted to CSRC.

In December 2017, the Ministry of Finance issued certain notice [No. 38] on quality check of accounting information following its joint investigations in the year of 2016 of a number of audit firms including Baker Tilly China by several of its financial ombudsman offices and financial departments (bureaus). Certain problems were found in the audit work performed by Baker Tilly China including the quality of practice (such as incomplete sampling procedures, lack of further audit work on late and non-complied letters of confirmation, missing information including evaluation report and proceeding on change of shareholding), the quality control (such as inconsistency of some electronic audit papers with paper audit papers, improper filing and indexing of some audit papers) and audit of accounting work (such as incomplete information of expense reimbursement, cross period bills, inaccuracy in the calculation of income and costs and improper cash management). Baker Tilly China has completed relevant rectification accordingly as requested.

In 2019, Baker Tilly China received a warning notice issued by Chongqing CSRC with regard to non-compliance of certain supervisory management measures in relation to the regulations of non-listed public companies during its audit of 2016 and 2017 annual reports of Chongqing East River Hydropower Co., Ltd. Baker Tilly China was subject to certain supervisory measures imposed by Chongqing CSRC. Later in 2019, Baker Tilly China has completed the rectification accordingly and issued a rectification report.

According to Baker Tilly China, the supervisory measures and investigations are not related to the Baker Tilly China team serving as the Group's auditors and do not otherwise disqualify the team in this offering. The aforementioned supervisory measures, investigations and warning notice do not disqualify Baker Tilly China's participation in this offering. The above warning notices and supervisory measures do not (i) disqualify the Baker Tilly China team from participating in this offerings as the Group's auditor, (ii) have any impact on Baker Tilly China's unqualified audit opinions for the Group's financial statements as at and for the years ended 31 December 2017 and 2018 or on the review reports for the Group's financial statements as at and for the six months ended 30 June 2019, (iii) have any impact on Baker Tilly China in continuing to provide audit services to the Group, or (iv) have any impact on Baker Tilly China's ability to provide services to the Group in relation to any future bond issuance by the Group in the PRC as an existing client of Baker Tilly China who had issued bonds in the PRC prior to the warning notice.

However, there can be no assurance that these investigations would not subject Baker Tilly China or any of its management, officers or employees to further sanctions imposed by other PRC authorities or further suspension of business operations by the Ministry of Finance, CSRC and/or other PRC authorities. Such further sanctions and suspensions may restrict Baker Tilly China from

providing audit services or other services in connection with our financing transactions. In that case, the Group may have to discontinue our engagement with Baker Tilly China. Prospective investors should consider these factors prior to making any investment decision.

Risks Relating to the Issuer and the Guarantor

The Issuer has no substantial business.

The Issuer was established for the purpose of raising finance by way of issuing the Bonds and on-lending the net proceeds from the issue of the Bonds to other members of the SEC Group. It is expected that the Issuer is mainly to be used as a financing vehicle, and may not have any business activities other than the issue of debt securities, and its ability to make payments under the Bonds may depend on its receipt of timely remittance of funds from other members of the SEC Group.

The Guarantor's obligations under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of the Guarantor's subsidiaries, associates and jointly controlled entities.

A substantial part of the Guarantor's operations are conducted through its subsidiaries, associated companies and jointly controlled entities. Accordingly, the Guarantor is and will be dependent on the operations of its subsidiaries, associated companies and jointly controlled entities to service its indebtedness, including interest and principal on the Securities. The Guarantor's obligations under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of its subsidiaries, associates and jointly controlled entities. The Guarantor's obligations will not be guaranteed by any of its subsidiaries. Claims of creditors of such companies will have priority as to the assets of such companies over the Guarantor and its creditors, including holders of the Bonds seeking to enforce the Bonds and the Guarantee. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Guarantor. Moreover, the Guarantor's interests in its subsidiaries, associates and jointly controlled entities could be reduced in the future. Neither the Bonds nor the Guarantee contain any restriction on the ability of the Guarantor or its subsidiaries, associates or jointly controlled entities to incur additional indebtedness.

Risks Relating to the Guarantee and the Bonds

The Bonds may not be a suitable investment for all investors.

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either

alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Application has been made for the listing and quotation of the Bonds on the SGX-ST. No assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. None of the Joint Lead Managers is obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies,

government regulations and changes thereof applicable to the department store industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

The ratings of the Bonds may be downgraded or withdrawn.

The Bonds are expected to be assigned a rating of “A2” by Moody’s and “A” by S&P. The ratings represent only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantors to perform their respective obligations under the Bonds and the Trust Deed and credit risks in determining the likelihood that payments will be made when due under the Bonds. Ratings are not recommendations to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform holders of the Bonds if the ratings are lowered or withdrawn. Each rating should be evaluated independently of the other rating. A downgrade or withdrawal of the ratings may materially and adversely affect the market price of the Bonds and the Issuer’s ability to access the debt capital markets.

Investment in the Bonds is subject to exchange rate risks.

Investment in the Bonds is subject to exchange rate risks. The value of the U.S. dollar against the Hong Kong dollar, the RMB and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Bonds will be made in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Hong Kong dollar, the RMB or other foreign currencies, the value of a Bondholder’s investment in Hong Kong dollar, RMB or other applicable foreign currency terms will decline.

The Issuer’s ability to make payments under the Bonds will depend on timely payments under on lent loans of the proceeds from the issue of the Bonds to the Guarantor and its subsidiaries.

The Issuer is a wholly-owned subsidiary of the Guarantor formed for the principal purpose of issuing the Bonds and will on-lend the entire proceeds from the issue of the Bonds to the Guarantor and its subsidiaries. The Issuer does not and will not have any net assets other than such on lent loans and its ability to make payments under the Bonds depends on timely payments under such loans. In the event that the Guarantor and its subsidiaries do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer’s ability to make payments under the Bonds may be adversely affected.

The Issuer may be unable to redeem the Bonds.

On certain dates, including the occurrence of an early redemption event and at maturity of the Bonds, the Issuer may, and at maturity, will be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to redeem the Bonds by the Issuer, in such circumstances, would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Guarantor and its subsidiaries.

There may be uncertainties relating to the performance of obligations under the Guarantee.

Under the Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment in full of all sums expressed to be payable by the Issuer under the Bonds. The obligations of the Guarantor will be contained in the Deed of Guarantee to be entered into on or about the Issue Date.

The Issuer understands from the Guarantor that the Guarantee will cover all sums due under the Bonds (including any principal, interest and related financial obligations).

The Guarantor is required by the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee and the Guidelines for Implementing the Provisions on the Administration of Foreign Exchange of Cross-border Guarantee (Huifa [2014] 29) (collectively, the “**Foreign Exchange of Cross-border Guarantee Measures**”) to register the Guarantee and will register the Guarantee with the relevant local branch of SAFE within 15 PRC business days after the date of execution of the Deed of Guarantee. If the registration of the Guarantee is not completed in accordance with the aforesaid provisions, the Guarantor may not be able to go through the procedures of purchase of foreign exchange and remittance to perform its obligations under the Guarantee and SAFE may impose a fine or other penalties on the Guarantor.

In addition, there is no guarantee that the Issuer will have sufficient funds to redeem the Bonds in time, or on acceptable terms, or at all, if the Issuer intends to redeem the Bonds if the Guarantor fails to complete the registration with the relevant local branch of SAFE. Please see “— The Issuer may be unable to redeem the Bonds” for further details.

The insolvency laws of the British Virgin Islands, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

The Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

If the Issuer and the Guarantor are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

If the Issuer and the Guarantor are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

The Bonds will be represented by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems.

The Bonds will be represented by beneficial interests in a Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (the "Clearing Systems"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive individual Bond certificates. The Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing System to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System to appoint appropriate proxies.

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Bonds and the Guarantee. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot assure that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Bonds. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Bonds and the Guarantee.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The PRC subsidiaries, jointly controlled entities and associated companies of the Guarantor are also required to set aside a portion of their post tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from 1 January 2008, dividends paid by such PRC subsidiaries, jointly controlled entities and associated companies to their non-PRC parent companies will be subject to a 10% withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated which specifically exempts or reduces such withholding income tax. Pursuant to a double tax avoidance arrangement between Hong Kong and the PRC together with related implementation rules, if a non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in a PRC enterprise for at least 12 consecutive months immediately

prior to receiving the dividends, and subject to certain other requirements, this withholding income tax rate may be lowered to 5%. The Announcement on Promulgating the Administrative Measures for Non-resident Taxpayer to Enjoy Treatments under Tax Treaties 《(國家稅務總局關於發布非居民納稅人享受稅收協定待遇管理辦法的公告)》, which became effective on 1 November 2015, prior approval by the SAT is no longer required before non-resident taxpayer can enjoy the favourable tax treatment under the relevant treaties. Any eligible non-resident taxpayer meeting specified conditions may be entitled to the favourable tax treatment when it files a tax return or makes a withholding declaration through a withholding agent, subject to the follow-up administration by the relevant PRC tax authority. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the favourable tax treatment, and if the non-resident taxpayer is deemed not eligible for favourable tax treatment, the non-payment or underpayment of the tax shall be required to be paid up by the non-resident taxpayer. The Guarantor cannot provide assurance that the PRC tax authorities will grant approvals on the 5% withholding income tax rate on dividends received by it or its subsidiaries, jointly controlled entities and associated companies in Hong Kong from their respective PRC subsidiaries, jointly controlled entities and associated companies. As a result of such factors, the Guarantor could face difficulties in making payments required by the Bonds or satisfying obligations under the Guarantee.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

Under the New Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the New Enterprise Income Tax Law as nonresident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10% enterprise income tax rate and 20% individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between Mainland China and Hong Kong for the avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

We may be unable to obtain and remit foreign exchange.

We are a BVI business company incorporated in the British Virgin Islands. Our ability to satisfy its obligations under the Bonds depends upon, among other things, our ability to obtain and remit sufficient foreign currency. We must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before we can obtain and remit foreign currencies out of the PRC including evidence that the relevant PRC taxes have been paid. If we for any reason fail to satisfy any of the PRC legal requirements for remitting foreign currency, our ability to satisfy our obligations under the Bonds would be adversely affected.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

Exchange rate risks and exchange controls may result in a Bondholder receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if a Bondholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollars would decrease (i) the Investor's Currency equivalent yield on the Bonds; (ii) the Investor's Currency equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency equivalent market value of the Bonds.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Bondholder may receive less interest or principal than expected, or no interest or principal.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation giving of notice to the Issuer and the Guarantor pursuant to Condition 8 (*Events of Default*) of the Terms and Conditions of the Bonds and taking steps and/or actions and/or instituting proceedings pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the holders of the Bonds to take such steps and/or actions and/or institute such proceedings directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual Bondholders.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification (except as mentioned in the Trust Deed) of the Trust Deed, the Agency Agreement or the Terms and Conditions of the Bonds which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Trust Deed or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Terms and Conditions of the Bonds or the Trust Deed if, in the opinion of the Trustee, the interests of the holders of the Bonds will not be materially prejudiced thereby.

The Bonds are subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds.

The US\$300,000,000 2.30 per cent. Guaranteed Bonds due 2025 (the “**Bonds**”, which expression includes any further bonds issued pursuant to Condition 12 (*Further issues*) and consolidated and forming a single series therewith) of Shanghai Electric Group Global Investment Limited (the “**Issuer**”) are constituted by a trust deed dated 21 February 2020 (as amended or supplemented from time to time, the “**Trust Deed**”) entered into by the Issuer, the Shanghai Electric (Group) Corporation (the “**Guarantor**”) and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee for the holders of the Bonds (the “**Trustee**,” which expression includes any successor trustee appointed from time to time in connection with the Bonds) and are the subject of (a) a deed of guarantee dated 21 February 2020 (as amended or supplemented from time to time, the “**Deed of Guarantee**”) entered into by the Guarantor and (b) an agency agreement dated 21 February 2020 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as the principal paying agent (the “**Principal Paying Agent**,” which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds), the transfer agent (the “**Transfer Agent**,” which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), and the registrar (the “**Registrar**,” which expression includes any successor registrar appointed from time to time in connection with the Bonds), and any other agent appointed thereunder (together with the Principal Paying Agent, the Transfer Agent and the Registrar, the “**Agents**” and each an “**Agent**”). Certain provisions of these Conditions are summaries of the Trust Deed, the Deed of Guarantee and the Agency Agreement and subject to their detailed provisions. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Deed of Guarantee and the Agency Agreement applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available to Bondholders during normal business hours (being between 9:00am and 3:00pm) upon prior written notice and proof of holding satisfactory to the Trustee at the specified office for the time being of the Trustee and the Principal Paying Agent at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong (the “**Specified Office**”).

All capitalized terms that are not defined in these terms and conditions (these “**Conditions**”) will have the meanings given to them in the Trust Deed.

1. Form, Denomination, Status and Guarantee

- (a) *Form and denomination*: The Bonds will be issued in registered form in the denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

- (b) *Status of the Bonds*: The Bonds constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (c) *Guarantee of the Bonds*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment in full of all sums from time to time payable by the Issuer in respect of the Bonds (the “**Guarantee**”). The obligations of the Guarantor under the Guarantee constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Bondholder**” shall be construed accordingly. A certificate (each, a “**Bond Certificate**”) will be issued to each Bondholder in respect of its registered holding. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register.

Upon issue, the Bonds will be represented by the Global Certificate registered in the name of, and deposited with, a common nominee of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). The Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See “The Global Certificate”.

- (b) *Title*: Title to the Bonds passes only by registration in the Register of Bondholders. The Holder of each Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder. Except as

otherwise provided for the in Trust Deed, no person shall have any right to enforce any term or condition of the Bonds, the Deed of Guarantee or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

- (c) *Transfers*: Subject to paragraphs (f) (*Closed Periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred in whole or in part upon surrender of the relevant Bond Certificate, with the endorsed form of transfer (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed, at the Specified Office, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until registered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (d) *Registration and delivery of Bond Certificates*: Within seven business days of the surrender of a Bond Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

Except in the limited circumstances described herein (see “The Global Certificate — Registration of Title”), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

- (e) *No charge*: The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against (i) such payment and/or indemnity and/or security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty or government

charges of whatsoever nature which may be levied or imposed in connection with such transfer, (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of the Notes have been complied with.

- (f) *Closed periods:* Bondholders may not require transfers to be registered during the period of (i) 15 days ending on the due date for any payment of principal or interest in respect of the Bonds, (ii) seven days prior to (and including) any date on which the Bonds may be called for redemption by the Issuer pursuant to Condition 5(b) or Condition 5(c) and (iii) after any such Bond has been put for redemption pursuant to Condition 5(d).
- (g) *Regulations concerning transfers and registration:* All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee., or the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available (free of charge to the Bondholders at the Issuer's expense) by the Registrar to any Bondholder who requests in writing a copy of such regulations and provides proof of holding and identity to the satisfaction of the Registrar.

3. Negative Pledge and Other Covenants

- (a) *Negative pledge:* So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Guarantor will not permit the Issuer or any Principal Subsidiary (other than any Listed Subsidiaries or subsidiaries of such Listed Subsidiary) to, create, incur, assume or permit to exist any Lien upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the Guarantor, the Issuer or such Principal Subsidiary (or any guarantee or indemnity in respect thereof) without, in any such case, making effective provision whereby the Bonds and the Guarantee will be secured either at least equally and ratably with such Relevant Indebtedness or by such other Lien as shall have been approved by the Holders of the Bonds as provided in the Trust Deed, for so long as such Relevant Indebtedness will be so secured.

In this Condition:

“**Capital Stock**” means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation).

“Indebtedness” of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person.

“Lien” means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind.

“Listed Subsidiary” means, at any time, Subsidiary of the Guarantor, the ordinary noting shares of which are at such time listed on a recognized stock exchange, and **“Listed Subsidiaries”** shall be construed accordingly.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity.

“Principal Subsidiary” at any time shall mean one of the Guarantor’s Subsidiaries

(i) as to which one or more of the following conditions is/are satisfied:

- (a) its net profit or (in the case of one of the Guarantor’s Subsidiaries which has one or more Subsidiaries) consolidated net profit attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10% of the Guarantor’s consolidated net profit (before taxation and exceptional items); or
- (b) its net assets or (in the case of one of the Guarantor’s Subsidiaries which has one or more Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10% of the Guarantor’s consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Guarantor’s Subsidiary and the Guarantor’s then latest consolidated financial statements, *provided that*: (1) in the case of a Subsidiary of the Guarantor acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the reference to the then latest audited financial statements for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the financial statements adjusted to consolidate the latest audited financial statements

of the Subsidiary in the financial statements; (2) if, in the case of a Subsidiary of the Guarantor which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared by the Guarantor for this purpose; or (3) if the financial statements of a Subsidiary of the Guarantor (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Guarantor then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries; or

- (ii) to which is transferred all or substantially all of the assets of the Guarantor's Subsidiary which immediately prior to the transfer was a Principal Subsidiary, *provided that*, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Guarantor's Subsidiary to which the assets are so transferred shall become a Principal Subsidiary.

A certificate of the Guarantor's auditors as to whether or not the Guarantor's Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

"Relevant Indebtedness" of any Person means, at any date, Indebtedness that is in the form of, or is represented or embodied by, bonds, notes, debentures or other instrument which is, or is capable of being listed, quoted or dealt in or traded on any stock exchange or over-the-counter securities market offered or issued to investors outside the PRC (which for the avoidance of doubt, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan).

"Subsidiary" means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person.

"Voting Shares" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

- (b) *Consolidation, Merger and Sale of Assets*: Neither the Guarantor nor the Issuer may consolidate with or merge into any other Person in a transaction in which the Guarantor or the Issuer, as the case may be, is not the surviving entity, or convey, transfer or lease their properties and assets (computed on a consolidated basis) substantially as an entirety to any Person unless:
- (i) any Person formed by such consolidation or into which the Guarantor or the Issuer, as the case may be, is merged or to whom the Guarantor or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation validly existing under the laws of Hong Kong or the British Virgin Islands or, in the case of the Guarantor, the People's Republic of China, and such Person expressly assumes by an amendment to the Agency Agreement, a trust deed supplemental to the Trust Deed and a deed poll supplemental to the Deed of Guarantee, the obligations of the Issuer or the Guarantor under the Agency Agreement, the Trust Deed or the Deed of Guarantee, as the case may be;
 - (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;
 - (iii) if any such Person is not organised and validly existing under the laws of (or if any such Person is resident for tax purposes in a jurisdiction other than) the People's Republic of China (in the case of the Guarantor) or the British Virgin Islands (in the case of the Issuer) or any successor jurisdiction then any such Person shall expressly agree in a supplemental trust deed that such jurisdiction of organisation or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Jurisdictions (as defined below); and
 - (iv) if, as a result of the transaction, any property or asset of the Guarantor or any of the Guarantor's Principal Subsidiaries would become subject to a Lien that would not be permitted under the provisions of Condition 3(a) (*Negative Pledge*) above, the Guarantor, the Issuer or such successor Person takes such steps as shall be necessary to secure the Bonds and the Deed of Guarantee at least equally and ratably with the Relevant Indebtedness secured by such Lien or by such other Lien as shall have been approved by Holders of the Bonds pursuant to the Trust Deed.

(c) *Provision of Information: For so long as the Bonds are outstanding, the Issuer and the Guarantor will deliver to the Trustee:*

- (i) a Compliance Certificate of the Issuer (on which the Trustee may conclusively rely as to such compliance) within 14 days of a written request by the Trustee and at the time of provision of the audited financial statements;

“**Compliance Certificate**” means a certificate of the Issuer in English signed by an authorized signatories certifying that, having made due enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the “Certification Date”) not more than five days before the date of the certificate:

- a) no Event of Default or Potential Event of Default (as defined in the Trust Deed) had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
 - b) the Issuer has complied with all its obligations under the Bonds and the Trust Deed or, if non-compliance had occurred, giving details of it
- (ii) as soon as they are available, but in any event within 150 calendar days after the end of each fiscal year of the Guarantor, copies of the Guarantor’s financial statements in the Chinese language (on a consolidated basis) with an English translation in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of independent accountants;
 - (iii) as soon as they are available, but in any event within 90 calendar days after the end of each first semi-annual fiscal period of the Guarantor, copies of the Guarantor’s unaudited financial statements in the Chinese language (on a consolidated basis) with an English translation in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Guarantor; and
 - (iv) as soon as possible and in any event within 15 calendar days after the Issuer or the Guarantor becomes aware of the occurrence thereof, written notice of the occurrence of any event which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default and an officer’s certificate of the Guarantor setting forth the details thereof and the action the Guarantor is taking or proposes to take with respect thereto.

- (d) *Covenants relating to the Guarantee*: The Guarantor undertakes to file or cause to be filed with the Shanghai Branch of the State Administration of Foreign Exchange (the “**Shanghai Branch**”) the Deed of Guarantee within 15 PRC Business Days (as defined below) after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees 《跨境擔保外匯管理規定》 promulgated by the State Administration of Foreign Exchange of the People’s Republic of China on 12 May 2014, effective 1 June 2014, and to comply with all applicable PRC laws and regulations in relation to the Guarantee of the Bonds.
- (e) *NDRC*: The Guarantor undertakes to file or cause to be filed with the National Development and Reform Commission of the People’s Republic of China (the “**NDRC**”) the requisite information and documents in respect of the issuance of the Bonds within 10 PRC Business Days after the Issue Date and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately (the “**Post-Issuance Filing**”). The Guarantor shall use all reasonable endeavours to complete the Post-Issuance Filing and shall comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee.

The Guarantor shall, within 10 PRC Business Days after completion of the Post-Issuance Filing, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an authorised signatory of the Guarantor confirming the completion of the Post-Issuance Filing; and (ii) a copy of the Post-Issuance Filing setting out the particulars of filing, certified in English as a true and complete copy of the original by an authorised signatory of the Guarantor (the documents in (i) and (ii) above collectively, the “**Filing Documents**”). In addition, the Guarantor shall procure that within 10 PRC Business Days after the Filing Documents are delivered to the Trustee, the Issuer gives notice to the Holders (in accordance with Condition 15) confirming the completion of the Post-Issuance Filing. The Trustee shall have no obligation or duty to monitor or ensure the submission of the Post-Issuance Filing with the NDRC, to assist the Guarantor with the making or the completion of the Post-Issuance Filing with the NDRC, to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Post-Issuance Filing and/or the Filing Documents or to translate any such documents into English or to give notice to the Holders confirming the completion of the Post-Issuance Filing, and shall not be liable to Holders or any other person for not doing so.

4. Interest

The Bonds bear interest on their outstanding principal amount from and including 21 February 2020 (the “**Issue Date**”) at the rate of 2.30 per cent. per annum, (the “**Rate of Interest**”) payable semi-annually in arrear on 21 February and 21 August in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be US\$2,300 in respect of each Bond of US\$200,000 denomination and US\$11.50 in respect of each Bond of US\$1,000 denomination in excess thereof. If interest is required to be paid in respect of a Bond on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Bond divided by the Calculation Amount, where “**Calculation Amount**” means US\$1,000 and “**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

5. Redemption and Purchase

- (a) *Final redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 21 February 2025, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption at the option of the Guarantor or the Issuer*: The Guarantor or the Issuer may, at the Guarantor’s option, at any time on or after 21 November 2024 redeem the Bonds, in whole but not in part, on not less than 30 nor more than 60 calendar days’ prior notice at a redemption price equal to 100% of the principal amount of the Bonds plus any accrued but unpaid interest to the date of redemption.
- (c) *Redemption for tax reasons*: The Bonds may be redeemed, at the option of the Issuer, in whole but not in part, upon notice as described below, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to (but

not including) the date fixed for redemption and Additional Amounts, if any, if, as a result of any change in or amendment to the laws of a Relevant Taxing Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or official application of such laws, regulations or rulings, which change or amendment (i) in the case of the Guarantor or the Issuer becomes effective on or after the date of this Offering Memorandum and (ii) in the case of any successor to the Guarantor or the Issuer that is organised or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of the original issue date of the Bonds becomes effective on or after the date such successor assumes, as applicable, the Guarantor's or the Issuer's obligations, as applicable, under the Bonds, the Trust Deed or the Deed of Guarantee:

- (i) the Issuer is or would be required, on the next succeeding due date for a payment with respect to such Bonds, to pay Additional Amounts with respect to the Bonds as described in Condition 7 (*Taxation*); or
- (ii) the Guarantor is or would be unable, for reasons outside its control, on the next succeeding due date for a payment with respect to such Bonds to procure payment by the Issuer, and with respect to a payment due or to become due under the Guarantee or Trust Deed, as the case may be, the Guarantor is or would be required on the next succeeding due date for a payment with respect to such Bonds to pay Additional Amounts as described Condition 7 (*Taxation*),

and such obligation cannot be avoided by the use of reasonable measures available to the Guarantor or the Issuer or any successor person, as the case may be.

Notwithstanding anything to the contrary herein, the Guarantor, the Issuer or any successor person may not redeem the Bonds in the case that Additional Amounts are payable in respect of PRC withholding tax at the Applicable Rate as a result of the Guarantor, the Issuer, or a successor person being considered a PRC tax resident under the PRC Enterprise Income Tax Law.

Notice of redemption of the Bonds as provided above shall be given not less than 30 nor more than 60 calendar days prior to the date fixed for redemption. Notice having been given, the Bonds shall become due and payable on the date fixed for redemption and will be paid at the redemption price, together with accrued interest to the date fixed for redemption and any Additional Amounts, at the place or places of payment and in the manner specified in the notice. From and after the date fixed for redemption, if moneys sufficient for the redemption of such Bonds shall have been made available as provided in the Trust Deed for redemption on the date fixed for redemption, the Bonds shall cease to bear interest, and the only right of the Holders of the Bonds shall be to receive payment of the redemption price, interest accrued to (but not including) the date fixed for redemption and Additional Amounts, if any.

“Relevant Jurisdiction” means the British Virgin Islands, the PRC or any other jurisdiction in which the Guarantor or the Issuer (or any successor to the Guarantor or the Issuer) is organised or tax resident, in each case including any political subdivision, territory or possession thereof, any authority therein having power to tax or any area subject to its jurisdiction.

“Relevant Taxing Jurisdiction” means any Relevant Jurisdiction or any jurisdiction from or through which any payment is made.

- (d) *Redemption for Relevant Events:* At any time following the occurrence of a Relevant Event, the Holder of any Bond will have the right (the **“Relevant Event Put Right”**), at such Holder’s option, to require the Issuer to redeem all, but not some only, of such Holder’s Bonds on the Put Settlement Date (as defined below in this Condition 5(d)) at 101% (in the case of a redemption for a Change of Control Triggering Event, as defined below in this Condition 5(d)) or 100% (in the case of a redemption for a SAFE Noncompliance Event, as defined below in this Condition 5(d)) of their principal amount, together in each case with accrued interest to (but not including) the Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a **“Put Exercise Notice”**), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer or the Guarantor in accordance with Condition 15.

The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of Bonds pursuant to this covenant.

The **“Put Settlement Date”** shall be the fourteenth day (in the case of a redemption for a Change of Control Triggering Event) or the fifth day (in the case of a redemption for a SAFE Noncompliance Event) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

Not later than 10 days (in the case of a redemption for a Change of Control Triggering Event) or five days (in the case of a redemption for a SAFE Noncompliance Event) following the day on which the Issuer or the Guarantor becomes aware of a Relevant

Event, the Issuer or the Guarantor shall procure that notice regarding such Relevant Event shall be delivered to the Trustee in writing and to the Holders (in accordance with Condition 15) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control Triggering Event (in the case of a Change of Control Triggering Event) or the SAFE Noncompliance Event (in the case of a SAFE Noncompliance Event);
- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Upon occurrence of a SAFE Completion Event, the Trustee shall provide notice to Holders of the Bonds within 10 calendar days after receiving such officer's certificate. The Trustee shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the SAFE Completion Event and shall not be liable to Holders or any other person for not doing so.

In this Condition:

“Change of Control” means the occurrence, at any time, of any of the following:

- (i) the Guarantor ceasing to own and control directly or indirectly 100% of the Voting Shares of the Issuer; or
- (ii) Shanghai State-owned Assets Supervision and Administration Commission (“**Shanghai SASAC**”) or Persons controlled by Shanghai SASAC ceasing to own and control directly or indirectly or in combination (through controlled entities) 50.1% of the Voting Shares of the Guarantor.

“Change of Control Triggering Event” means a Change of Control, *provided that*, in the event that the Bonds are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence

of both a Change of Control and a Rating Decline (as defined below). No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of “Aaa,” “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns; a rating of “BBB-” or better by Fitch or any of its successors or assigns; or the equivalent ratings of any United States nationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody’s, or Fitch or any combination thereof, as the case may be.

“PRC Business Day” means a day other than a Saturday, Sunday or a day on which the Shanghai Branch is authorised or obligated by law or executive order to remain closed.

“Rating Agencies” means (i) Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (“S&P”); (ii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“Moody’s”); (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors (“Fitch”); and (iv) if one or more of S&P, Moody’s or Fitch shall not make a rating of the Bonds publicly available, any United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be.

“Rating Date” means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Guarantor or any other Person or Persons to effect a Change of Control.

“Rating Decline” means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Guarantor or any other person or persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Bonds is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below: (i) in the event the Bonds are (a) on the Rating Date (x) rated by three Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by at least two of such Rating Agencies; or (ii) in the event the Bonds are (a) on

the Rating Date (x) rated by two but not more Ratings Agencies and (y) rated Investment Grade by each such Rating Agency, and (b) cease to be rated Investment Grade by both such Rating Agencies.

a “**Relevant Event**” will be deemed to occur if:

- (i) there is a Change of Control Triggering Event; or
- (ii) there is a SAFE Noncompliance Event.

“**SAFE Completion Event**” means completion by the Guarantor of registration of the Guarantee with the Shanghai Branch and delivery by the Guarantor of an officer’s certificate to the Trustee in the form set forth in the Trust Deed attaching a copy of the relevant certificate of registration from the Shanghai Branch and certifying that such copy is true and correct upon completion of such registration.

“**SAFE Noncompliance Event**” means if on the date that is 90 PRC Business Days after the closing date of the offering, the SAFE Completion Event shall not have occurred.

- (e) *No other redemption*: The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Redemption for Relevant Events*) above.
- (f) *Open Market Purchase*: The Issuer, the Guarantor or any of their affiliates may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any of their affiliates, shall not entitle the Holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of, among other things, calculating quorums at meetings of the Bondholders or for the purposes of Conditions 8, 11(a) and 13.
- (g) *Cancellation*: All Bonds so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

6. Payments

- (a) *Principal*: Payments of principal and premium (if any) shall be made in US dollars by wire transfer to a U.S. dollar registered account maintained by the payee with, a bank that processes payments in US dollars and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the specified office of any Paying Agent.

- (b) *Interest*: Payments of interest shall be made by transfer to a US dollar registered account maintained by the payee with, a bank that processes payments in US dollars and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Bond Certificates at the specified office of any Paying Agent.

In this Condition 6, the “**registered account**” of a Boldholder means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register on the Record Date (as defined below).

- (c) *Payments subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (d) *Payments initiation*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “**business day**” means any day (other than a Saturday, Sunday or public holiday) on which banks are open for general business (including dealings in foreign currencies) in New York City and in the place in which the specified office of the Registrar is located and, in the case of surrender (or, in the case of part payment only, endorsement) of a Bond Certificate, in the place in which the Bond Certificate is surrendered (or, as the case may be, endorsed).
- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Bond Certificate.
- (f) *Record date*: Each payment in respect of a Bond will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”).

Whilst the Bonds are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive except 25 December and 1 January).

7. Taxation

All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Guarantor as a result of the Guarantor being deemed by PRC tax authorities to be a PRC tax resident at the rate of up to and including the rate applicable on 13 February 2020 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In that event the Issuer or the Guarantor is required to make a deduction or withholding (i) in the case of the Guarantor, in excess of the Applicable Rate; or (ii) by or within any Relevant Jurisdiction except the PRC, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Bond:

- (a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the Relevant Jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond or where the withholding or deduction could be avoided by the Holder making a declaration of non-residence, declaration of identity or other similar claim for exemption to the appropriate authority; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) held by a Holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

- (d) where (in the case of a payment of principal or interest on redemption) the relevant Bond Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Bond Certificate on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 7 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Bondholders that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. Events of Default

Each of the following shall constitute an “Event of Default”:

- (a) *Non-payment*: failure to pay any amount of principal or premium (if any) in respect of the Bonds on the due date for payment thereof or failure to pay any amount of interest in respect of the Bonds on the due date for payment thereof and such failure continues for a period of 14 days in the case of interest; or
- (b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, the Trust Deed or the Deed of Guarantee and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by the Trustee or Holders of at least 25% in aggregate principal amount of the Bonds of that series then outstanding, has been delivered to the Issuer and the Guarantor; or

(c) *Cross-acceleration of Issuer, Guarantor or Principal Subsidiary:*

- (i) any indebtedness for money borrowed or raised of the Issuer, the Guarantor or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such indebtedness for money borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described) otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Principal Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or
- (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any Guarantee of any indebtedness of any other person if such obligation is not discharged or otherwise satisfied within 14 days after receipt by the Trustee of written notice as provided in the Trust Deed;

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds US\$100,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Enforcement proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within thirty days; or
- (e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary (computed on a consolidated basis) and is not discharged within 60 days; or
- (f) *Insolvency, etc.:* (i) the Issuer, the Guarantor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due (within, if applicable, the meaning of the bankruptcy law of any appropriate jurisdiction), (ii) an administrator or liquidator of the Issuer, the Guarantor or any Principal Subsidiary or the whole or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary (computed on a consolidated basis) is appointed and such appointment is not discharged within 60 days, (iii) the Issuer, the Guarantor or any Principal Subsidiary makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any Guarantee of any indebtedness given by it or (iv) the Guarantor ceases or threatens to

cease to carry on all or any substantial part of its business or the Guarantor, the Issuer or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business, save for the purposes of, or in connection with, a reconstruction, union, transfer, merger, amalgamation or reorganisation (a) in accordance with the terms agreed by an Extraordinary Resolution of the Bondholders; or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another Principal Subsidiary; or

- (g) *Winding up, etc.*: an order is made by a competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Principal Subsidiary (save for the purposes of, or in connection with, a reconstruction, union, transfer, merger, amalgamation or reorganisation in accordance with Condition 8(f) (*Insolvency, etc.*)); or
- (h) *Analogous event*: any event occurs which under the laws of the British Virgin Islands or the PRC has an analogous effect to any of the events referred to in paragraphs (d) (*Enforcement proceedings*) to (g) (*Winding up, etc.*) above; or
- (i) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bond Certificates, the Trust Deed or the Deed of Guarantee admissible in evidence in the courts of the British Virgin Islands and the PRC is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Bonds, the Trust Deed or the Deed of Guarantee (as applicable); or
- (k) *Guarantee not in force*: the Guarantee of the Bonds is not (or is claimed by the Guarantor not to be) in full force and effect; or
- (l) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Guarantor (computed on a consolidated basis) or all or substantially all of the undertaking, assets and revenues of the Guarantor, the Issuer or any Principal Subsidiary (computed on a consolidated basis) is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Guarantor is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues

(computed on a consolidated basis) or the Guarantor, the Issuer or any Principal Subsidiary is prevented by any such person from exercising normal control over all or substantially all of its undertaking, assets and revenues (computed on a consolidated basis).

If an Event of Default (other than an Event of Default described in clauses (f) or (g) above) shall occur and be continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the Bonds then outstanding (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) by giving notice to the Issuer or the Guarantor as provided in the Trust Deed may declare the principal amount of the Bonds and any accrued and unpaid interest thereon to be due and payable immediately. If an Event of Default in clauses (f) or (g) above with respect to the Bonds shall occur, the unpaid principal amount of all the Bonds and any accrued and unpaid interest thereon will automatically, and without any action by the Trustee or any Holder of Bonds, become immediately due and payable.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Bond Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Bond Certificates

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent subject to all applicable laws and stock exchange requirements or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and such Agent may require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

11. Meetings of Bondholders; Modification

- (a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provision of the Trust Deed. Such a meeting may be convened by the Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding, and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons

being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to modify or cancel the Guarantee or (vi) to amend this proviso, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

In this Condition:

“**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by not less than three quarters of the votes cast; and

So long as the Bonds are represented by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding.

- (b) *Modification:* The Bonds, these Conditions, the Trust Deed and the Deed of Guarantee may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Trust Deed may agree to modify any provision thereof, but the Trustee shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature or it is made to correct a manifest error.

12. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context otherwise requires) any other securities issued pursuant to this Condition 12 and forming a single series with the Bonds.

13. Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce the terms of the Trust Deed and the Bonds but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become so bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

The Trustee and the Agents may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee and the Agents may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power. The Trustee and the Agents shall be entitled to rely on such opinion without liability or responsibility to any person.

14. Indemnification of the Trustee and Agents

The Trust Deed contains provisions for the indemnification of the Trustee, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded to its satisfaction and for its relief from responsibility, including without limitation provisions relieving it from taking proceedings to enforce repayment unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid its costs, expenses, indemnity payments and other amounts in priority to the claims of the Bondholders. The Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders, the Issuer or any other person on a report, confirmation or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to it exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Holders by way of an Extraordinary Resolution, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Holders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such directions from the Holders or in the event that no such direction is given to the Trustee by the Holders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and/or the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Holder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Holders. The Trustee shall be entitled to rely on any direction, request or resolution of Holders given by Holders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Holders convened and held in accordance with the Trust Deed.

Neither the Trustee nor any of the Agents shall have any obligation to monitor or ascertain whether an Event of Default or a Relevant Event has occurred, or any event which leads to the occurrence of an Event of Default or a Relevant Event and shall not be liable to the Holders or any other person for not doing so.

Each Holder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

In the exercise of its functions, rights, authorities, powers and discretions under these Conditions, the Trust Deed and the Agency Agreement, the Trustee will have regard to the interests of the Bondholders as a class and shall not have regard to the interests and will not be responsible for any consequence for individual Holders of Bonds as a result of any circumstances particular to individual Holders of Bonds, including but not limited to, such Holders being connected in any way with a particular territory or taxing jurisdiction. The Trustee shall not be entitled to require on behalf of any Bondholders, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Issuer to the Bondholders.

15. Notices

Notices to the Bondholders will be sent to them by uninsured mail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. *So long as the Bonds are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

16. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Bonds or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment

into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Bonds, the Issuer and the Guarantor shall jointly and severally indemnify each Bondholder, on the written demand of such Bondholder addressed to the Issuer and the Guarantor and delivered to the Issuer or to the Trustee, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Bondholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

17. Contracts (Rights of Third Parties) Act of 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except to the extent expressly provided for.

18. Governing Law and Arbitration

- (a) *Governing law:* The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.
- (b) *Arbitration:* Any dispute or difference of whatever nature howsoever arising under, out of or in connection with the Bonds (and the Conditions) (including a dispute or difference as to their breach, existence or validity) (“**Dispute**”) shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules (the “**Rules**”) in force when the Notice of Arbitration is submitted, which Rules are deemed to be incorporated by reference into this Condition and as may be amended by the rest of this Condition. The tribunal shall consist of three arbitrators to be appointed in accordance with the Rules. Any award or other decision of the arbitral tribunal shall be made by a majority of the arbitrators. If there is no majority, the award shall be made by the presiding arbitrator alone. The language of the arbitral proceedings shall be English.

If any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration under the Bonds (and these Conditions), including Disputes arising out of Bonds held by different Bondholders (an “**Existing Dispute**”), or arises out of substantially the same facts as are

the subject of an Existing Dispute (a “**Related Dispute**”), the tribunal appointed or to be appointed in respect of any such Existing Dispute shall also be appointed as the tribunal in respect of any Related Dispute. Where, pursuant to the above provisions, the same tribunal has been appointed in relation to two or more Disputes, the tribunal may, with the agreement of all the parties concerned or upon the application of one of the parties, being a party to each of the Disputes, order that the whole or part of the matters in issue shall be heard together upon such terms or conditions as the tribunal thinks fit. The tribunal shall have power to make such directions and any interim or partial award as it considers just and desirable. The parties waive any objections they may have as to the validity and/or enforcement of any arbitral awards made by the tribunal following the joinder of Disputes or arbitral proceedings in accordance with this Condition to the extent that such objections are based on the fact that joinder of the same has occurred.

- (c) *Agent for Service of Process*: Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds. Pursuant to the Deed of Guarantee, the Guarantor has irrevocably appointed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds.
- (d) *Sovereign Immunity*: The Guarantor has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Deed of Guarantee, the Trust Deed and the Bonds any right to claim sovereign or other immunity from jurisdiction or execution or any similar defence, and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the “Conditions” or the “Terms and Conditions”) set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be represented by the Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and other sums and additional amounts (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds, save that the calculation will be made in respect of the total aggregate amount of the Bonds represented by the Global Certificate.

Meetings

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of Bonds for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer, the Guarantor or their respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Payment

Payments of principal, interest and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday inclusive) except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions.

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Notes evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Trustee's Powers

In considering the interests of the Bondholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

USE OF PROCEEDS

The gross proceeds from this offering will be approximately U.S.\$300 million. The Group intends to use the proceeds for general corporate purposes and offshore indebtedness refinancing.

EXCHANGE RATE

China

The PBOC sets and publishes a central parity exchange rate on a daily basis with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 19 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and the band was expanded to 1.0 per cent. on 16 April 2012 and it was further expanded to 2.0 per cent. on 17 March 2014. On 11 August 2015, the PBOC announced that the exchange rates between the Renminbi and foreign currencies would become more market driven, taking into account of the closing exchange rates on the previous trading day, supply and demand of foreign currencies and the fluctuations of exchanges rates between major international currencies. From 11 August to 13 August 2015, the value of the Renminbi depreciated by approximately 4.4 per cent. against the US dollar. In January and February 2016, the Renminbi experienced further fluctuations in value against the U.S. dollar. The PRC government may make further adjustments to the exchange rate system in the future. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade.

The following table sets forth the noon buying rates for US dollars in New York City for cable transfers payable in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for and as at the periods indicated, as set forth in the H.10 statistical release of the Federal Reserve Board.

Noon Buying Rate ⁽¹⁾				
	Period End	Average ⁽²⁾	Low	High
	(RMB per U.S.\$1.00)			
2008	6.8225	6.9477	7.2946	6.7800
2009	6.8259	6.8307	6.8470	6.8176
2010	6.6000	6.7696	6.8330	6.6000
2011	6.2939	6.4630	6.6364	6.2939
2012	6.2301	6.3093	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1704	6.0402	6.2591
2015	6.4896	6.1870	6.4778	6.2869
2016	6.9430	6.6549	6.4480	6.9580
2017	6.5063	6.7350	6.4773	6.9575
2018	6.8755	6.6292	6.2649	6.9737
2019	6.9618	6.9070	6.6822	7.1786
2020				
January	6.9161	6.9184	6.8589	6.9749
February (through 1 February to 7 February)	7.0003	6.9921	6.9694	7.0208

Notes:

- (1) Exchange rates between Renminbi and U.S. dollar for all periods before 31 December 2008 represent the noon buying rates for U.S. dollars in New York City for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. Exchange rates between Renminbi and U.S. dollar from and after 1 January 2009 represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual averages are calculated by averaging the daily rates during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

On 28 June 2019, the noon buying rate for US dollars in New York City for cable transfers in Renminbi was RMB6.8650 to US\$1.00 as set forth in the H.10 statistical release of the Federal Reserve Board.

CAPITALISATION OF THE GUARANTOR

The following table sets forth the Guarantor's consolidated capitalisation as of 30 June 2019 as adjusted to give effect to the issuance of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering. This table should be read in conjunction with the interim financial statements of the Guarantor as at and for the six months ended 30 June 2019, including the notes thereto, included elsewhere in this Offering Circular.

	As at 30 June 2019			
	Actual		As adjusted	
	(RMB in millions)	(U.S.\$ ⁽²⁾ in millions) (unaudited)	(RMB in millions)	(U.S.\$ ⁽²⁾ in millions)
Bank and other borrowings				
— current portion				
Short-term borrowings	19,904.5	2,899.4	19,904.5	2,899.4
Non-current liabilities due within one year	13,775.1	2,006.6	13,775.1	2,006.6
Bank and other borrowings				
— non-current portion				
Long-term loans	10,043.2	1,463.0	10,043.2	1,463.0
Bonds payable	9,346.4	1,361.5	9,346.4	1,361.5
Bonds to be issued ⁽¹⁾	—	—	2,056.7	299.6
Total owner's equity	90,652.0	13,205.0	90,652.0	13,205.0
Total liabilities and owners' equity . .	289,186.2	42,124.7	291,242.9	42,424.3

Notes:

- (1) Representing the gross proceeds from the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering.
- (2) Translations of RMB amounts to U.S. dollars or U.S. dollar amounts to RMB (as the case may be) were made at a rate of RMB6.8650 to U.S.\$1.00, the exchange rate as at 28 June 2019 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States.

In July 2019, the Guarantor issued RMB 3,000,000,000 bonds at the coupon rate of 3.55% due 2024.

In July 2019, Shanghai Highly, a subsidiary of the Guarantor, issued RMB500,000,000 medium term note at the coupon rate of 3.8% due 2022. In August 2019, Shanghai Highly issued RMB1,000,000,000 short-term commercial paper at the coupon rate of 3.1% due 2020.

In November 2019, the Issuer issued U.S.\$500,000,000 guaranteed bonds at the coupon rate of 2.65% due 2024, which are unconditionally and irrevocably guaranteed by the Guarantor.

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in the capitalisation and indebtedness of the Guarantor since 30 June 2019.

DESCRIPTION OF THE ISSUER

Formation

The Issuer, Shanghai Electric Group Global Investment Limited, was incorporated on 18 July 2014 and is a BVI business company with limited liability incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1833712). The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is located at Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

Business Activity

The Issuer was established for the purpose of issuing the Bonds and onlending the proceeds to the SEC Group's subsidiaries. The Issuer has not engaged, since the date of its incorporation, in any other material activities other than those relating to the proposed issue of the Bonds and the onlending of the proceeds thereof to the SEC Group's subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

Director

The sole director of the Issuer is:

Name	Position
Mr. Zhang Jie	Director

The sole director's business address is No. 212 Qinjiang Road, Xuhui District, Shanghai, China. The director of the Issuer does not hold any shares or options to acquire shares of the Issuer.

The Issuer does not have any employees and has no subsidiaries.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of accounts as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Share Capital

The Issuer is authorised to issue a maximum of 50,000 shares with no par value each of a single class. As at the date of this Offering Circular, one ordinary share of the Issuer credited as fully-paid has been issued to Shanghai Electric Group Hongkong Company Limited, a wholly-owned subsidiary of the Guarantor.

No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer does not have any debt outstanding other than the Bonds to be issued.

DESCRIPTION OF THE SEC GROUP

OVERVIEW

The SEC Group comprises the Guarantor and its subsidiaries. The Guarantor is an enterprise wholly owned by Shanghai SASAC and is one of the largest comprehensive equipment manufacturing conglomerates in China.

The SEC Group was established in 1954, when the Administration Bureau of Heavy Industry of the Shanghai municipal government was established. In 1996, following a series of reorganisations of the SEC Group, the Guarantor officially became the investment holding company for the SEC Group. The Guarantor is a holding company that operates a wide portfolio of quality, diversified and well-established businesses. Specifically, the SEC Group's four major business segments are:

- new energy and environmental protection equipment;
- high-efficiency and clean energy equipment;
- industrial equipment; and
- modern services.

The SEC Group operates in the above four major business segments primarily through three core subsidiaries — Shanghai Electric, Shanghai Prime and Shanghai Highly. Shanghai Electric is the core operation platform of the SEC Group and the largest subsidiary of the Guarantor in terms of total operating revenue and total assets as at and for the six months ended 30 June 2019, which amounted to approximately RMB52.5 billion and RMB254.7 billion, respectively.

The SEC Group has five subsidiaries listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and/or the Shenzhen Stock Exchange. The following table sets forth the SEC Group's listed subsidiaries and their respective listing venues and stock codes as at the date of this Offering Circular.

Listed Subsidiary	Listing Venue
Shanghai Electric.	Hong Kong Stock Exchange (2727)
	Shanghai Stock Exchange (601727)
Shanghai Prime	Hong Kong Stock Exchange (2345)
Shanghai Highly	Shanghai Stock Exchange (600619, 900910)
Shanghai Mechanical & Electrical.	Shanghai Stock Exchange (600835, 900925)
Thvow Technology	Shenzhen Stock Exchange (002564)

As at 31 December 2016, 2017, 2018 and 30 June 2019, the SEC Group had total assets of approximately RMB222.2 billion, RMB230.2 billion, RMB250.8 billion and RMB289.2 billion, respectively. The SEC Group had total operating revenue of approximately RMB97.8 billion, RMB91.8 billion, RMB114.5 billion and RMB60.4 billion, respectively, and net profits attributable to the parent company owners of approximately RMB1.3 billion, RMB1.3 billion, RMB1.4 billion and RMB0.9 billion for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, respectively.

CORPORATE MILESTONES AND STRUCTURE

The following are a number of the key events in the corporate development of the SEC Group:

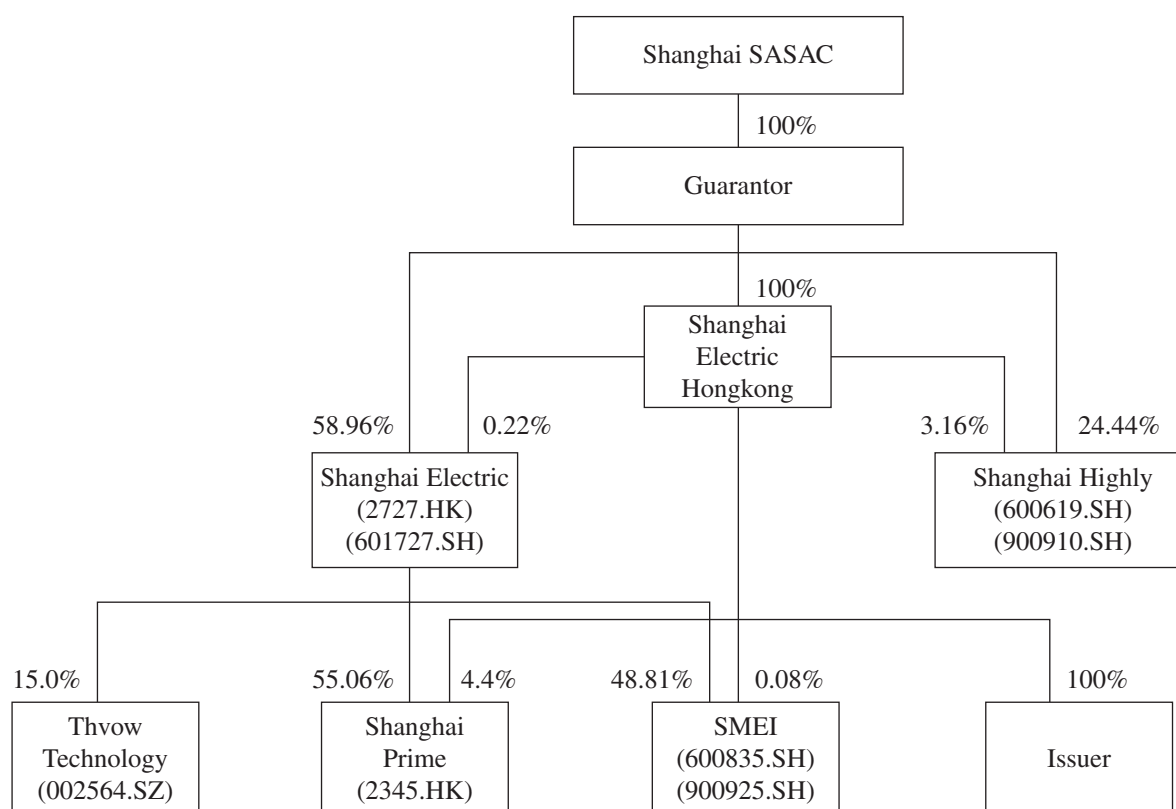
1954	Manufacture of the first set of thermal power generation units in China
1955	Development of the first 6,000 KW medium-pressure condensing steam turbine in China
1958	Manufacture of the world's first 12,000 KW 3,000 rev/min dual inner water-cooling power generating unit
1962	Manufacture of the first 10,000-ton water hydraulic press in China
1969	Independent design and manufacture of the first 125,000 KW ultra-pressure reheat condensing steam turbine set in China
1974	Manufacture of the first 300,000 KW subcritical reheat condensing steam turbine set in China
1985	Establishment of Shanghai Electric Association Corporation, which later changed its name to Shanghai Electric (Group) Corporation
1989	Manufacture of the first set of nuclear power generating units in China
1995	Reorganisation of Shanghai Mechanical and Electrical Industry Administration and its associated assets with Shanghai Electric (Group) Corporation
1996	Establishment of the Guarantor jointly by Shanghai Machinery Holding Group Company and Shanghai Electric (Group) Corporation
2004	Establishment of Shanghai Electric
2005	Initial public offering and listing of H shares of Shanghai Electric on the Hong Kong Stock Exchange

	Shanghai Electric (Group) Corporation becoming the largest shareholder of Shanghai Automation
2006	Initial public offering and listing of Shanghai Prime on the Hong Kong Stock Exchange
	Shanghai Electric (Group) Corporation becoming the controlling shareholder of Shanghai Highly
	Manufacture of two sets of million-KW USC coal-fired tower boiler units by the SEC Group, which ranked first in China and had a leading position worldwide in terms of various technical performance indicators
2008	Listing of A shares of Shanghai Electric via share exchange and merger with Shanghai Power Transmission & Distribution Company Limited
2009	Launch of the world's largest free forging oil press (16,500 tons), world-leading 2500 KN/6300 KN·m forging manipulator and the world's largest 450-ton three-phase three-rocker bipolar series electroslag remelting furnace in full operation
2010	Entry into a US\$8,291 million power equipment supply contract with ADA Group
2011	Delivery of a full array of forgings for the world's first AP1000 pressuriser and for high temperature gas-cooled reactor pressure vessels
2012	Completion of tests of gas turbines and combined cycle performance for the first demonstration project of IGCC in China
	Entry into contract with Guodian Taizhou Power Plant regarding the first million-level USC double reheat unit in China
2013	Cumulative production volume and sales volume of elevators achieving 400,000 units by one single factory, being a first in China's elevator industry
2014	Acquisition of a 40% equity interest in Italy's Ansaldo Energia S.p.A. to accelerate internationalisation of the gas turbine business and improve competitive strength in the global energy equipment sector
2015	Successful test of the functionality of the then world's best coal-fired power plant equipment with the lowest coal consumption and best overall emission performance

2016	Achieved huge development in offshore wind power field and became the world's largest manufacturer of offshore wind turbines in 2016
2017	Successfully developed the world's largest 1260MW full-speed thermal turbine generator
	The first 6MW offshore wind turbine was successfully hoisted in Fujian Xinghua Bay
2018	Achieved a historic breakthrough and entered the ranks of "100 billion" enterprises for the first time.
	Shipping the world's first Hualong-1 reactor internal component, Fuqing No. 5 unit.
	Construction in Dubai of the world's largest 950 MW solar thermal and photovoltaic power station project.

GROUP STRUCTURE

The following chart provides an overview of the shareholding structure of the SEC Group's key operating subsidiaries as at 30 June 2019.



BUSINESS SEGMENTS

New Energy and Environmental Protection Equipment

The new energy and environmental protection equipment segment primarily comprises the research and development, manufacture and sale of nuclear power and nuclear island equipment, wind power equipment, large-scale castings and forgings and other environmental protection equipment. The SEC Group enjoys a leading position in China in terms of nuclear power product technology.

High Efficiency and Clean Energy Equipment

The high efficiency and clean energy equipment segment principally includes the research and development, manufacture and sale of (i) thermal power equipment, (ii) gas turbine equipment and (iii) power transmission and distribution equipment. The SEC Group's operations under this segment include the supply of a broad range of products used in power generation, transmission and distribution, including the research and development, manufacture and sale of various types of power equipment.

Industrial Equipment

The industrial equipment segment primarily involves the research and development, manufacture and sale of elevators, air-conditioning compressors, electromechanical equipment products, mechanical basic components and solution packages for industrial automation.

Modern Services

Under the modern services segment, the SEC Group provides the integrated services related to electric power projects and other types of engineering projects which are expanding from single thermal power market to a new energy and distributed energy market. In addition, it also provides financial services and seeks to build a comprehensive financial platform in order to provide robust support for the development of the SEC Group.

Others

The SEC Group is also engaged in research and development activities through its technology research institutes and provides services such as human resource management, real estate management and property management. These businesses are ancillary in nature and do not constitute the core businesses of the SEC Group.

The following table sets forth a total operating revenue breakdown of the SEC Group by business segment for the periods indicated.

Segment	For the year ended 31 December						For the six months ended 30 June			
	2016		2017		2018		2018		2019	
	Total		Total		Total		Total		Total	
	Operating		Operating		Operating		Operating		Operating	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
<i>RMB in billions except for percentages</i>										
New Energy and Environmental										
Protection Equipment	12.7	13.0%	10.4	11.3%	13.3	11.6%	6.8	11.5%	7.9	13.0%
High Efficiency and Clean Energy										
Equipment	27.2	27.8%	25.2	27.5%	32.9	28.7%	16.5	27.9%	14.6	24.2%
Industrial Equipment	37.5	38.4%	40.2	43.8%	44.9	39.2%	23.5	39.8%	26.0	43.1%
Modern Services	26.5	27.1%	23.9	26%	27.8	24.3%	14.8	25.1%	16.9	27.9%
Other Business	1.7	1.8%	2.6	2.8%	5.9	5.1%	0.3	0.6%	0.2	0.4%
Elimination	7.9	8.1%	10.5	11.4%	10.2	8.9%	2.9	4.9%	5.2	8.7%
Total	97.8	100.0%	91.8	100.0%	114.5	100%	59.1	100%	60.4	100%

RECENT DEVELOPMENT

Issuance of Exchangeable Bonds

The Guarantor proposed to use the A shares it holds in Shanghai Electric and the corresponding yields as exchangeable objects for the non-public issuance of exchangeable corporate bonds (the “**Exchangeable Bonds**”). The Guarantor has received a no objection letter from the SSE, pursuant to which the Guarantor may issue exchangeable bonds with a total amount of not exceeding RMB5 billion to qualified investors in a non-public way within 12 months after the date of its issuance. The 1,120,000,000 A shares the Guarantor holds in Shanghai Electric, representing 7.39% of the total issued share capital of Shanghai Electric, have been pledged and transferred to the designated share pledge account and the registration procedures for the share pledge were completed on 15 January 2020 at China Securities Depository and Clearing Corporation Limited. The offering of the Exchangeable Bonds was completed on 3 February 2020. The actual offering size of the Phase 1 Exchangeable Bonds is RMB4 billion with a term of 3 years and a coupon rate of 0.1%.

Proposed Listing of Shanghai Electric Wind Power Group Co., Ltd.

Shanghai Electric Wind Power Group Co., Ltd. (“**SEWP**”, a subsidiary of Shanghai Electric) 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 issuance (the “**Spin-off**”). SEWP will remain a subsidiary of Shanghai Electric after the completion of the Spin-off. On 6 January 2020, the Spin-off had been approved by the board of directors of Shanghai Electric. As of the date of this Offering Circular, the Spin-off was still subject to certain approvals including but not limited to the approval of general meeting of Shanghai Electric and SEWP and the approval from the Hong Kong Stock Exchange.

Issuance of U.S.\$500,000,000 Guaranteed Senior Bonds

On 21 November 2019, the Issuer issued a principal amount of U.S.\$500,000,000 guaranteed bonds at the coupon rate of 2.65% due 2024. The Bonds are unconditionally and irrevocably guaranteed by the Guarantor.

Subscription of Certain Shares of Yinghe Technology

On 11 November 2019, Shanghai Electric, one of the Guarantor's subsidiary listed on Shanghai Stock Exchange, entered into a share transfer agreement with Mr. Wang Weidong and Ms. Xu Xiaojun, pursuant to which, Shanghai Electric will acquire 9.73% of the total share capital of Shenzhen Yinghe Technology Co., Ltd. ("**Yinghe Technology**") which is a listed company on Shenzhen Stock Exchange (stock code: 300457) for a consideration of RMB959,022,117.72. Such share transfer has been completed on 17 December 2019. On 11 November 2019, Shanghai Electric also entered into a conditional share subscription agreement (the "**Share Subscription Agreement**") with Yinghe Technology, pursuant to which, Shanghai Electric intends to subscribe some newly issued shares of Yinghe Technology through private placement for a total subscription amount of no more than RMB2 billion. As at the date of this Offering Circular, the completion of this transaction is subject to the fulfilment or waiver (as the case may be) of various conditions precedent.

Subscription of Certain Shares of Thvow Technology

Thvow Technology, a listed company on the Shenzhen Stock Exchange (stock code: 002564) decides to issue new A shares to Shanghai Electric by way of private placement. On 12 September 2019, Shanghai Electric entered into a subscription agreement with Thvow Technology to subscribe for the shares with a consideration of no more than RMB1,200 million. The private placement of A shares is not yet closed and is subject to internal approvals from both Shanghai Electric and Thvow Technology and external approvals from CSRC and other state-asset management authorities.

COMPETITIVE STRENGTHS

The largest conglomerate in the comprehensive equipment manufacturing industry in the PRC with unparalleled importance in the high-end equipment manufacturing industry

The SEC Group is one of the leading conglomerates in the power equipment industry in the PRC and markets its products under the "Shanghai Electric" brand.

In 2018, the SEC Group recorded a revenue of RMB114.5 billion and a net profit of RMB5.2 billion and ranked first among China's top three electrical power equipment enterprises in terms of both net profit and revenue.

In terms of bids won since the beginning of 2019, the SEC Group was the largest steam turbine manufacturer, the largest power generator manufacturer, the largest thermal power equipment manufacturer, and the second-largest boiler equipment manufacturer in China, with a market share of approximately 50%, 54%, 33% and 29% in these markets, respectively.

In the thermal power equipment industry, the SEC Group is one of the largest thermal power equipment manufacturers in the world. In terms of the number of orders and the number of commissioned units of the 1,000 MW ultra-supercritical thermal power units, the SEC Group ranked top in the world. The market share of the self-innovated secondary reheat ultra-supercritical steam turbines and boilers of the SEC Group reached 90% and 50%, respectively, in China and boosted the SEC Group's leading position in the industry.

As at 31 August 2019, the market share of the SEC Group in China was approximately 34% in the nuclear power industry in terms of orders of seven main products comprising steam generators, reactor pressure vessels, voltage regulators, internal components, control rod drive mechanisms, PMC systems and main pumps. The SEC Group maintains an advanced position in sub-assembly markets such as internal components, control rod drive products, steam generators and pressure vessels. By the end of August 2019, the market share of the SEC Group in internal components and control rod drive products was approximately 63% and 81%, respectively;

As at the end of 2018, the market share of the SEC Group in terms of bids won in offshore wind power equipment manufacturing was approximately 44%. The SEC Group was the first company in China to have operations in onshore, intertidal and offshore wind farms with the capacity to design and manufacture 1.25 MW to 8 MW onshore and offshore doubly-fed and direct-guide fans.

The transmission and distribution business products of the SEC Group cover various fields of transmission and distribution products of 1,000 KV and below, comprising products such as transformers, high- and low-voltage power cables, intelligent substations, medium- and low-voltage switchgear, low-voltage components, wind power converters and main controllers, and photovoltaic counters. In 2018, the bidding rate of transmission and distribution products of the SEC Group in Shanghai reached 47%.

In the elevator manufacture and sales industry, Shanghai Mitsubishi Elevator is one of the largest elevator manufacturers and sales companies in China. In 2018, the SEC Group produced more than 80,000 complete elevators, maintaining the leading position in terms of output in the industry around the world and occupying a market share of approximately 11% in the domestic elevator market, with the installation control rate remaining above 85%. The possessing rate of the SEC Group remains the highest in China.

In the industrial robots industry, the SEC Group has established Shanghai FANUC Robotics Co., Ltd. with FANUC, the world's largest industrial robot manufacturer, adhering to FANUC's technological advantages, engineering integration and technical service capabilities. In grinding machine manufacturing, the SEC Group has the capacity to produce CNC (computerised numerical

control) grinding machines with the largest processing weight in China, and universal cylindrical grinding machines with the highest precision in China. The market share of cylindrical grinding machines of the SEC Group in the domestic market is approximately 60%.

In the industrial components market, the SEC Group is the world's third-largest air conditioner refrigeration compressor manufacturer, with a market share of approximately 30% in the non-self supporting market in 2018. The SEC Group also ranked second among the top four tool knives manufacturers in China in terms of total business volume. In automation instrumentation manufacturing, the SEC Group focuses on the localisation of nuclear power instrument controller and high-end thermal power regulating valves. Furthermore, the SEC Group has established the first joint venture with Air France and Thales (a leading industrial and automation company) in China which is the first joint venture controlled by PRC companies in the field of urban rail transit signal systems. The projects of the joint venture cover major cities such as Shanghai, Nanjing, Hefei and Wuhan.

The SEC Group capitalises on its brand recognition by cross-marketing its products, thereby widening its customer base and increasing its investment opportunities, both in the PRC and internationally. The SEC Group believes that its well-established brand also provides it with a number of other benefits, including premium pricing, a reputation for reliability and quality and a solid base on which the SEC Group can develop its reputation in new markets.

In addition, there exist numerous and substantial barriers to entry for potential market entrants seeking to enter into the power equipment industry. These barriers include: (i) the need for technical expertise, including production technology and know-how, to handle the complex engineering involved in these product segments; (ii) the need to have strong technical services, professional qualifications, recognised brand and customer support functions; (iii) access to competitively priced raw materials; (iv) access to highly qualified and specialised staff; (v) substantial R&D capabilities required to develop and support highly technical products; (vi) technical knowledge and operational flexibility to adapt to regulatory changes; (vii) relationships with all customer categories, including the ability to act as a partner for critical products for key customers and customised products; (viii) time to achieve sufficient scale, given the amount of time (often years) required for researching, developing and qualifying of products; (ix) a track record of success operating in the PRC; (x) significant financial capacity and established scale to respond to the evolving and increasingly stringent regulatory processes and to obtain the necessary licences and approvals; and (xi) domination of the power equipment market by existing large enterprises.

Strong R&D capabilities, leading technologies, strong backlog orders and foreseeable revenues to ensure sustained and stable growth of the business

The SEC Group believes that it possesses one of the most advanced R&D capabilities in the power equipment industry within the PRC, which enables it to undertake, or participate in, a series of nationally strategic R&D projects. The SEC Group's investment in R&D increased from

approximately RMB3.3 billion in 2016 to approximately RMB3.4 billion in 2017 and to approximately RMB4.2 billion in 2018, representing around 3.4%, 3.7% and 3.7% of the total revenue of the year of 2016, 2017 and 2018, respectively.

The SEC Group has formed an innovative R&D system, consisting of headquarters, industry groups and manufacturing factories. At the headquarters level, the central research institute conducts research and establishes a shared R&D platform to enhance the construction of professional teams and improve decision-making. The science management department is responsible for the function of science management at the headquarters level. On the industrial group level, the research centre of the industrial group supports the technology development of the business model. The group technology department is responsible for the science management at the industrial group level. On the manufacturing level, designing and developing products and techniques occurs within the factories, so as to improve the intelligent manufacturing ability of the SEC Group.

The SEC Group has seven national-level and 16 municipal-level R&D enterprise technology centres, and 50 high-tech enterprises. The SEC Group has won a total of 73 Shanghai Science and Technology Awards, 68 China Machinery Industry Science and Technology Awards, and eight National Science and Technology Awards. As at 31 December 2018, the SEC Group had registered a total of 5,213 patents within the PRC.

In the field of thermal power, the independently innovated reheating super-supercritical thermal power unit of the SEC Group represents the most advanced thermal power technology in the world. In the field of gas turbine manufacturing, after a programme of research, a gas turbine technology system was created. In the field of nuclear power, the batch and supporting delivery of the second-generation and third-generation AP1000, EPR, CAP 1400, Hualong-1 and the fourth generation high-temperature gas-cooled reactor nuclear power equipment products have been successfully realised. Key equipment such as the third-generation Guohe No.1, the fourth generation of fast reactor and the samarium-based molten salt heap are being developed. The SEC Group has also realised a technical breakthrough in AP1000 and high-temperature gas-cooled reactor nuclear island forgings. In the elevator industry, the SEC Group successfully developed a 6m/s high-speed elevator and solved the key technology of an 8m/s high-speed elevator.

The SEC Group has also established strategic cooperation relationships with leading international players in different business segments, including Siemens, Schneider, ABB, Fuji Electric, Mitsubishi Electric, Alstom, Brightsource, SPX, Hitachi and FANUC, to make use of their advanced technologies. Around 70 joint ventures with these companies have been set up. The SEC Group believes that its strong R&D capabilities, advanced equipments and technologies not only allow it to undertake major national construction projects, such as the Yangtze River Three Gorges Project, West-to-East Gas Pipeline Project, South-to-North Water Transfer Project, Dongshen Project, Qinshan Nuclear Power Plant, but also enable the SEC Group to participate in the formulation of relevant industry norms and policies.

Apart from the above, the SEC Group believes that it has a strong pipeline of backlog orders which support a sustainable future development of the SEC Group. As at the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the amount of backlog orders reached approximately RMB244.3 billion, RMB226.9 billion, RMB212.0 billion and RMB255.8 billion, respectively. The backlog orders of the SEC Group, as at the end of each year from 2016 to 2018, amounted to around twice the total operating revenue of the corresponding year. The backlog orders of the SEC Group, as at 30 June 2019, amounted to around 2.2 times the total operating revenue of 2018. These strong pipeline backlog orders reinforce the stability of the prospective revenue and cash flow.

Group competitive advantage formed by full synergies from diversified business segments

The SEC Group operates in four main business segments of new energy and environmental protection equipment, high-efficiency and clean energy equipment, industrial equipment and modern services. These four business segments have evolved into a development mode which equips the SEC Group with advantages of industry linkage and synergy. Focusing on strategic linkages such as technology linkage, market linkage, manufacturing linkage, internal supply chain linkage and talents linkage power generation equipment, transmission and distribution equipment and environmental protection equipment, the SEC Group's modern services business is linked to and synergistically develops alongside its industrial equipment business. Services in engineering boost demands for the SEC Group's manufacturing products; financial services support the SEC Group's industrial manufacturing; and international trading provides more opportunities for the SEC Group's overseas expansion.

Strong credit and liquidity support

The SEC Group has sufficient land resources and financial assets to meet future liquidity needs and enhance risk resistance capability. As at 31 December 2018, the SEC Group has obtained land use rights with a total area of approximately 13.6 million square metres by way of assignment and allocation, among which approximately 10.9 million square metres are located in Shanghai with a market value over RMB tens of billions. The securities assets directly held by the SEC Group comprise equity interests in a number of listed companies and private companies, with a total market value of approximately RMB9.1 billion as at 30 June 2019.

The SEC Group has diversified financing channels, including bank loans, bond financing and equity financing through its listed companies, has a good credit standing and is rated A2 by Moody's, A by S&P, A- by Fitch and AAA by Shanghai Brilliance. The SEC Group also maintains close strategic cooperative relationships with major financial institutions operating within China and abroad, such as the Industrial and Commercial Bank of China, China Construction Bank, Bank of Communications, Agricultural Bank of China, Bank of China, China Development Bank, the Export-Import Bank of China, Shanghai Pudong Development Bank, China CITIC Bank, Postal Savings Bank of China, China Merchants Bank, China Minsheng Bank and the Bank of Tokyo-Mitsubishi UFJ. These financial institutions have been providing facilities to support the

business development and expansion of the SEC Group. As at 30 June 2019, the aggregate banking facility of the SEC Group amounted to approximately RMB227.11 billion, of which RMB156.51 billion was unutilised and the aggregate banking facility of the Guarantor amounted to approximately RMB24.75 billion, of which RMB18.16 billion was unutilised.

Experienced and outstanding management team

The SEC Group's success is attributable to the sound leadership of directors, supervisors and senior management. The current management team comprises individuals with extensive experience in key areas relating to the SEC Group's business, such as manufacturing technology, electrical engineering, operating management and accounting. The management team has allied its core values and dedicated its roles to the continued improvement, efficiency and cohesion of the SEC Group. The strength and capability of execution of the management team are evidenced by awards that senior management has won. For instance, the SEC Group's chairman, Mr. Zheng Jianhua, was awarded the title of "*Leader of Industrial and Commercial Business*" in Shanghai in 2011 and "*Outstanding Entrepreneur of Shanghai*" in 2018.

Further, the SEC Group's management is highly experienced in collaborating with various levels of the PRC Government on different projects which are of strategic value to the SEC Group. A number of directors, supervisors and senior management have previously served as senior officials within various state-owned enterprises and government departments within the PRC. Their understanding of the regulatory framework and government policies allows the SEC Group to play a significant role in the development of projects.

Strong and comprehensive support from various levels of government

The SEC Group is dedicated to the fundamental industry of the country and has shown a unique strategic significance to the Shanghai SASAC. The SEC Group undertakes the strategic responsibility for the revitalisation of national high-end equipment manufacturing industry. The SEC Group has always been committed to becoming a world-class high-end equipment manufacturer, and shoulders the responsibility of revitalising high-end, intelligent and advanced equipment manufacturing industries in the country. In addition, with a focus on the new energy, efficient clean energy, energy-saving environmental development and national strategic development directions such as "One Belt, One Road", the SEC Group actively cultivates new business industries and expansion into the global market. Therefore, the SEC Group participates in major international projects and national strategic projects and receives supports from all levels of government.

In respect of tax concessions, 50 subsidiaries directly or indirectly held by the Guarantor are high-tech enterprises that enjoyed a preferential enterprise income tax rate of 15% as at 31 December 2018, whose qualification as a high-tech enterprise will be reviewed every three years. In respect of technology and talent support, the SEC Group has established long-term

strategic cooperative relationships with relevant departments of the Shanghai government to promote jointly the R&D of forward-looking technologies in key areas. Shanghai SASAC has been continuously providing support to the SEC Group for its overseas training and R&D programmes.

STRATEGIES

The overall goal of the SEC Group is to become a truly modern, international and world-class enterprise with strong competitiveness and profitability by employing the following strategies:

Taking green, environmental protection, intelligence, interconnection, and comprehensive system solution as developing directions to strengthen the involvement of the SEC Group in these new industries; establishing a new type of industry cluster; and building itself into an industry conglomerate with a healthier industrial structure, more optimised business layout and more reasonable spatial distribution

In the area of energy equipment, the SEC Group will speed up the transformation of the development mode to innovation-driven in the coal power business, vigorously promote the independent manufacture of gas turbines, and develop the cycle between gas and steam. The SEC Group also aims to accelerate the development of its manufacturing capability in the wind power industry to enhance its core competitiveness. The SEC Group will make efforts to enhance its market competitiveness in the nuclear power industry and large forgings industry and actively promote the integration of primary and secondary equipment for power transmission and distribution. In addition, the SEC Group will actively explore new business models and new business opportunities in new areas such as distributed energy and microgrids.

In the aspect of industrial equipment, the SEC Group will continue to promote the development of elevator business and air conditioning compressor business. Enhancing competitiveness in large and medium-sized motor and driver business is also one of the SEC Group's aims in the future. The SEC Group will actively promote high-end development of key industrial components and gradually implement import substitution. In addition, the SEC Group aims to develop and enhance its manufacturing capability in fields such as automation, environmental protection, and medical equipment.

In the area of integrated services, the SEC Group will steadily promote the development of its engineering industry, speed up the development of "Internet +" strategies and digital services, actively develop its intelligent manufacturing cloud platform, and further expand new type of foreign joint venture cooperation and foreign economic and trade cooperation.

In new areas with rapid development, such as new energy, intelligent manufacturing, environmental protection, high-end medical and health care, oil and gas and marine equipment, the SEC Group will quickly enter these through joint ventures or cooperation, so as to quickly form a scale effect and boost the transformation of development of the SEC Group.

Focusing on key emerging areas to expand the business scope from mechanical manufacturing to mechatronics manufacturing; gradually upgrading the business industries it operates in from traditional energy equipment to new energy equipment; and improving its industrial level from traditional manufacturing to intelligent manufacturing

Following its business strategies, the SEC Group will actively increase activity in the advanced manufacturing industry, with a focus on emerging areas to expand its business scope from machinery manufacturing to mechatronics manufacturing. The SEC Group will gradually upgrade the business industries it operates in from traditional energy equipment to new energy equipment. The SEC Group will also increase its manufacturing capability to a more advanced industrial level of intelligent manufacturing and eventually achieve the goal that manufacturing in traditional industry and advanced industry each take up 50% of its business operations.

Strengthening its science and technology capability by focusing on science and technology development to perfect its science and technology innovation system

The SEC Group proposes to invest more in science, technology and innovation and to become an advanced science and technology conglomerate. The SEC Group will also improve and perfect its science and technology innovation system.

Internationalising its businesses and enhancing the transnational level by realising the globalisation of its market, capital, research and development and production capability in a comprehensive manner

In respect of market globalisation, the SEC Group will allocate its international resources in the Group to market and promote its own equipment so as to participate in the global market. In respect of the capital globalisation, the SEC Group will integrate its global industrial chain to bring about development. In respect of the globalisation of research and development, the SEC Group will promote the flow of talent between overseas enterprises with which it merged or has acquired and other enterprises within the SEC Group, and explore ways to acquire technology from overseas enterprises it cooperates with. In respect of production capacity globalisation, the SEC Group will allocate its businesses in accordance with the policy of “two ends in Shanghai, the middle abroad” to build factories overseas and transfer its production capacity to places with lower cost or which are closer to the target market.

Accelerating intelligent manufacturing by digitalization to transform from production-oriented manufacturing to service-oriented manufacturing

The SEC Group will actively promote the in-depth integration of industrial technology and information technology with a focus on intelligent manufacturing and make full use of advanced information technologies such as the internet, the internet of things, big data, and cloud computing to promote the digitalisation and intelligence of research and development, production and manufacturing, and service business. The SEC Group will also vigorously promote the

development of its digital industry to speed up the value creation from this business segment. In addition, the SEC Group will transform from production-oriented manufacturing to service-oriented manufacturing to fully meet the needs of customers.

Bringing existing business segments into the first echelon by focusing on and enhancing its main businesses, utilising the synergy advantage of the SEC Group, and maintaining its leading position

The SEC Group will stick to “the first echelon strategy” to bring its existing business segments into the first echelon of each industry. At the same time, when entering emerging industries, the SEC Group will also adhere to the first echelon strategy. The SEC Group will continually focus on its main businesses, strengthen its main businesses, and utilise its synergy advantage of being a conglomerate operating in multiple business segments.

BUSINESS OPERATIONS

New Energy and Environmental Protection Equipment

Overview

The new energy and environmental protection equipment segment primarily comprises the research and development, manufacturing and sale of nuclear power nuclear island equipment, wind power equipment, large-scale castings and forgings and other environmental protection equipment. The SEC Group operates the new energy and environmental protection equipment segment through its largest subsidiary, Shanghai Electric, a company listed on the Shanghai Stock Exchange and Stock Exchange of Hong Kong Limited and in which the SEC Group held a 59.18% equity interest as at 30 June 2019.

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the total operating revenue from the new energy and environmental protection equipment segment was approximately RMB12.7 billion, RMB10.4 billion, RMB13.3 billion and RMB7.9 billion, accounting for approximately 13.0%, 11.3%, 11.6% and 13.0% of the total operating revenue of the SEC Group, respectively.

Business Operations

Nuclear power equipment

The nuclear power business primarily comprises the design, manufacturing and sale of nuclear power nuclear island equipment such as steam generators, reactor pressure vessels, pressurisers, nuclear reactor vessel internals and control rod drive mechanisms. The SEC Group was one of the first enterprises to engage in nuclear power equipment manufacturing in China. In recent years, the SEC Group actively promoted the development and industrialisation of key nuclear power

equipment. It is committed to becoming a comprehensive nuclear power equipment supplier and service provider. The Group has successfully independently developed the world's first high-temperature gas-cooled reactor pressure vessel, which has further consolidated its leading position in China in terms of nuclear power equipment technology.

The SEC Group has secured the order for supplying core supports for the 600MW demonstration fast-neutron reactor and successfully obtained from the Institute of Applied Physics of the Chinese Academy of Sciences an order for the main vessel for test reactor of thorium molten salt reactor.

Wind power equipment

The wind power business primarily comprises the design, manufacturing and sale of wind turbines. The SEC Group is an important supplier of wind turbines and key wind power components. The SEC Group is the first enterprise in China whose business covers three types of wind farms, including onshore, intertidal and offshore wind farms.

In addition, it also delivers wind power system solutions, including design of large wind turbines, products manufacturing, technical consulting and carrying out EPC projects in overseas markets. Its “Feng Yun” system is linked to over 100 wind farms, which applies big-data technology to improve the performance of wind turbines.

The internally developed “Feng Yun” system, being the first smart operation service platform in China that has obtained the authority certification, has achieved the remote and centralised data management based on cloud.

Environmental protection equipment

The environmental protection business primarily comprises power station environmental protection, solid waste treatment, water treatment and distributed energy, integrating energy-saving and environmental protection technology, equipment manufacturing, engineering construction, investment and operation, providing clients with one-stop service and package solution of energy-saving and environmental protection. Adhering to the whole industrial chain business development model, the SEC Group integrates environmental protection technology, equipment, engineering services and investment operation and is able to deliver system integration and comprehensive solutions. While the SEC Group has signed and initiated a number of biomass incineration power generation, photovoltaic power generation and water treatment projects in China, it also actively explores opportunities with respect to environmental protection EPC projects in overseas markets.

High Efficiency and Clean Energy Equipment

Overview

The high-efficiency and clean energy equipment segment principally includes the research and development, manufacture and sale of (i) thermal power equipment, (ii) gas turbine equipment and (iii) power transmission and distribution equipment. The SEC Group's operations under this segment include the supply of a broad range of products used in power generation, transmission and distribution, including the research and development, manufacture and sale of various types of power equipment.

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the total operating revenue from the high-efficiency and clean energy equipment segment was approximately RMB27.2 billion, RMB25.2 billion, RMB32.9 billion and RMB14.6 billion, accounting for approximately 27.8%, 27.5%, 28.7% and 24.2% of the total operating revenue of the SEC Group, respectively.

Business Operations

Thermal power equipment

The thermal power equipment business primarily comprises the research and development, manufacture and sale of thermal power equipment, including power station boilers, power station turbines and turbine generators. The SEC Group operates the thermal power equipment business through its largest subsidiary, Shanghai Electric, a company listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited and in which the SEC Group has a 59.18% equity interest as at 30 June 2019. The SEC Group covers a complete range of products from 50MW to 1,240MW, with the production capacity of 30 million KW per year, the SEC Group has cumulatively produced nearly 300 million KW of thermal power equipment. Leveraging its deep understanding of customer demand and leading technologies in the thermal power industry, the SEC Group has launched a series of high-end green thermal power equipment. Its self-designed and developed 1,000 MW ultra-supercritical secondary reheat thermal power unit is the leading domestic-made thermal power unit with low coal consumption and an excellent comprehensive emission performance, the number of orders and operation units of 1,000MW ultra-supercritical thermal power units rank the first around the world and the domestic market share of the self-innovated secondary reheat ultra-supercritical gas turbine has reached 90%.

The SEC Group has won the bid for supplying major equipment for the Chagannaoer (查乾淖爾) project of two sets of 660MW ultra-supercritical units and has jointly contracted the Egyptian Hamrawein 6,600MW Clean coal-fired power station project worth of USD4.4 billion dollars with Dongfang Electric, being the current largest clean coal power project.

Gas turbine equipment

The gas turbine equipment business primarily comprises the research and development, manufacture and sale of gas turbine equipment. Through the acquisition of a 40% equity interest in Italy's Ansaldo Energia S.p.A. in 2014 and deep cooperation during the past few years, the SEC Group has successfully realised the operation of large F-class, small F-class and E-class gas turbines being the only domestic heavy-duty gas turbine equipment supplier that has H-class, F-class, small F-class and E class technology. The SEC Group is currently the only equipment manufacture enterprise in China that has complete gas turbine technology and is able to provide customers with full equipment maintenance and repair services. As at 30 June 2019, the SEC Group, Ansaldo Energia S.p.A. and Benxi Iron and Steel (Group) Co., Ltd. entered into an AE94.2K gas turbine and syngas compressor unit supply agreement, representing the first time for a domestic gas turbine manufacturer to undertake orders for ultra-low calorific value gas turbines.

Power transmission and distribution equipment

The power transmission and distribution equipment business primarily comprises the research and development, manufacture and sale of power transmission and distribution equipment, mainly including transformers, power cable, MV/LV products, gas-insulated metal enclosed switchgear, current transformer, inductor, casing, intelligent power distribution equipment, new energy access system, flexible AC transmission equipment. The SEC Group has been deeply involved in the intensification of power grid and power system reform through establishing joint ventures with State Grid Shanghai Electric Power Co., Ltd (國網上海市電力公司) and other international companies, including ABB Group, Siemens and Schneider Electric. Furthermore, the SEC Group intends to accelerate the integration and development of the first-time and second-time transmission and distribution equipment through acquisitions and mergers and is actively exploring new business areas, such as micro grid.

Industrial Equipment

Overview

The industrial equipment division primarily comprises the research and development, manufacture and sale of elevators, air-conditioning compressors, electromechanical equipment products, mechanical basic components and solution packages for industrial automation. The principal products include elevators, fasteners, blades, bearings, cutters and refrigeration compressors.

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, the total operating revenue of the SEC Group's industrial equipment segment was approximately RMB37.5 billion, RMB40.2 billion, RMB44.9 billion and RMB26.0 billion, accounting for approximately 38.4%, 43.8%, 39.2% and 43.1% of the total operating revenue of the SEC Group, respectively.

Business Operations

Elevator

The elevator business primarily comprises the manufacture, sale, installation, modification, repair and maintenance of elevators, escalators, moving walkways, building management systems and related parts and components as well as sales of elevators with the Mitsubishi trademark and related parts and components covering over 30 series and 200 production specifications.

The SEC Group operates the elevator business through Shanghai Mitsubishi Elevator, a subsidiary of the SEC Group, currently one of the largest elevator manufacture and sale enterprises, and is capable of manufacturing approximately 80,000 elevators per year. The SEC Group has developed VVVF HOPE elevators with data network control technology, and LEHY elevators based on a PMSM gearless traction machine, which represents the leading technology standard in the world.

The SEC Group has ranked the first of the preferred elevator supplier of the top 500 real estate corporations for consecutive nine years and maintains close cooperation relationships with Evergrande Group Co., Ltd. (恒大集團有限公司), China Overseas Land & Investment Ltd. (中國海外發展有限公司), Greenland Holding Group Company Limited (綠地控股集團有限公司), Country Garden Holdings Company Limited (碧桂園控股有限公司), China Vanke Co., Ltd. (萬科企業股份有限公司), Chongqing Longfor Real Estate Development Company Limited (重慶龍湖地產發展有限公司) and Forte (Group) Company Limited (複地(集團)股份有限公司), Ronshine China Holding Limited (融信中國控股有限公司), Wanda Real Estate Group Limited (萬達地產集團有限公司), CITIC Real Estate Group Limited (中信地產集團有限公司). The SEC Group typically sells elevators directly through a bid and tender process.

Electric motors

The electric motors business primarily comprises the research and development, manufacture and sale of air-conditioning compressors, large and medium-sized AC motors, DC motors, wind power turbines and steam turbine generators which are widely used in various basic industries. The air-conditioning compressors business is mainly operated by Shanghai Highly, a company listed on the Shanghai Stock Exchange in which the SEC Group had a 27.6% equity interest as at 30 June 2019.

As a globally leading air-conditioning compressors research and development manufacturer occupying one-seventh of the world market share, Shanghai Highly is capable of manufacturing nine series and over 1,000 high efficiency and energy-saving models covering products of various kinds of refrigerants, different voltages and frequencies. Shanghai Highly is capable of manufacturing 26 million elevators per year and has four world-class green plants and eight technical service centres worldwide.

As a mainly supporting supplier of compressors for new energy vehicles with more than 50 customers, Shanghai Highly develops and manufactures electric drive integrated scroll compressor of new energy and energy-saving automotive using the industry's first created control integration technology.

Mechanical basic components

The SEC Group operates the mechanical basic component business primarily through Shanghai Prime, a company listed on the Hong Kong Stock Exchange, which mainly undertakes the design, manufacture and sale of turbine blades, bearings, cutting tools and fasteners. In 2015, Shanghai Prime divested its general machinery business and adjusted its business lines by industry. After such adjustment, the core business of Shanghai Prime currently consists of auto business, industrial applications and services, energy business, railway business and aviation business. Among those five sub-segments, the auto business is growing swiftly and is the largest sub-segment measured by revenue contribution. Shanghai Prime has maintained long-term business relationships with Volkswagen, BMW, Audi, Mercedes-Benz and some other world-renowned auto manufacturers, with the provision of main products including automotive fasteners and automotive bearings.

Intelligent manufacturing and automation

The intelligent manufacturing and automation business primarily comprises the delivery of intelligent manufacturing and automation system integration services in the fields of aerospace, new energy, automotive components, military manufacturing, signal systems and integrated monitoring system solutions of rail transit, trams, as well as robots and their key components, 3D printing equipment, automatic riveting equipment, composite processing equipment, flexible fixtures, servo systems, industrial software, sensors and distributed control systems. The intelligent manufacturing and automation business is mainly operated by Shanghai Electric Automation Group, which was established in 2016 to promote the development of the automation business of the SEC Group.

Modern Services

Overview

Under the modern services segment, the SEC Group provides the integrated services related to electric power projects and other types of engineering projects which are expanding from the single thermal power market to the new energy and distributed energy market. In addition, it also provides financial services and seeks to build a comprehensive financial platform to provide robust support to the development of the SEC Group. The SEC Group's modern services cover Southeast Asia, South Asia, Middle East and Africa markets.

For the years ended 31 December 2016, 2017, 2018 and six months ended 30 June 2019, the total operating revenue from the modern services segment was approximately RMB26.5 billion, RMB23.9 billion, RMB27.8 billion and RMB16.9 billion, accounting for approximately 27.1%, 26.0%, 24.3% and 27.9% of the total operating revenue of the SEC Group, respectively.

Power generation services

The SEC Group expects to expand from the single thermal power market to the new energy and distributed energy fields including power transmission and distribution projects which covers more than 10 countries and areas around the world, environmental protection projects and power plant projects which covers more than 30 countries and regions, the total number of the power plant projects undertaken is more than 90 and the total installed capacity has reached 92 million KW, among which 63 million KW are from overseas projects, the SEC Group gradually possesses the capability to undertake and carry out wind power, environmental protection, gas turbine and other engineering projects. During the process of expanding its business to overseas markets, the SEC Group is gradually changing from a company covering a single regional market to a company with global reach, including, but not limited to, India, Indonesia, Vietnam, Iraq, Thailand, the United Arab Emirates and Africa, where it not only undertakes EPC projects but also provides management and operation services to overseas power stations.

The SEC Group has won series of orders amounted to USD1.36 billion in Pakistan Thar Coal-electricity Integration Project.

Financial services

The SEC Group provides members of the SEC Group with general banking, investment banking and asset management services through Shanghai Electric Group Finance Co., Ltd, which continues to develop new service functions and the capability to offer integrated financial services.

Other Business

The SEC Group is also engaged in research and development activities through its technology research institutes and provides services such as human resource management, real estate management and property management. These businesses are ancillary in nature and do not constitute the core businesses of the SEC Group. For the six months ended 30 June 2019, the total operating revenue from the other business of the SEC Group was approximately RMB0.2 billion, accounting for 0.4% of the total operating revenue of the SEC Group.

SUPPLIERS

The SEC Group purchases its main raw materials and energy through bidding. The SEC Group has established a stable procurement channel for raw materials, and has established long-term strategic partnerships with some suppliers to ensure the stability of raw material quantity, quality and price.

Because of the diversity of the SEC Group's products and services, the SEC Group requires a wide variety of raw materials for its operations. The SEC Group believes that its supply arrangements are adequate and that there are no material constraints on the sources and availability of raw materials or energy. The SEC Group has not been adversely affected by an inability to obtain raw materials. The SEC Group purchases the majority of its raw materials domestically, although it imports some components because of the higher quality or more competitive pricing. The prices of its principal raw materials, such as steel and steel-based products, aluminium, iron and other metals, fluctuate based on supply and demand in the domestic and worldwide markets.

CUSTOMERS

As the SEC Group provides a wide range of products and services through its different business segments, its customers generally come from diverse backgrounds. The SEC Group has established long-term relationships with the majority of its customers. For the SEC Group's operations in the new energy and environmental protection equipment segment, the SEC Group's customers mainly include PRC state-owned nuclear power engineering construction companies and large central power generation groups. For its operations in the high-efficiency and clean energy equipment segment, the SEC Group's customers mainly include China Huaneng Group, China Datang Corporation, China Huadian Corporation, China Guodian Corporation, China Power Investment Corporation and local power generation groups as well as State Grid, regional power companies and distribution cabinet manufacturers. For its operations in industrial equipment, the SEC Group's customers mainly include domestic real estate developers and large and medium-sized construction companies. For its operations in modern services, the SEC Group's customers mainly include large central power generation groups and other members of the SEC Group.

QUALITY CONTROL

The SEC Group emphasises product quality in its manufacturing operations. Many of its products require very strict tolerances and exact specifications. The SEC Group uses an extensive quality control system that is integrated into each step of the manufacturing process. The SEC Group's quality standards meet or exceed all applicable PRC quality standards. The SEC Group has obtained ISO certifications for the majority of its manufacturing facilities.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

The SEC Group has established a number of industry-university-research joint ventures with Tsinghua University, Shanghai Jiaotong University, the Chinese Academy of Sciences, Shanghai Power Plant Equipment Research Institute and Huaneng Group, conducting more than 200 research and development projects. It has also established five Shanghai Electrician Academician Studios (上海電氣院士工作室).

The SEC Group has created a large number of world-leading innovative products such as the first set of million kilowatt ultra-supercritical coal-fired generating units, main equipment of three and four-generation nuclear islands and conventional island, large-scale offshore wind power equipment, and high frequency motors of the West-East Gas Transmission. The SEC Group has created many firsts in China and the world, including China's first set of 6,000 KW thermal power generator units, the world's first "double internal water cooling" generators, China's first 10,000-ton hydraulic presses and China's first set of nuclear power units.

The core technological strength has been further enhanced while some independent technological research and development projects have won a number of national awards. The two research and development projects on key technology for designing damping blades for steam turbines and its application (汽輪機系列化減振阻尼葉片設計關鍵技術及應用) and the application development and engineering of domestically-made amorphous strips in power systems (國產非晶帶材在電力系統中的應用開發及工程化) have respectively won the 2018 National Science and Technology Progress Awards (Second Class). And the projects on fracture evaluation and control technology of major pressure equipment based on restraint theory (基於拘束理論的重大承壓設備斷裂評價與調控技術) has won the 2018 Shanghai Science and Technology Invention Award (First Class).

In addition, in the field of thermal power, the SEC Group has developed a series of thermal power products covering 300MW, 600MW and 1,000MW. The self-innovated secondary reheat ultra-supercritical thermal power unit represents the most advanced technology of thermal power in the world today, with a power generation efficiency of 47.82% and a coal consumption rate of 256.8g/kWh, both of which rates exceed the world's best.

In the field of gas turbines, the SEC Group has a complete industrial chain from research and development, manufacturing, sales to service. It is the only manufacturer to have manufactured E-class and F-class heavy-type gas turbine equipment, and has mastered the world's advanced gas turbine design and manufacturing technology in cooperation with Ansaldo Energy.

In the field of nuclear power, the SEC Group is the only nuclear power equipment manufacturing group in China with a complete industrial chain of nuclear islands, conventional islands, auxiliary equipment and instrumentation. The technology covers three generations of manufacturing technologies, including AP1000, ERP, CAP1400 and Hualong-1, as well as nuclear power technologies such as high temperature reactors and fast reactors with four generations of features.

In the field of wind power, the SEC Group has established a first-class, internationally advanced wind turbine design and development platform. Through the introduction of technology and independent innovation, the products cover 1.25MW, 2MW, 2.5MW, 3.6MW, 4MW, 6MW, 7MW and 8MW. The SEC Group is capable of designing the whole machine, including blade, intelligent control and tower, independently.

INTELLECTUAL PROPERTY

The intellectual property of the SEC Group forms an integral part of its strong brand recognition and is important to its business and profitability. The SEC Group has registered 5,213 patents within PRC. The SEC Group has an active programme to protect its intellectual property rights and it continuously applies for new patents for products and technologies developed through research and development activities. The SEC Group also has proprietary trade secrets, technology, know-how, processes and other intellectual property rights, which are not registered. The SEC Group also licenses a number of technologies relating to products and methods of manufacturing products from third parties.

INSURANCE

The SEC Group is covered by insurance policies which cover losses caused by fire, flood, riot, strike and malicious damage. The SEC Group believes that its properties are covered by adequate insurance provided by reputable independent insurance companies in the relevant jurisdictions and with commercially reasonable deductibles and limits on coverage which are normal for the type and location of the assets and properties to which they relate.

SAFETY AND ENVIRONMENTAL PROTECTION

The SEC Group has health, safety and environmental protection departments that are responsible for regulating labour, hygiene and safety conditions, and monitoring compliance with statutory environmental regulations relating to air, water, noise and solid waste pollution. The SEC Group imposes safety and anti-pollution measures, as well as regular internal safety and environmental inspections, at all stages of the production process to minimise the possibility of work-related accidents and injuries, occupational illness and environmental contamination. The SEC Group has adopted its own safety rules in compliance with PRC government regulations. The SEC Group also provides safety education to employees and has established safety standards in connection with matters such as purchasing new equipment, constructing new facilities and improving existing facilities. The SEC Group is in compliance with applicable environmental laws and regulations in all material respects in the locations at which the SEC Group operates.

EMPLOYEES

The SEC Group adheres to, and complies with, the relevant labour laws of the PRC. Staff benefits include salaries, provident fund contributions, insurance, medical care and housing. The SEC Group believes that its employees are critical to its success, and it is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. In order to motivate employees, employee salaries are tied to business and individual performance.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, save as otherwise provided in this Offering Circular, the SEC Group is not involved in any litigation or proceedings that are likely to have a material adverse effect on its financial condition or results of operations. The SEC Group has, however, from time to time been involved in certain legal proceedings arising in the ordinary course of its business.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

The Guarantor has three Directors, one Supervisors and two senior management staff as at the date of this Offering Circular. The Directors, Supervisors and senior management staff as at the date of this Offering Circular are the following:

Name	Position
Zheng Jianhua	Chairman of the Board
Dong Jianhua	Director
Zhu Bin	Director, President of Labour Union of Shanghai Electrical and Mechanical Industries
Zhu Jian	Supervisor
Liao Zhiyong	Member of Management Committee
Xu Jianguo	Member of Management Committee

I. DIRECTORS

Mr. Zheng Jianhua (鄭建華)

Mr. Zheng, aged 59, he currently serves as the Chairman of the Board of the Guarantor. He also holds the position of the chairman of the board and chief executive officer of Shanghai Electric. Mr. Zheng has over 30 years of experience in equipment manufacturing business. In February 1983, Mr. Zheng joined Shanghai Electric Machinery Co., Ltd., a subsidiary of the Guarantor. He previously served as the president of Shanghai Turbine Generator Co., Ltd., the plant manager of Shanghai Electric Machinery Co., Ltd., the president of Shanghai Electric Power Generation Group, the Chairman of Board of Shanghai Electric Power Generation Equipment Co., Ltd., the executive director and president of Shanghai Electric, and the vice president of the Guarantor. Mr. Zheng was named “Leader of Shanghai Industrial and Commercial Business” in 2011 and “Outstanding Entrepreneur of Shanghai” in 2018. He graduated from China Europe International Business School with a master’s degree in business administration and Shanghai Jiao Tong University with a bachelor’s degree. He is a senior economist.

Mr. Dong Jianhua (董鑑華)

Mr. Dong, aged 54, he currently serves as the Director of the Guarantor, he also holds the positions of the vice president of Shanghai Electric, the director of Shanghai Lingang Holding Co., Ltd. (上海臨港控股股份有限公司) and the chairman of the board of Shanghai Highly (Group) Co., Ltd. Mr. Dong has extensive experience in internal audit and supervision, has over 25 years of experience in auditing. Prior to joining the Guarantor, Mr. Dong consecutively served as the

assistant to the division chief and deputy division chief of the Infrastructure Office, deputy division chief and division chief of the Plant Assets Investment and Audit Office and division chief of the Audit Office of Shanghai Municipal Audit Bureau. Mr. Dong graduated from Shanghai Jiao Tong University with a master's degree in business administration and Shanghai Tongji University with a bachelor's degree in engineering. He is a senior economist.

Mr. Zhu Bin (朱斌)

Mr. Zhu, aged 58, he currently serves as a Director of the Guarantor. He also holds the positions of the president of Shanghai Electrical and Mechanical Labour Union (上海市機電工會), the president of Shanghai Electric and a deputy head of Institute of Optical-Electronic Technology (光機電研究所) of Shanghai Polytechnic University. Mr. Zhu has extensive experience in operations management. In July 1983, Mr. Zhu joined Shanghai Turbine Co., Ltd., a subsidiary of the Guarantor. He previously served as the vice president of Shanghai Turbine Co., Ltd., the deputy director of the Power Generation Department of the Guarantor, the executive director, general manager and deputy secretary of the Party Committee of Shanghai Electric Power Station Auxiliary Equipment Works Co., Ltd., the deputy secretary of the Party Committee, president and vice chairman of Shanghai Power Equipment Co., Ltd., the administrative vice president of Shanghai Electric Power Generation Group, the vice chairman and president of Shanghai Electric Power Generation Equipment Co., Ltd., the assistant to the president, chief operating officer and the chairman of the strategy and synergy committee of Shanghai Electric. Mr. Zhu graduated from Shanghai Tongji University with a master's degree in business administration and Xi'an Jiao Tong University with a bachelor's degree.

II. SUPERVISOR

Mr. Zhu Jian (祝健)

Mr. Zhu, aged 60, he currently serves as a Supervisor of the Guarantor. He also holds the position of the supervisor of Shanghai Automation Instrumentation Co., Ltd. Mr. Zhu has extensive experience in corporate management and state-owned assets reform. He previously served as the head of smelting workshop of Shanghai Xinhua Cast Steel Factory (上海新華鑄鋼廠), the vice plant manager of Shanghai Electromagnetic Wire Factory (上海電磁線廠), the deputy general manager of Shanghai Green Island Investment Co., Ltd. (上海綠島投資有限公司) and the deputy general manager of Shanghai Electric Enterprise Development Co., Ltd. (上海電氣企業發展有限公司). Mr. Zhu graduated from Shanghai Industry University (上海工業大學) (currently known as Shanghai University). He is a senior engineer.

III. SENIOR MANAGEMENT

Mr. Liao Zhiyong (廖志勇)

Mr. Liao, aged 51, he currently serves as a member of management committee of the Guarantor. He previously served as the plant manager and the deputy Party secretary of Shanghai Mica Insulation Materials Plant (上海雲母絕緣材料廠), the deputy general manager of Shanghai Hikoki Power Tools Co., Ltd. (上海日立電動工具有限公司), the head of storage and transportation office of marketing centre manufacture department of Shanghai United Motor (Group) Co., Ltd. (上海聯合電機(集團)有限公司), the plant manager and the deputy Party secretary of Shanghai Yuejin Motor Factory (上海躍進電機廠), the head of asset management department and the deputy general manager of Shanghai Electric Motor (Group) Co., Ltd. (上海電機(集團)有限公司), the general manager of Shanghai Wire NO.5 Factory (上海電線五廠), the deputy general manager of Shanghai Fujikura Chenglong Cable Accessories Co., Ltd. (上海藤倉誠隆電纜附件有限公司), the head and the Party secretary of Shanghai Institute of Electrical Motor Technology (上海電機技術研究所), the deputy general manager and the head of asset management department of Shanghai Wire and Cable (Group) Co., Ltd., (上海電線電纜(集團)有限公司) and the deputy general manager of Shanghai Welding Equipment & Consumables Co., Ltd. He graduated from the continuing education college of Shanghai Tongji University with a law degree. He is a senior political commissar (政工師).

Mr. Xu Jianguo (許建國)

Mr. Xu, aged 55, he currently serves as a member of management committee of the Guarantor. He also holds the positions of the director of Shanghai Electric Group Finance Co., Ltd., the director of Shanghai Life Insurance Co., Ltd (上海人壽保險股份有限公司), the director of Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備有限公司) (currently known as Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備(集團)股份有限公司)), an non-executive director of DFZQ, the non-executive director of Haitong Securities Co., Ltd and the chairman of the supervisory committee of Shanghai Highly (Group) Co., Ltd. He previously served as the assistant to financial manager of the management department and deputy head of asset financial department of Shanghai Electric Asset Management Co., Ltd. (上海電氣資產管理有限公司), the chief financial officer of Shanghai Lida Heavy Manufacturing Co., Ltd., (上海力達重工製造有限公司), the deputy head and head of the financial budget department of the Guarantor and the supervisor of Shanghai Prime. Mr. Xu graduated from the Chinese University of Hong Kong with an EMPACC degree. He is a senior accountant.

Shanghai Electric is the core operation platform of the SEC Group and the largest subsidiary of the Guarantor in terms of total asset and total operating revenue as at and for the six months ended 30 June 2019. As at the date of this Offering Circular, Mr. Zheng Jianhua serves as the chairman and Mr. Huang Ou, Mr. Zhu Zhaokai and Mr. Zhu Bin serve as the directors of Shanghai Electric; Mr. Zheng Jianhua serves as the chief executive officer, Mr. Huang Ou, Mr. Lv Yachen Mr. Dong Jianhua, Mr. Zhang Ke, Mr. Chen Ganjing, Mr. Gu Zhiqiang and Mr. Jin Xiaolong serve as the vice presidents, and Mr. Hu Kang serves as the chief finance officer of Shanghai Electric.

THE GUARANTEE

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds (including any principal, interest and related financial obligations).

Guarantee of foreign debt by a PRC incorporated entity is subject to registration with the relevant local branch of SAFE (the “**SAFE Registration**”). The SAFE Registration was implemented pursuant to the *Foreign Exchange of Cross-border Guarantee Measures*. The Guarantor will discharge its obligations under the Guarantee in reliance on, and in accordance with, the SAFE Registration and the applicable PRC laws and regulations.

Pursuant to the Foreign Exchange of Cross-border Guarantee Measures, all proceeds raised by the Issuer under the Bonds outside the PRC (and guaranteed by the Guarantor) shall not be remitted into the PRC for any use, directly or indirectly, including without limitation, any loan, equity investment or securities investment. In addition, the Guarantor shall procure that the proceeds under the Bonds shall be used for the overseas business purposes.

The Guarantor is required by the Foreign Exchange of Cross-border Guarantee Measures to register the Guarantee and will register the Guarantee with the Shanghai Branch within 15 PRC Business Days (as defined in the “**Terms and Conditions of the Bonds**”) after the execution of the Deed of Guarantee. Upon the performance or discharge of its obligations under the Guarantee, the Guarantor is eligible for each foreign exchange purchase and remittance under the Guarantee with the SAFE Registration. If the Guarantor fails to register the Guarantee within the prescribed timeframe, upon making payments under the Guarantee, the Guarantor may be unable to purchase or remit US dollars in order for it to fulfil its payment obligations under the Guarantee. See “Risk Factors — Risks relating to the Guarantee and the Bonds”.

Any payment by the Guarantor under the Guarantee in respect of interest under the Bonds will be subject to withholding taxes in the PRC as such payments of interest will be regarded as being derived from sources within the PRC. See “Taxation — PRC”.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds.

Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as (a) non-PRC Bondholders, or (b) beneficial owners who are entities or individuals located outside of the PRC in this “PRC Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under the laws of foreign countries and regions whose “de facto management bodies” are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law. The EIT Laws provide that the “de facto management body” of an enterprise is the organisation that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and income or gains paid with respect to the Bonds may considered to be derived from sources within the PRC.

Taxation on Interest

The EIT Law and its implementation regulations impose withholding tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in the PRC or that has an establishment or place of business in the PRC but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered to be a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Bonds may be treated as income derived from sources within the PRC and be subject to such PRC withholding tax at a rate of 10 per cent. Further, in accordance with the Individual Income Tax Law of the PRC which was last amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and be subject to a 20 per cent. individual income tax which the Issuer would be obliged to withhold from payments of interests to non-resident individual holders of the Bonds. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise holders of the Bonds will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

In addition, if the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Guarantor is within the territory of the PRC, the Guarantor is treated as a PRC tax resident enterprise for the purpose of the EIT Law and, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, such interest payments under the Guarantee may be considered to be derived from sources within the PRC. In such case, the Guarantor may be obliged to withhold PRC tax at a rate of 10 per cent. on such payments to non-PRC resident enterprise holders of the Bonds and 20 per cent. for non-resident individual holders of the Bonds. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, which allows a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds. Repayment of the principal will not be subject to PRC withholding tax.

Taxation on Capital Gains

The EIT Law and its implementation regulations impose a tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realised by a “non-resident enterprise” that does not have an establishment or place of business in the PRC or that has an establishment or place of business in the PRC but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation regulations impose a tax at the rate of 20 per cent. on income derived from sources within the PRC realised by non-resident individuals. If the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, and if the capital gains realised by holders of the Bonds are treated as income derived from sources within the PRC, such gains will be subject to such PRC tax. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds.

VAT

The Circular 36 provides for that the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, entities and individuals providing services within China are subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds may be regarded as the holders of the Bonds providing “loans” to the Issuer, which will therefore be regarded as financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the holders of the Bonds may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident holders of the Bonds may be subject to withholding VAT at the rate of 6 per cent. plus related local surcharges. It is uncertain whether VAT is applicable to any transfer of the Bonds between entities or individuals outside the PRC.

Circular 36 has been revised quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non PRC Bondholders in this section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the New Enterprise Income Tax Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of China shall be PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside PRC. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law. On that basis, holders of the Bonds will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10% on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due.

Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Bonds for any non PRC enterprise Bondholder.

However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10% on the payments of interest made by it under the Guarantee to non PRC resident enterprise Bondholders as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non PRC resident enterprise Bondholders. Repayment of the principal will not be subject to PRC withholding tax.

Non PRC Bondholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Bonds consummated outside mainland China between non PRC Bondholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future, any gain realised by the non PRC enterprise Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% of PRC withholding tax.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Bondholders is maintained outside the PRC) of a Bond.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- a. Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- b. Interest on the Bonds is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business;
- c. Interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the Laws of Hong Kong) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax.

Revenue, gains or profits derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

EU Directive on the taxation of savings income

The European Union has adopted the EC Council Directive 2003/48/EC (the “**Directive**”) regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In addition, the Member States have entered into provision of information or transitional withholding arrangements

with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive, and will provide details of payments of interest (or similar income) as from this date.

On 24 March 2014, the Council of the European Union adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes broaden the definition of “interest payment” to cover income that is equivalent to interest and widen the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of the Bonds should, however, be exempt.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain transactions. For example, to the extent that there are any conclusions of derivative contracts in the context of a company’s hedging arrangements or the purchase or sale of securities (such as charged assets), any such tax liabilities that arise in relation to the FTT may result in holders of the Bonds receiving less than expected in respect of such Notes. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Bonds (including secondary market transactions) in certain circumstances. Pursuant to Article 5(c) of Regulation EC No 1287/2006, the issuance and subscription of the Bonds should, however, be exempt. There is however uncertainty in relation to the intended scope of this exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

British Virgin Islands

Payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Group set out in the section “Selected Consolidated Financial Information of the Guarantor — Supplementary Financial Information” have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The differences identified below are limited to those significant differences that are appropriate to the Group’s financial statements. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary. The Group has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Provision for production safety expenses

Under PRC GAAP, in accordance to relevant regulations in the PRC, production safety expenses are appropriated to a special reserve in equity with amount thereof determined based on certain formulas and charged to the costs of related products or services. When the expenses have incurred which have not resulted in fixed assets, such expenses shall be offset against the special reserve; when the expenses have incurred and have resulted in fixed assets, they shall be recognised in construction in progress and transferred to fixed assets when the assets are ready for the intended use. Same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation at the same time.

Pursuant to IFRS, production safety expenditures not related to fixed assets shall be recognised in cost of related products or services as and when incurred. Production safety expenditures related to fixed assets shall be capitalised as cost of fixed assets as and when incurred, and depreciated according to relevant accounting policies of the Group.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with UBS AG Hong Kong Branch (incorporated in Switzerland with limited liability), Barclays Bank PLC (incorporated in England and Wales with limited liability), ICBC International Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability), Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the People's Republic of China with limited liability), China Construction Bank (Asia) Corporation Limited, J.P. Morgan Securities plc, MUFG Securities Asia Limited, CLSA Limited and United Overseas Bank Limited, Hong Kong Branch (incorporated in Singapore with limited liability) (each as a Joint Lead Manager) dated 13 February 2020 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have jointly and severally agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds at an issue price of 99.864% of their principal amount in the amount set forth below:

	Principal Amount of Bonds
	(U.S.\$)
UBS AG Hong Kong Branch (incorporated in Switzerland with limited liability).	54,000,000
Barclays Bank PLC (incorporated in England and Wales with limited liability).	54,000,000
ICBC International Securities Limited.	54,000,000
Guotai Junan Securities (Hong Kong) Limited	54,000,000
Bank of Communications Co., Ltd. Hong Kong Branch (a joint stock company incorporated in the People's Republic of China with limited liability).	54,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (incorporated in the People's Republic of China with limited liability)	5,000,000
China Construction Bank (Asia) Corporation Limited	5,000,000
J.P. Morgan Securities plc	5,000,000
MUFG Securities Asia Limited	5,000,000
CLSA Limited	5,000,000
United Overseas Bank Limited, Hong Kong Branch (incorporated in Singapore with limited liability)	5,000,000
Total	300,000,000

The Issuer and the Guarantor have jointly and severally agreed with the Joint Lead Managers in the Subscription Agreement that, for a period of 30 days after the Closing Date, none of the Issuer, the Guarantor shall, without the prior written consent of the Joint Lead Managers, make any announcements of, or any issue or offering of debt securities outside the PRC (other than the Bonds) to the public or through a private placement or otherwise in connection with which the Issuer, or the Guarantor is the issuer or guarantor, directly or on their behalf.

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers or their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

The distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. The Group will have no responsibility for, and each Joint Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. None of the Joint Lead Managers is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds, other than as contained in this Offering Circular or any amendment or supplement thereto.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Managers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Joint Lead Managers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including the Bonds, may be entered into at the same time or proximate to offers and sales of Bonds or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Bonds. The Bonds may be purchased by or be allocated to any Joint Lead Manager or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

PRIIPs Regulation/Prohibition of sales to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering

or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver any Bonds constituting part of its allotment, within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S. Each of the Joint Lead Managers also agree that it will not enter into any contractual arrangement with any distributor (as the term is defined in Regulation S) with respect to the distribution or delivery of the Bonds, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (“SFO”) and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

People’s Republic of China

Each of the Joint Lead Managers has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong, Macau or Taiwan), and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in the PRC, except as permitted by the securities laws of the PRC.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section

275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
 - (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (2) where no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law;
 - (4) as specified in Section 276(7) of the SFA; or
 - (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**Financial Instruments and Exchange Act**”) and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

British Virgin Islands

Each of the Joint Lead Managers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 211095296 and the International Securities Identification Number for the Bonds is XS2110952962.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the sole director of the Issuer passed on 11 October 2019. The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee and the performance of its obligations under the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the Board of the Guarantor passed on 23 September 2019.
3. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change since 30 June 2019, in the financial or trading position, prospects or results of operations of the Issuer, the Guarantor or the Group.
4. **Litigation:** None of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings, which the Group believes are material in the context of the Bonds and the giving of the Guarantee and, so far as the Issuer or the Guarantor is aware, no such litigation or arbitration proceedings are pending or threatened.
5. **Listing of Bonds:** Application has been made for the listing and quotation of the Bonds on the SGX-ST. Subject to the approval-in-principle for the listing and quotation of the Bonds being granted by the SGX-ST, the Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 or its equivalent in foreign currencies for so long as the Bonds are listed on the SGX-ST. So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Bonds in definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in definitive form, announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.
6. **Available Documents:** As long as any Bond is outstanding, copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraph (b) below, copies may be obtained during normal business hours at the specified office of the Issuer at No. 110 Sichuan Middle Road, Huangpu District, Shanghai 200002, PRC:

- a. Memorandum and Articles of Association of the Issuer and the Guarantor;
 - b. Copies of the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2017 and 2018;
 - c. Copies of the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2019;
 - d. the Agency Agreement; and
 - e. the Trust Deed.
7. **Independent Auditors:** The Guarantor's consolidated financial statements as at and for the years ended 31 December 2016, 2017 and 2018, which are included elsewhere in this Offering Circular, have been audited by Baker Tilly China, the independent auditors of the Guarantor. The Guarantor's consolidated financial statements as at and for the six months ended 30 June 2019, which are included elsewhere in this Offering Circular, have been reviewed by Baker Tilly China, the independent auditors of the Guarantor.
- The independent auditors of the Guarantor have agreed to the inclusion in this Offering Circular herein of, and all references to, (i) their name; (ii) their audit reports dated 13 April 2018 and 15 April 2019 on the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2017 and 2018, respectively; and (iii) their reviewed reports dated 20 September 2019 on the consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2019.
8. **LEI:** The Issuer's LEI code is 529900Y3SWJ0FFDION78.

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Shanghai Electric (Group) Corporation
Review Report
Baker Tilly China [2019] No.34149

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REVIEW REPORT

(English version for reference only)

Baker Tilly China [2019] No. 34149

Shanghai Electric (Group) Corporation:

We have reviewed the accompanying financial statements of Shanghai Electric (Group) Corporation (hereinafter referred to as "the Group"), which comprise the Group's and consolidated balance sheets as at 30 June 2019, and the Group's and consolidated income statements, the Group's and consolidated cash flow statements and the Group's and statements of changes in owners' equity for the year then ended, and the notes to the financial statements. Management of the Group is responsible for the preparation of financial statements, and our responsibility is to issue our review report on these financial statements based on our review.

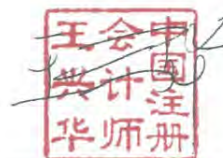
We conducted our review in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101 Review of Financial Statements. The standard requires us to plan and conduct a review to obtain limited assurance as to whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and performing analytical procedures on the data. A review provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared in accordance with the requirement in Accounting Standards for Business Enterprise and it fails to fairly reflect the financial conditions and consolidated financial conditions, operating results and cash flow of the Group in all significant aspects, as well as the consolidated operating results and consolidated cash flow.



Chinese Certified Public

Accountant:



Chinese Certified Public

Accountant:



This review's report and the accompanying notes to the financial statements are English translation of the Chinese review's report. In case any inconsistencies exist between the two reports, the Chinese version shall prevail.

Consolidated Balance Sheet

Prepared by: Shanghai Electric (Group) Corporation

Monetary unit: CNY

ITEMS	30 June 2019	31 December 2018
Current Assets:		
Cash And Cash Equivalents	25,407,122,024.61	24,750,696,988.38
△ Deposit Reservation For Balance	8,234,000.00	
△ Lendings To Banks And Other Financial Institutions	12,753,268,000.00	22,991,054,000.00
Transactional Monetary Capital	5,206,468,210.00	4,419,450,000.00
Financial Assets Calculated At Fair Value With Their Variance Recorded Into Current Profits And Losses		
Derivative Financial Assets	1,527,000.00	788,000.00
Notes Receivable	6,239,042,466.18	8,066,776,078.90
Accounts Receivable	35,027,543,424.54	21,977,958,153.33
Finance Receivables	7,863,293,483.57	3,329,753,000.00
Advance to Suppliers	17,182,762,259.45	11,976,432,845.17
△ Premiums Receivable		
△ Reinsurance Accounts Receivable		
△ Reinsurance Contract Reserves Receivable		
Other Receivable	4,972,974,694.94	5,610,704,829.21
Accrued Interest Receivable	150,323,246.12	113,994,836.73
Dividend Receivable	97,057,000.00	272,087,000.00
△ Redemptory Monetary Capital For Sale	1,524,539,000.00	2,308,712,000.00
Inventories	33,361,135,397.09	30,775,100,403.31
Contractual Assets	24,435,288,000.00	12,229,782,000.00
Assets Classified As Held For Sale	8,344,000.00	
Non-Current Assets Due Within One Year	4,230,425,638.00	4,200,538,638.00
Other Current Assets	10,039,318,787.14	7,927,747,003.02
Total Current Assets	188,261,286,385.52	160,565,493,939.32
Non-Current Assets:		
△ Loans Released And Money Advanced		
Debt Investments		
Financial Assets Available For Sale	15,884,993,115.74	12,758,797,478.55
Other Debt Investments	322,991,000.00	261,372,000.00
Held-To-Maturity Investments		
Long-Term Receivables	5,821,277,540.88	5,213,408,997.91
Long-Term Equity Investment	14,846,056,098.59	14,519,244,013.31
☆ Other Equity Investments	22,426,726.74	
☆ Other Non-Current Financial Assets	5,835,739,000.00	5,360,846,000.00
Investment Real Estate	1,401,829,311.83	1,112,758,839.09
Fixed Assets	21,969,728,024.88	20,445,273,877.72
Construction In Progress	4,283,283,420.07	2,228,261,004.48
Productive Biological Assets		
Oil And Gas Assets		
Right-Of-Use Assets	900,096,000.00	
Intangible Assets	8,862,559,858.63	8,509,746,570.98
Development Expenditures	176,579,559.13	146,163,114.51
Business Reputation	4,039,578,458.44	3,723,160,458.44
Long-Term Deferred Expenses	574,582,620.62	578,561,112.52
Deferred Income Tax Assets	7,696,340,298.67	7,157,311,915.01
Other Non-Current Assets	8,286,886,600.00	8,215,890,600.00
Total Non-Current Assets	100,924,947,634.22	90,230,795,982.52
Total Assets	289,186,234,019.74	250,796,289,921.84

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Consolidated Balance Sheet (Continued)

Prepared by: Shanghai Electric (Group) Corporation

Monetary unit: CNY

ITEMS	30 June 2019	31 December 2018
Current Liability:		
Short-Term Borrowings	19,904,523,504.55	14,226,849,619.10
△Borrowings From The Central Bank		
△Borrowings From Banks And Other Financial Institutions		
Transactional Monetary Liabilities	125,422,000.00	104,540,000.00
Financial Liabilities Measured At Fair Value Through Profits And Losses		13,125,682.11
Derivative Financial Liabilities	3,910,000.00	5,168,000.00
Notes Receivable	10,392,887,205.55	8,948,533,169.79
Accounts Receivable	52,366,955,805.12	42,592,172,535.56
Advance from customers	899,903,357.66	799,444,879.65
△Financial Assets Sold For Repurchase	1,004,000,000.00	
△Absorbing Deposits And Interbank Deposits	452,911,635.09	353,114,565.32
△Receivings From Vicariously Traded Securities		
△Receivings From Vicariously Sold Securities		
Payroll Payable	2,656,027,280.02	3,309,047,158.84
Taxes Payable	2,490,750,169.64	2,950,639,948.62
Other Accounts Payable	14,303,437,158.68	12,634,053,452.76
Including: Accrued Interest Payable	280,688,813.20	296,227,437.35
Dividend Payable	1,702,787,517.30	506,898,382.15
△Handling Charges And Commissions Payable		
△Reinsurance Accounts Payable		
Contractual Liabilities	39,827,664,000.00	36,566,071,000.00
Liabilities Classified As Held For Sale		
Non-Current Liabilities Due Within One Year	13,775,110,461.68	5,275,344,681.69
Other Current Liabilities	9,491,667,567.89	8,819,785,629.80
Total Current Liabilities	167,695,170,145.88	136,597,890,323.24
Non-Current Liabilities:		
Provision For Insurance Contracts		
Long-Term Loans	10,043,222,814.52	11,587,112,955.09
Bonds Payable	9,346,371,000.00	18,675,286,880.99
Including: Preferred Stock		
Perpetual Debt		
Lease Liabilities	686,996,000.00	
Long-Term Payable	2,562,844,421.96	2,836,465,530.28
Long-Term Employee Benefit Payable	2,549,534,121.73	2,607,264,178.26
Estimated Liabilities	405,678,479.96	321,669,931.48
Deferred Profits	1,920,374,494.45	1,543,902,550.88
Deferred Income Tax Liabilities	2,906,122,641.45	2,093,804,859.26
Other Non-Current Liabilities	417,931,712.42	406,704,856.11
Total Non-Current Liabilities	30,839,075,686.49	40,072,211,742.35
Total Liabilities	198,534,245,832.37	176,670,102,065.59
Owner's Equity (Or Shareholder'S Equity):		
Paid-In Capital (Share Capital)	9,080,366,283.42	9,080,366,283.42
Other Equity Instruments		
Including: Preferred Stock		
Perpetual Debt		
Capital Reserve	10,824,808,394.52	9,041,682,139.95
Less: Treasury Shares		
Other Comprehensive Incomes	5,256,504,165.54	3,347,339,249.69
Special Reserves	159,210,606.00	152,057,913.19
Surplus Reserve	747,238,034.67	747,238,034.67
△General Risk Reserve		
Retained Earnings	8,674,132,469.83	7,923,315,458.15
Total Owners' Equity Attributable To Parent	34,742,259,953.98	30,291,999,079.07
*Minority Shareholders' Interest	55,909,728,233.39	43,834,188,777.18
Total Owners' Equity	90,651,988,187.37	74,126,187,856.25
Total Liabilities And Owners' Equity	289,186,234,019.74	250,796,289,921.84

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Consolidated Income Statement

Prepared by: Shanghai Electric (Group) Corporation

January to June, 2019

Monetary unit: CNY

ITEMS	Current period	Prior period
I. Total operating revenue	60,378,859,912.50	59,108,230,430.72
Including: sales revenue	60,378,859,912.50	59,108,230,430.72
△Interest income		
△Earned premium		
△Handling charges and commission revenue		
II. Total operating costs	57,566,257,168.49	56,061,160,199.71
Including: cost of sales	48,807,127,486.42	48,134,359,939.01
△Interest expenditures		
△Handling charges and commission expenses		
△Loan value		
△Net amount of compensation expenses		
△Net amount of reserves for insurance contract		
△Policy dividend expenditures		
△Reinsurance expenses		
Tax and surcharges	271,465,435.67	318,798,419.26
Marketing costs	1,752,842,140.32	1,853,178,552.19
Managing costs	3,765,672,376.73	3,555,670,518.14
Research and development expenses	1,826,338,596.02	1,634,341,028.35
Financing costs	1,142,811,133.33	564,811,742.76
Including: Interest expenses	1,276,660,825.05	644,170,075.09
Interest income	293,005,457.46	179,361,933.25
Plus: other income	429,530,956.74	378,242,089.75
Income on investment (Loss is indicated by "-")	902,034,474.28	691,477,669.38
Including: Income from investments in associates and joint ventures	399,187,111.87	509,711,065.24
Derecognition income of financial assets measured by amortized cost (Loss is indicated by "-")		
△Foreign exchange gains (Losses are indicated by "-")		
Net gains from hedging (Losses are indicated by "-")		
Gains from changes in fair values (Losses are indicated by "-")	-37,539,767.89	-60,324,940.00
Credit impairment loss (Losses are indicated by "-")	-429,055,000.00	
Assets devaluation (Losses are indicated by "-")	-659,700,368.83	-1,090,515,305.93
Gains from asset disposal (Losses are indicated by "-")	424,515,104.53	50,628,000.00
III. Operating profit (Loss is indicated by "-")	3,442,388,142.84	3,016,577,744.21
Add: Non-operating profit	230,375,399.37	166,602,884.32
Less: Non-operating expenses	87,182,744.94	73,061,924.87
IV. Total profit (Total Loss is indicated by "-")	3,585,580,797.27	3,110,118,703.66
Less: Income tax expenses	751,785,544.47	354,817,104.32
V. Net profit (Net loss is indicated by "-")	2,833,795,252.80	2,755,301,599.34
including: Net profit realized by the merged party before the merger(包含: 被合并方在合并前实现的净利润)		
(I) Classified by business continuity		
Continuing operating profit and loss (Losses are indicated by "-")	2,833,795,252.80	2,755,301,599.34
Terminated operating profit and loss (Losses are indicated by "-")		
(II) Classified by ownership		
Net profits attributable to the parent company owners (Losses are indicated by "-")	905,369,145.75	748,841,516.83
*Minority shareholders' income (Losses are indicated by "-")	1,928,426,107.05	2,006,460,082.51
VI. Net other comprehensive income after tax	1,897,145,434.54	-2,116,427,171.10
After-tax net of other comprehensive income attributable to parent company owners	1,911,518,605.19	-2,095,345,420.95
(I) Other comprehensive income not chargeable to income statement in subsequent periods	-2,601,989.03	367,181.54
1.Changes in net liabilities or net assets under defined benefit plans	-3,383,068.74	367,181.54
2.Share of other comprehensive income in investee under equity method not chargeable to income statement in subsequent periods	781,079.71	
3.Changes in fair value of other equity investments		
4.Changes in fair value of the company's own credit risk		
(II) Other comprehensive income to be charged to income statement in subsequent periods	1,914,120,594.22	-2,095,712,602.49
1.Share of other comprehensive income in investee under equity method to be charged to income statement in subsequent periods		
2.Changes in fair value of other debt investments	22,358,956.16	-17,817,134.08
3.Gain & loss from changes in value of available for sale financial assets	1,899,453,723.53	-1,963,700,883.62
4.Amount of financial assets reclassified into other comprehensive income		
5.Gain or loss from reassignment of held to maturity investments to available for sale financial assets		
6.Credit impairment provisions of other debt investments	-10,975,889.29	
7.Effective cash flow hedge	540,273.18	-6,336,469.49
8.Exchange differences in translation of financial statements denominated in foreign currencies	2,743,530.64	-107,858,115.30
9.Others		
*After-tax net of other comprehensive income attributable to minority shareholders	-14,373,170.65	-21,081,750.15
VII. Total comprehensive income	4,730,940,687.34	638,874,428.24
Total comprehensive income attributable to the parent company owners	2,816,887,750.94	-1,346,503,904.12
*Minority shareholders' Total comprehensive income	1,914,052,936.40	1,985,378,332.36
VIII. Earnings per share		
Basic earnings per share		
Diluted earnings per share		

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Consolidated Cash Flow Statement

Prepared by: Shanghai Electric (Group) Corporation

January to June, 2019

Monetary unit: CNY

ITEMS	Current period	Prior period
I. Cash flow generated from operating activities:		
Cash received from sales of goods or rendering of services	53,915,070,837.71	52,779,959,507.89
△Net increase in customer's deposits and interbank placements		
△Net increase in loans from the Central Bank		
△Net increase in loans from other financial institutions		
△Cash received from receiving premium of original insurance contract		
△Net cash received from reinsurance business		
△Net increase from policyholders' deposits and deposits of investment		
△Cash received from interests, handling charges and commissions		
△Net increase in loans from other banks		
△Net increase in repurchase business capital		
△Net cash received by agents in the sale and purchase of securities		
Receipts of tax refunds	297,415,187.35	173,165,000.00
Other cash received related to business activities	1,672,567,115.47	729,062,000.00
Sub-total of cash inflows from operating activities	55,885,053,140.53	53,682,186,507.89
Cash paid to purchase commodities and receive labor services	53,083,824,054.31	52,721,824,740.55
△Net increase in loans and advances to customers		
△Net increase in balances with the Central Bank and other banks		
△Cash paid for compensation under original insurance contract		
△Net increase in financial assets held for trading purposes		
△Net increase in loans from other banks		
△Cash paid for interests, handling charges and commissions		
△Cash paid for policy dividend		
Cash paid to and on behalf of employees	5,874,017,241.17	4,984,909,305.41
Payments of taxes and surcharges	2,897,631,462.17	3,321,263,707.12
Other cash paid related to business activities	4,824,788,000.46	5,292,350,103.30
Sub-total of cash outflows from operating activities	66,680,260,758.11	66,320,347,856.38
Net cash flows from operating activities	-10,795,207,617.58	-12,638,161,348.49
II. Cash Flows from Investing Activities:		
Cash received from disposal of investments	2,765,187,454.76	6,062,587,252.52
Cash received from returns on investments	1,667,692,120.65	1,287,924,627.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	92,071,622.87	363,977,678.30
Net cash received from disposal of subsidiaries and other business units	7,930,000.00	58,847,000.00
Other received cash related to investing activities	6,957,271,017.80	3,664,038,166.95
Sub-total of cash inflows from investing activities	11,490,152,216.08	11,437,374,725.24
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,888,703,070.07	1,436,223,800.12
Cash paid to acquire investments	6,104,150,167.36	1,547,829,550.89
△Net increase of pledge loans		
Net cash paid for acquisitions of subsidiaries and other business units		
Other cash paid related to investing activities	1,553,548,936.38	2,677,684,602.67
Sub-total of cash outflows from investing activities	9,546,402,173.81	5,661,737,953.68
Net cash flows from investing activities	1,943,750,042.27	5,775,636,771.56
III. Cash flows from financing activities:		
Cash received from investments	10,425,541,000.00	6,028,960.00
Including: cash received for subsidiaries' absorbing minority shareholder investment		
Cash received from loans	17,165,756,246.52	20,062,735,571.11
△Cash received from issuing bonds		
Other received cash related to financing activities	2,940,545,044.27	738,131,384.60
Sub-total of cash inflows from financing activities	30,531,842,290.79	20,806,895,915.71
Cash paid for debt repayment	25,893,704,472.00	10,577,682,149.72
Cash for distributing dividends and profits or paying interest	2,036,272,107.90	1,498,293,219.83
Including: dividends and profits paid to minority shareholders by subsidiary		
Other paid cash related to financing activities	1,005,827,750.00	836,728,300.00
Sub-total of cash outflows from financing activities	28,935,804,329.90	12,912,703,669.55
Net cash flows from financing activities	1,596,037,960.89	7,894,192,246.16
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	4,452,392.47	-13,641,996.39
V. Net increase in cash and cash equivalents	-7,250,967,221.95	1,018,025,672.84
Plus: Balance of cash and cash equivalents at the beginning of the period	36,965,238,141.82	23,898,090,296.20
VI. Balance of cash and cash equivalents at the end of the period	29,714,270,919.87	24,916,115,969.04

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Consolidated Statement of Changes in Owners' Equity

Prepared by: Shanghai Electric (Group) Corporation

January to June, 2019

Monetary unit: CNY

Items	Amount for the current period													Total owners' equity
	Total owners' equity attributable to parent													
	Paid-in capital (or share capital)	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	△General risk reserves	Unappropriate profits	Others	Subtotal	Minority stockholder's interest	
		Preferred stock	Perpetual debt											
Closing balance of the preceding year	9,090,366,293.42			9,041,692,139.95		3,347,329,249.89	152,057,913.19	747,238,034.67		7,923,315,498.15		30,291,999,079.07	43,834,188,777.18	74,125,187,856.25
Add: Changes in accounting policies						-2,303,699.34				-7,937,192.69		-10,290,892.03	-29,028,079.64	-39,318,952.57
Corrections of prior period errors														
Business combinations involving enterprises under common control														
Others														
Opening balance of the current year	9,090,366,293.42			9,041,692,139.95		3,344,985,560.25	152,057,913.19	747,238,034.67		7,915,379,265.46		30,281,708,197.94	43,805,160,705.64	74,086,869,803.08
Changes for the year (Decrease is indicated by "-")						1,911,518,605.19	7,152,692.81			759,754,204.37		4,400,551,756.94	12,104,597,529.75	18,595,119,293.69
Total comprehensive income						1,911,518,605.19				805,369,145.75		2,816,867,750.94	1,914,092,836.40	4,730,940,697.34
Owners' contributions and withdrawals in capital										-146,614,941.38		1,636,511,313.19	12,032,420,266.14	13,669,931,672.33
Common share contribution from owners														
Capital contribution from other equity instrument holders														
Share-based payment recognised in owners' equity														
Others														
Profit distribution														
Transfer to surplus reserve														
Extracting general risk reserve														
Distribution to shareholders														
Others														
Transfers within owners' equity														
Capital reserve transferred to capital (or share capital)														
Surplus reserves transferred to capital (or share capital)														
Loss offset by surplus reserves														
Carry forward retained earnings from benefit plan selling changes														
Carry forward retained earnings from other comprehensive income														
Others														
Special reserves														
Transfer to special reserves in the period														
Amount utilised in the period														
Others														
Closing balance of the current year	9,090,366,293.42			10,824,808,394.12		5,255,504,165.54	159,210,605.00	747,238,034.67		8,674,132,469.83		34,742,259,953.98	55,909,726,233.39	90,651,986,197.37

The person in charge of the accounting officer: Zhou Min

Director of finance: Xu Jiaqiao

Head of the enterprise: Zhang Jianhua

Consolidated Statement of Changes in Owners' Equity (Continued)

January to June, 2019

Monetary unit: CNY

Items	Amount for the prior period													Total owners' equity attributable to parent	Minority stockholder's interest	Total owners' equity
	Paid-in capital (or share capital)	Other equity instruments:		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	ΔGeneral risk reserves	Unappropriate profits	Others	Subtotal				
		Preferred stock	Perpetual debt										Others			
I. Closing balance of the preceding year	8,760,365,263.42			9,102,337,469.33		5,905,945,123.10	141,796,520.61	667,532,189.77		6,736,437,869.50		31,333,416,425.73	42,391,467,162.20	73,624,882,587.50		
Add: Changes in accounting policies						4,055,105.32						4,055,105.32	149,052,918.51	153,108,023.83		
Corrections of prior period errors																
Business combinations involving enterprises under common control																
Others																
II. Opening balance of the current year	8,760,365,263.42			9,102,337,469.33		5,910,000,228.42	141,796,520.61	667,532,189.77		6,736,437,869.50		31,337,470,531.05	42,440,520,080.71	73,777,590,611.76		
III. Changes for the year (Decrease is indicated by "-")				332,570,112.61		-2,095,345,420.95	6,475,599.43			799,142,523.33		-957,157,185.58	-73,278,812.38	-1,039,435,757.96		
(I) Total comprehensive income						-2,095,345,420.95				748,841,516.83		-1,346,503,904.12	1,985,378,332.36	638,874,429.24		
(II) Owners' contributions and withdrawal in capital				332,570,112.61								332,570,112.61	151,818,172.21	484,168,833.82		
1. Common share contribution from owners																
2. Capital contribution from other equity instrument holders																
3. Share-based payment recognised in owners' equity																
4. Others				332,570,112.61						50,301,006.50		332,570,112.61	151,818,172.21	484,168,833.82		
(III) Profit distribution												50,301,006.50	-2,211,519,865.94	-2,161,218,859.44		
1. Transfer to surplus reserve																
2. Extracting general risk reserve																
3. Distribution to shareholders																
4. Others																
(IV) Transfers within owners' equity												50,301,006.50	-862,757,923.87	-862,757,923.87		
1. Capital reserve transferred to capital (or share capital)												50,301,006.50	-1,318,761,742.07	-1,268,460,735.57		
2. Surplus reserves transferred to capital (or share capital)																
3. Loss offset by surplus reserves																
4. Carry forward retained earnings from benefit plan selling changes																
5. Carry forward retained earnings from other comprehensive income																
6. Others																
(V) Special reserves							6,475,599.43					6,475,599.43	1,244,000.00	7,719,599.43		
1. Transfer to special reserves in the period							6,023,899.43					6,023,699.43	1,021,000.00	8,544,599.43		
2. Amount utilised in the period							-448,000.00					-448,000.00	-377,000.00	-485,000.00		
(VI) Others																
IV. Closing balance of the current year	8,760,365,263.42			9,434,907,581.94		3,814,654,807.47	148,272,120.04	667,532,189.77		7,534,580,392.83		30,380,313,346.47	42,367,741,468.33	72,747,554,813.80		

Head of the enterprise: Zheng Jiahua Director of finance: Xu Jianguo The person in charge of the accounting office: Zhou Min

Balance Sheet

Prepared by: Shanghai Electric (Group) Corporation

Monetary unit: CNY

ITEMS	30 June 2019	31 December 2018
Current Assets:		
Cash And Cash Equivalents	477,217,830.47	4,782,714,642.55
△Deposit Reservation For Balance		
△Lendings To Banks And Other Financial Institutions		
☆Transactional Monetary Capital		
Financial Assets Calculated At Fair Value With Their Variance Recorded Into Current Profits And Losses		
Derivative Financial Assets		
Notes Receivable		4,126,990.31
Accounts Receivable	1,577,200.26	209,550.26
Finance Receivables		
Advance to Suppliers	157,051,778.81	70,372,823.06
△Premiums Receivable		
△Reinsurance Accounts Receivable		
△Reinsurance Contract Reserves Receivable		
Other Receivable	2,740,852,577.24	2,666,973,333.07
Including: Accrued Interest Receivable		
Dividend Receivable		
△Redemptory Monetary Capital For Sale		
Inventories		
Contractual Assets		
Assets Classified As Held For Sale		
Non-Current Assets Due Within One Year		
Other Current Assets	1,772,312,500.00	30,000,000.00
Total Current Assets	5,149,011,886.78	7,554,397,339.25
Non-Current Assets:		
△Loans Released And Money Advanced		
Debt Investments		
Financial Assets Available For Sale	13,281,220,687.52	9,970,194,453.61
☆Other Debt Investments		
Held-To-Maturity Investment		
Long-Term Accounts Receivable		
Long-Term Equity Investment	27,523,457,272.50	27,828,280,379.29
☆Other Equity Investments		
☆Other Non-Current Financial Assets		
Investment Real Estate		
Fixed Assets	1,613,484,575.51	1,654,746,640.81
Construction In Progress	16,967,420.21	7,271,950.42
Productive Biological Assets		
Oil And Gas Assets		
Right-Of-Use Assets		
Intangible Assets	1,710,582,875.96	1,716,582,875.96
Development Expenditures		
Business Reputation		
Long-Term Deferred Expenses		
Deferred Income Tax Assets		
Other Non-Current Assets	179,409,983.40	179,409,983.40
Total Non-Current Assets	44,325,122,815.10	41,356,486,283.49
Total Assets	49,474,134,701.88	48,910,883,622.74

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Balance Sheet (Continued)

Prepared by: Shanghai Electric (Group) Corporation

Monetary unit: CNY

ITEMS	30 June 2019	31 December 2018
Current Liability:		
Short-Term Borrowings	8,389,312,500.00	7,562,200,000.00
△Borrowings From The Central Bank		
△Borrowings From Banks And Other Financial Institutions		
☆Transactional Monetary Liabilities		
Financial Liabilities Measured At Fair Value Through Profits And Losses		
Derivative Financial Liabilities		
Notes Payable		
Accounts Payable	104,269,092.25	107,602,991.43
Advance from customers	158,851,753.27	67,693,773.96
△Financial Assets Sold For Repurchase		
△Absorbing Deposits And Interbank Deposits		
△Financial Assets Sold For Repurchase		
△Receivings From Vicariously Sold Securities		
Payroll Payable		1,542,510.46
Taxes Payable	9,882,472.86	141,030,902.25
Other Accounts Payable	2,505,003,971.43	2,477,475,709.21
Including: Accrued Interest Payable	63,454,502.99	82,620,289.01
Dividend Payable	199,798,675.74	199,798,675.74
△Handling Charges And Commissions Payable		
△Dividend Payable For Reinsurance		
Contractual Liabilities		
Liabilities Classified As Held For Sale		
Non-Current Liabilities Due Within One Year		2,500,000,000.00
Other Current Liabilities		
Total Current Liabilities	11,167,319,789.81	12,857,545,887.31
Non-Current Liabilities:		
△Insurance Contract Reserve		
Long-Term Loans	1,804,620,000.00	1,825,310,000.00
Bonds Payable	2,500,000,000.00	2,500,000,000.00
Including: Preferred Stock		
Perpetual Debt		
Lease Liabilities		
Long-Term Payables	771,401,139.79	748,429,188.61
Long-Term Employee Benefit Payable	2,082,367,609.83	2,120,860,435.57
Estimated Liabilities		
Deferred Profits	423,198,561.11	423,198,561.11
Deferred Income Tax Liabilities	1,615,620,547.63	982,444,623.33
Other Non-Current Liabilities		
Total Non-Current Liabilities	9,197,207,858.36	8,600,242,808.62
Total Liabilities	20,364,527,648.17	21,457,788,695.93
Owner'S Equity (Or Shareholder'S Equity):		
Paid-In Capital (Share Capital)	9,080,366,283.42	9,080,366,283.42
Other Equity Instruments		
Including: Preferred Stock		
Perpetual Debt		
Capital Reserve	9,859,443,060.71	9,859,443,060.71
Less: Treasury Shares		
Other Comprehensive Incomes	4,970,383,127.51	3,070,855,354.62
Special Reserves		
Surplus Reserve	747,238,034.67	747,238,034.67
△General Risk Reserve		
Retained Earnings	4,452,176,547.40	4,695,192,193.39
Total Owners' Equity	29,109,607,053.71	27,453,094,926.81
Total Liabilities And Owners' Equity	49,474,134,701.88	48,910,883,622.74

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Income Statement

Prepared by: Shanghai Electric (Group) Corporation

January to June, 2019

Monetary unit: CNY

ITEMS	Current period	Prior period
I. Total operating revenue	69,377,038.36	74,737,872.97
Including: Sales revenue	69,377,038.36	74,737,872.97
△Interest income		
△Earned premium		
△Handling charges and commission revenue		
II. Total operating costs	426,671,063.42	333,673,499.06
Including: Cost of sales	649,077.02	466,506.40
△Interest expenditures		
△Handling charges and commission expenses		
△Loan value		
△Net amount of compensation expenses		
△Net amount of reserves for insurance contract		
△Policy dividend expenditures		
△Reinsurance expenses		
Tax and surcharges	21,485,591.66	24,474,527.58
Marketing costs		
Managing costs	118,293,158.38	123,464,227.26
Research and development expenses		
Financing costs	286,243,236.36	185,268,237.82
Including: Interest expenses	246,608,342.23	164,310,391.86
Interest income	4,754,923.22	4,848,691.48
Add: Other income		
Income on investment (Loss is indicated by "-")	116,178,379.07	48,025,720.30
Including: Income from investments in associates and joint ventures		
Derecognition income of financial assets measured by amortized cost (Loss is indicated by "-")		
△Foreign exchange gains (Losses are indicated by "-")		
☆Net gains from hedging (Losses are indicated by "-")		
Gains from changes in fair values (Losses are indicated by "-")		
Credit impairment loss (Losses are indicated by "-")		
Assets devaluation (Losses are indicated by "-")		
Gains from asset disposal (Losses are indicated by "-")		
III. Operating profit (Loss is indicated by "-")	-241,115,645.99	-210,909,905.79
Add: Non-operating profit	9,600,000.00	24,239,920.00
Less: Non-operating expenses	11,500,000.00	1,504,946.00
IV. Total profit (Total Loss is indicated by "-")	-243,015,645.99	-188,174,931.79
Less: Income tax expenses		
V. Net profit (Net loss is indicated by "-")	-243,015,645.99	-188,174,931.79
(I) Continuing operating profit and loss (Losses are indicated by "-")	-243,015,645.99	-188,174,931.79
(II) Terminated operating profit and loss (Losses are indicated by "-")		
VI. Net other comprehensive income after tax	1,899,527,772.89	-1,962,423,632.38
(I) Other comprehensive income not chargeable to income statement in subsequent periods		
1.Changes in net liabilities or net assets under defined benefit plans		
2.Share of other comprehensive income in investee under equity method not chargeable to income statement in subsequent periods		
3.Changes in fair value of other equity investments		
4.Changes in fair value of the company's own credit risk		
(II) Other comprehensive income to be charged to income statement in subsequent periods	1,899,527,772.89	-1,962,423,632.38
1.Share of other comprehensive income in investee under equity method to be charged to income statement in subsequent periods		
2.Changes in fair value of other debt investments		
3.Gain & loss from changes in value of available for sale financial assets	1,899,527,772.89	-1,962,423,632.38
4.Amount of financial assets reclassified into other comprehensive income		
5.Gain or loss from reassignment of held to maturity investments to available for sale financial assets		
6.Credit impairment provisions of other debt investments		
7.Effective cash flow hedge		
8.Exchange differences in translation of financial statements denominated in foreign currencies		
9.Others		
VII. Total comprehensive income	1,656,512,126.90	-2,150,598,564.17
VIII. Earnings per share		
Basic earnings per share		
Diluted earnings per share		

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Cash Flow Statement

Prepared by: Shanghai Electric (Group) Corporation

January to June, 2019

Monetary unit: CNY

ITEMS	Current period	Prior period
I. Cash flow generated from operating activities:		
Cash received from sales of goods or rendering of services	2,196,932.66	571,580.00
△Net increase in customer's deposits and interbank placements		
△Net increase in loans from the Central Bank		
△Net increase in loans from other financial institutions		
△Cash received from receiving premium of original insurance contract		
△Net cash received from reinsurance business		
△Net increase from policyholders' deposits and deposits of investment		
△Cash received from interests, handling charges and commissions		
△Net increase in loans from other banks		
△Net increase in repurchase business capital		
△Net cash received by agents in the sale and purchase of securities		
Receipts of tax refunds		
Other cash received related to business activities	2,275,296,164.86	2,043,168,748.24
Sub-total of cash inflows from operating activities	2,277,493,097.52	2,043,740,328.24
Cash paid to purchase commodities and receive labor services	708,105.40	29,585,966.43
△Net increase in loans and advances to customers		
△Net increase in balances with the Central Bank and other banks		
△Cash paid for compensation under original insurance contract		
△Net increase in financial assets held for trading purposes		
△Net increase in loans from other banks		
△Cash paid for interests, handling charges and commissions		
△Cash paid for policy dividend		
Cash paid to and on behalf of employees	4,582,613.54	33,463,075.83
Payments of taxes and surcharges	165,393,244.84	61,134,365.15
Other cash paid related to business activities	2,438,771,381.46	3,080,285,737.23
Sub-total of cash outflows from operating activities	2,609,455,345.24	3,204,469,144.64
Net cash flows from operating activities	-331,962,247.72	-1,160,728,816.40
II. Cash Flows from Investing Activities:		
Cash received from disposal of investments	102,250,704.76	24,625,810.66
Cash received from returns on investments	413,077,736.09	56,594,532.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	26,465,906.79	55,056,036.00
Net cash received from disposal of subsidiaries and other business units		
Other received cash related to investing activities	328,229,506.95	140,379,200.00
Sub-total of cash inflows from investing activities	870,023,854.59	276,655,579.05
Cash paid to acquire fixed assets, intangible assets and other long-term assets	14,494,690.91	16,572,382.17
Cash paid to acquire investments	862,175,757.36	338,196,400.92
△Net increase of pledge loans		
Net cash paid for acquisitions of subsidiaries and other business units		
Other cash paid related to investing activities	1,990,028,793.99	32,025,602.67
Sub-total of cash outflows from investing activities	2,866,699,242.26	386,794,385.76
Net cash flows from investing activities	-1,996,675,387.67	-110,138,806.71
III. Cash flows from financing activities:		
Cash received from investments		
Including: cash received for subsidiaries' absorbing minority shareholder investment		
Cash received from loans	7,890,000,000.00	9,867,000,000.00
△Cash received from issuing bonds		
Other received cash related to financing activities		
Sub-total of cash inflows from financing activities	7,890,000,000.00	9,867,000,000.00
Cash paid for debt repayment	9,583,577,500.00	7,120,000,000.00
Cash for distributing dividends and profits or paying interest	265,774,128.25	290,059,968.18
Including: dividends and profits paid to minority shareholders by subsidiary		
Other paid cash related to financing activities	17,527,750.00	130,875.00
Sub-total of cash outflows from financing activities	9,866,879,378.25	7,410,190,843.18
Net cash flows from financing activities	-1,976,879,378.25	2,456,809,156.82
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	20,201.56	102,768.65
V. Net increase in cash and cash equivalents	-4,305,496,812.08	1,186,044,302.36
Plus: Balance of cash and cash equivalents at the beginning of the period	4,781,714,642.55	1,162,925,556.57
VI. Balance of cash and cash equivalents at the end of the period	476,217,830.47	2,348,969,858.93

Head of the enterprise: Zheng Jianhua

Director of finance: Xu Jianguo

The person in charge of the accounting office: Zhou Min

Prepared by: Shanghai Electric (Group) Corporation

January to June, 2019

Monetary unit: CNY

Items	Amount for the current period											Subtotal
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserve	△ General risk reserve	Unappropriate profits	
		Preferred stock	Perpetual debt	Others								
I. Closing balance of the preceding year	9,080,366,283.42				9,659,443,060.71		3,070,855,354.62		747,238,034.67		4,695,192,193.39	27,453,094,926.81
Add: Changes in accounting policies												
Corrections of prior period errors												
Others												
II. Opening balance of the current year	9,080,366,283.42				9,659,443,060.71		3,070,855,354.62		747,238,034.67		4,695,192,193.39	27,453,094,926.81
III. Changes for the year (Decrease is indicated by "-")							1,899,527,772.89				-243,015,645.99	1,656,512,126.90
(I) Total comprehensive income							1,899,527,772.89				-243,015,645.99	1,656,512,126.90
(II) Owners' contributions and withdrawal in capital												
1. Common share contribution from owners												
2. Capital contribution from other equity instruments holders												
3. Share-based payment recognised in owners' equity												
4. Others												
(III) Profit distribution												
1. Transfer to surplus reserve												
2. Extracting general risk reserve												
3. Distribution to shareholders												
4. Others												
(IV) Transfers within owners' equity												
1. Capital reserve transferred to capital (or share capital)												
2. Surplus reserves transferred to capital (or share capital)												
3. Loss offset by surplus reserves												
4. Carry forward retained earnings from benefit plan settling changes												
5. Carry forward retained earnings from other comprehensive income												
6. Others												
(V) Special reserves												
1. Transfer to special reserves in the period												
2. Amount utilised in the period												
(VI) Others												
V. Closing balance of the current year	9,080,366,283.42				9,659,443,060.71		4,970,383,127.51		747,238,034.67		4,452,176,547.40	29,109,607,053.71

The person in charge of the accounting office: Zhou Min

Director of finance: Xu Jianguo

Head of the enterprise: Zheng Jianhua

The person in charge of the accounting office: Zhou Min

Statement of Changes in Owners' Equity (Continued)

Prepared by: Shanghai Electric (Group) Corporation

January to June, 2019

Monetary unit: CNY

Items	Amount for the prior period						
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income
		Preferred stock	Perpetual debt	Others			
I. Closing balance of the preceding year	8,780,366,283.42				9,729,043,706.73		5,359,888,546.24
Add: Changes in accounting policies							
Corrections of prior period errors							
Others							
II. Opening balance of the current year	8,780,366,283.42				9,729,043,706.73		5,359,888,546.24
III. Changes for the year (Decrease is indicated by "-")							-1,952,423,532.38
(I) Total comprehensive income							-1,952,423,532.38
(II) Owners' contributions and withdrawal in capital							
1. Common share contribution from owners							
2. Capital contribution from other equity instruments holders							
3. Share-based payment recognised in owners' equity							
4. Others							
(III) Profit distribution							
1. Transfer to surplus reserve							
2. Extracting general risk reserve							
3. Distribution to shareholders							
4. Others							
(IV) Transfers within owners' equity							
1. Capital reserve transferred to capital (or share capital)							
2. Surplus reserves transferred to capital (or share capital)							
3. Loss offset by surplus reserves							
4. Carry forward retained earnings from benefit plan settling changes							
5. Carry forward retained earnings from other comprehensive income							
6. Others							
(V) Special reserves							
1. Transfer to special reserves in the period							
2. Amount utilised in the period							
(VI) Others							
IV. Closing balance of the current year	8,780,366,283.42				9,729,043,706.73		3,397,465,013.86
							667,532,189.77
							4,038,937,877.74
							26,613,345,071.52

Head of the enterprise: Zheng Jianhua Director of finance: Xu Jiangao The person in charge of the accounting office: Zhou Min

SHANGHAI ELECTRIC (GROUP) CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY, 2019 TO JUNE, 2019

(Amounts are denominated in CNY unless otherwise stated)

I. BASIC INFORMATION ABOUT THE COMPANY

Shanghai Electric (Group) Corporation (referred to as “the Company”, “Company”, “the Group”, or “Group”) is a state-owned asset approved by Shanghai Municipal People’s Government and licensed to operate and manage by Shanghai Municipal State-owned Assets Supervision and Administration Commission on behalf of the nation. The Company is a state-owned Company, established on January 14, 1985.

In February 2009, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 30 million. In June 2010, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 90 million.

In October 2010, according to Shanghai Municipal State-owned Assets Supervision and Administration Commission (referred to as “SASAC”) issued Shanghai SASAC property [2010] No.423 *“About the reply of Shanghai Electric Group Co. Ltd and China National Electric Engineering Corporation based on the capital consultative solution of loaning instead of allocating on the central level”*, the Company returned the investment of China National Electric Engineering Corporation and recorded a decrease in paid-in capital of CNY 54,049,937.88. As a result, the shareholding of Shanghai Municipal State-owned Assets Supervision and Administration Commission holds was changed to 100%.

In year 2011, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 240 million. In year 2013, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 165 million. In year 2014, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 195 million. In year 2015, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 300 million.

In July 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 300 million; in October 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 200 million; In December 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 71.6 million.

In August 2017, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 400 million; in September 2017, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 454 million; In December 2017, Shanghai State Owned Assets

Supervision and Administration Commission increased the capital of CNY 30 million. As of December 31, 2017, the Company has only completed the capital injection in business registration of CNY 454 million. The registered capital was changed to CNY 8,350,366,000.00.

In July 2018, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 300 million; As of December 31, 2018, the Company has completed the capital injection in business registration of CNY 430 million. The registered capital was changed to CNY 8,780,366,000.00.

In May 28, 2019, the Company has completed business registration for capital injection of CNY 300 million. The registered capital after change is CNY 9,080,366,000.00.

The Company obtained the business license with registration No.913100001322128733, issued by Shanghai Administration for Industry and Commerce on May 28, 2019. Registered capital was changed to CNY 9,080,366,000.00. The nature of the Company is state-owned enterprise and the Legal representative is Zheng Jianhua. The Company address is No.110 Middle Sichuan Road. The operation period is from May 28, 1998 to no agreed period.

As of December 31, 2018 each shareholder subscribed registered capital of the Company and the proportion of holding is as follows:

Investor	Registered capital (in ten thousands)	Proportion of funding (%)
Shanghai Municipal State-owned Assets Supervision and Administration Commission	908,036.60	100.00
Total	<u>908,036.60</u>	<u>100.00</u>

Governance structure: The Company is under the governance of Board of Directors, which is the decision-maker of the Company. The Company shall have one president, one legal representative and several vice presidents.

Organizational structure: A total of 24 second-level subsidiaries, including 20 wholly owned subsidiaries within the scope of consolidation and 4 holding subsidiaries.

Business scope: Electric power engineering supply project, equipment package or split, foreign contracted projects and labor service, industrial investment, mechanical and electrical products and related equipment manufacturing and sales, providing relevant technical advice and training for the domestic and export projects, managing and administrating of state owned assets within SASAC authorized scope, domestic trade (except specifically regulated), design, production, and distribution of various types of advertisements. (Activities require prior approval are carried out with approvals from relevant authorities)

The Company's financial statements have been approved by the management on September 20, 2019.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group have been prepared on going concern basis, in accordance with

Accounting Standards for Business Enterprises (“ASBE”) and the significant accounting policies and accounting estimates as follows.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The Group has adopted the new version of Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance (“MOF”). The financial statements truly and completely present the Group’s financial position, the results of operations and cash flows.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Group adopts the calendar year as its accounting year, i.e. from January 1 to December 31.

The current accounting period of this report is the period from 1 January 2019 to 30 June 2019.

2. Functional currency

The Group’s functional currency is Chinese Yuan (“CNY”).

3. Basis of accounting and Principle of measurement

The principles of measurement adopted by the Group include historical cost, replacement cost, net realizable value, present value and fair value.

4. Business combinations

4.1 The accounting treatment of business combinations on the combination date involving enterprises under common control

For a business combination that involves one single exchange transaction or achieved in stages that involve multiple exchange transactions, assets and liabilities that are obtained in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed in the consolidated financial statement of ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

4.2 The accounting treatment of a business combination not involving enterprises under common control

Where the cost of combination exceeds the investor’s interest in the fair value of the investee’s identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the investor’s interest in the fair value of the investee’s

identifiable net assets, the investor firstly reassesses the measurement of the fair values of the investee's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the investor's interest in the fair value of the investee's identifiable net assets, the investor recognizes the remaining difference immediately in profit or loss for the current period.

Accounting treatment of a business combination not involving enterprises under common control and achieved in stages shall be as following orders:

(1) The carrying value of long-term equity investment shall be adjusted. The summation of the carrying value (prior to the date of purchase) of equity investment held by investor in investee and increased investment cost (at the purchase date) shall be recognized as the initial investment cost; when disposal investee's equity held by investor (prior to purchase date) involving other comprehensive income, related other comprehensive income shall be adjusted into current investment income.

(2) Confirmation of goodwill (or the amounts recognized in profit or loss). The initial investment cost of the long-term equity investment after the adjustment of the first step is compared with the fair value of the identifiable net assets of the subsidiary at the date of purchase. If the former amount is greater than the latter amount, the difference is recognized as goodwill; if the former amount is smaller than the latter amount, the difference is included in current profit and loss.

Multiple transactions that are part of a bundled transaction which eventually results in loss of control

(1) In determining whether to account for the multiple transactions as a single transaction

The Group shall consider all the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the Group should account for the multiple arrangements as a single transaction:

- a) Arrangements are entered into at the same time or in contemplation of each other;
- b) Arrangements work together to achieve an overall commercial effect;
- c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

(2) Accounting treatment of multiple transactions that are part of a bundled transaction which eventually results in loss of control

If each of the multiple transactions forms part of a bundled transactions which eventually results in loss of control the subsidiary, these multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive

income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

The remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

(3) Accounting treatment of various transactions that are not part of the bundled transaction which eventually results in loss of control

If the Group does not lose control of investee, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary shall be adjusted to the capital reserve (capital premium or share premium) in the consolidated financial statements.

If the Group loses control of investee, the remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

5. Preparation of consolidated financial statements

All subsidiaries of the Group are included in consolidated financial statements. Consolidated financial statements are prepared in accordance with "Accounting Standard for Business Enterprise No. 33-Consolidated Financial Statements and based on financial statements of parent company and its subsidiaries and other related information."

6. Joint arrangement

6.1 Identification and classification of joint arrangements

Joint arrangement refers to an arrangement that is jointly controlled by two or more participants. Joint arrangements have the following characteristics: 1) Each participant is bound by the arrangement; 2) Two or more participants implement joint control of the arrangement. Neither party can control the arrangement alone, and any one party that has joint control of the arrangement can prevent other parties or groups of parties from

controlling the arrangement alone.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements include joint operation and joint venture. A joint operation means the operator have rights to the assets, and obligations for the liabilities, in relation to the arrangement. A joint venture means the operator have rights to the net assets of the arrangement.

6.2 Accounting arrangements for joint arrangements

A joint operator shall recognize the following items in relation to its interest in a joint operation and conduct accounting treatment in accordance with the relevant provisions of the accounting standards of the Group: 1) its solely-held assets, and its share of any jointly held assets; 2) its solely-obligated liabilities, and its share of any jointly incurred liabilities; 3) its revenue from the sale of its share of the output arising from the joint operation; 4) its share of the revenue from the sale of the output by the joint operation; 5) and its solely-incurred expenses, and its share of any expenses incurred jointly.

The parties to a joint venture shall account for the investment in the joint venture in accordance with the provisions of the "Accounting Standards for Business Enterprises No. 2 - Long-term equity investment."

7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Company's short-term (usually due within 3 months from the acquisition date), 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. Translation of foreign currencies

8.1 Transactions denominated in foreign currencies

On initial recognition, a foreign currency transaction is translated into functional currency by applying the spot exchange rate on the date of the transaction announced by People's Bank of China. At the balance sheet date, monetary assets denominated in foreign currencies are translated into CNY. The difference between the initial exchange rate and the spot exchange rate of foreign currency balance (except for specific-purpose borrowing and interest for constructing an asset that qualifies for capitalization), shall be recognized into profit and loss for the period. Non-monetary items which are stated at cost denominated in foreign currencies are translated into CNY at the exchange rate ruling at the transaction dates. Currency exchange rate differences arising from fair value translations are included in profit or loss of the current accounting period or other comprehensive income.

8.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into CNY using the following method: assets and liabilities In the

balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owners' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement are translated at the spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and owners' equity items is separately presented as the exchange differences on translation of financial statements denominated in foreign currencies under the owners' equity as other comprehensive income in the balance sheet.

9. Financial Instruments

The Group and its other subsidiaries implement the original financial instrument principles, except for the important subsidiary of the Group, Shanghai Electric Group Co., Ltd. (hereinafter referred to as "Electric Shares") and Shanghai Highly (Group) Co. Ltd. (hereinafter referred to as "Highly Shares"), implements "Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments" (Finance and Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets" (Finance and Accounting [2017] No. 8) and "Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments" (Finance and Accounting [2017] No. 14) since January 1, 2018 and January 1, 2019.

9.1 The principles for financial instruments of the Group and other subsidiaries are as follows:

9.1.1 Categories of financial assets and financial liabilities

Financial assets shall be classified into the following four categories based on initial purpose when acquisition: financial assets at fair value through profit or loss, including financial assets held for trading and those designated as at fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets.

Financial liabilities shall be classified into the following two categories based on initial purpose when acquisition: financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those designated as at fair value through profit or loss; other financial liabilities.

9.1.2 Recognition, measurement, and de-recognition of financial assets and financial liabilities

When the Group becomes a party to the contractual provisions of the financial instrument, a financial asset or a financial liability shall be recognized. When a financial asset or liability recognized initially, the Group shall measure it at its fair value. In the case of a financial asset or financial liability at fair value through profit or loss, transaction expenses shall be charged to the profit or loss for the current period. For other financial assets or financial liabilities, transaction expenses shall be included in their initial recognition amounts.

After initial recognition, the Group shall measure financial assets at their fair values, without an deduction for transaction costs it may incur upon future disposal, except for the following financial assets: (1) held-to-maturity investments and loans and receivables, which shall be measured at amortized cost using the effective interest method; (2) investments in equity instruments that do not have a quoted market price in an active market and

whose fair value cannot be reliably measured and derivative assets that are linked to and must be settled by delivery of such unquoted equity instrument, which shall be measured at cost.

After initial recognition, the Group shall measure financial liabilities at amortized cost using the effective interest method, except for the following financial liabilities: (1) financial liabilities at fair value through profits or loss, which shall be measured at fair value without adjusting for transaction costs that may be incurred upon settlement of the financial liabilities; (2) a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured, which shall be measured at cost; (3) financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or loan commitments to provide a loan at a below-market interest rate, which are not designated at fair value through profit or loss, shall be subsequently measured at the higher of the following two amounts: a) the amount determined in accordance with "Accounting Standard for Business Enterprises No.13-Contingencies"; b) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in "Accounting Standard for Business Enterprises No.14-Revenue".

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging arrangement shall be accounted for as follows: (1) a gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognized in profit or loss on the changes in fair value; a received interest or cash dividend on a financial asset or financial liability in the holding period shall be recognized as investment income; when a financial asset or financial liability is disposed, the difference between actual received amounts and initial recognized amounts shall be recognized as investment income, and gains and losses from changes in fair value shall be adjusted. (2) Any foreign exchange gains and losses on available-for-sale monetary assets are recognized in other comprehensive income; interest income calculated through effective interest method are recognized in investment income; dividends on an available-for-sale equity instrument are recognized in investment income when the investee declares the dividends. When a financial asset or financial liability is disposed, the difference between received amounts and the carrying amounts, which less the summation of changes in fair value recognized directly in other comprehensive income, shall be recognized as investment income.

The Group shall derecognize a financial asset if the contractual rights to the cash flows from the financial asset expire and/or substantially all the risks and rewards of the financial asset have been transferred. The Group shall derecognize a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged/cancelled.

9.1.3 Recognition and measurement of transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the Group shall derecognize the financial assets. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the Group shall not derecognize the financial asset and recognize the received consideration as a financial liability. If the Group neither transfers nor retains substantially all the risks and

rewards of ownership of the financial asset, it shall account for the transaction as follows: (1) if the Group has not retained control of the financial asset, it shall derecognize the financial asset; (2) if the Group has retained control of the financial asset, it shall recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

For a transfer of a financial asset in its entirety that satisfies the derecognizing criteria, the difference between the following two amounts shall be recognized in profit or loss for the current period: (1) the carrying amount of the financial asset transferred; (2) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized directly in owner's equity. If a part of the transferred financial asset qualifies for derecognizing, the carrying amount of the transferred financial asset in its entirety shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts. The difference between the following two amounts shall be included in profit or loss for the current period: (1) the carrying amount allocated to the part derecognized; (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss on fair value changes allocated to it that had been recognized directly in equity.

9.1.4 Determination of fair value of financial assets and liabilities

If there is an active market for a financial asset or financial liability, the current quoted prices in the active market shall be used to establish the fair value of the financial asset or financial liability. If no active market exists for a financial instrument, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. For original acquired or sourced financial assets and financial liabilities, their fair value is based on market prices.

9.1.5 Impairment testing and impairment provision of financial assets

The Group shall assess at the balance sheet date the carrying amount of a financial asset (other than those at fair value through profit or loss). If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss and recognize it as provision for impairment.

For a financial asset that is individually significant, the Group shall assess the asset individually for impairment. For a financial asset that is not individually significant, the Group can assess that asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it shall include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

If financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of estimated future cash flow (excluding future credit losses that have not been

incurred). The amount of reduction shall be recognized as an impairment loss in profit or loss. If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss shall be measured as the difference between the carrying amount of the unquoted equity instrument or the derivative asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, and recognized in profit or loss.

When the fair value of an available-for-sale financial asset has a dramatically decline, or the downward trend is expected to be non-temporary after overall consideration of related factors, the impairment loss shall be recognized and the cumulative loss arising from decline in fair value that had been recognized directly in owner's equity shall be removed from owner's equity and recognized in profit or loss.

The important subsidiary of the Group, Shanghai Electric Group Co., Ltd. (hereinafter referred to as "Electric Shares") and Shanghai Highly (Group) Co. Ltd. (hereinafter referred to as "Highly Shares"), implementing "Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments" (Finance and Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets" (Finance and Accounting [2017] No. 8) and "Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments" (Finance and Accounting [2017] No. 14) from January 1, 2018 and January 1, 2019.

9.2 The principles for financial instruments of the important subsidiary of the Group, Electric Shares and Highly Shares, are as follows:

Financial instruments are contracts that form financial asset of one party and financial liability or equity instrument of the other parties. When Electric Shares and Highly Shares become a party to the financial instrument contract, the relevant financial assets or financial liabilities are recognized.

9.2.1 Financial Assets

(i) Classification and measurement

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the financial assets of Electric Shares and Highly Shares are classified into: financial assets measured at amortized cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through current profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in current profit or loss. For other types of financial assets, related transaction costs are included in the initial recognition amount. For accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or do not take into account of significant financing components, the amount that is expected to be received is used as the initial recognition amount for Electric Shares.

The debt instruments held by Electric Shares refer to the instruments that are consistent with the definition of financial liabilities from the perspective of the issuer and measured in the following three ways: measured at amortized cost; measured at fair value and its changes are included in other comprehensive income; measured at fair value and its changes are included in current profit and loss.

The debt instrument held by Highly Shares refers to the tool that can be used to analyze financial liabilities from the issuer's point of view and it mainly measured at amortized cost.

Measured at amortized cost: Electric Shares and Highly Shares' business model of the management of such financial assets is to target the collection of contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, i.e. the cash flows generated on a specific date are only for the principal and the payment of interest based on the outstanding principal amount. Electric Shares recognizes interest income on such financial assets in accordance with the effective interest method. Such financial assets mainly include monetary funds, notes receivable and accounts receivable, other receivables, debt investment and long-term receivables. Debt investments and long-term receivables due within one year (including one year) from the balance sheet date are listed as non-current assets due within one year by Electric Shares. Debt investments with maturity within one year (including one year) are listed as other current assets.

Measured at fair value and its changes are included in other comprehensive income: Electric Shares' business model of the management of such financial assets is to target both the collection of contractual cash flows and the sales, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value and their changes are included in other comprehensive income, but the impairment loss or gains, exchange gains and losses and interest income calculated according to the effective interest method are included in current profit and loss for current period. Such financial assets are listed as other debt investments. Other debt investments due within one year (including one year) from the balance sheet date are listed as non-current assets due within one year. Other debt investments with a maturity of one year (including one year) are listed as other current assets.

Measured at fair value through current profit or loss: Debt instruments that are not classified as measured at amortized cost or measured at fair value through other comprehensive income by Electric Shares, are measured at fair value through current profit or loss and listed as trading financial assets. In the initial recognition, in order to eliminate or significantly reduce the accounting mismatches, certain financial assets are designated as financial assets measured at fair value through current profit or loss by Electric Shares. If those assets are expired more than one year from the balance sheet date and expected to be held for more than one year, they are listed as other non-current financial assets.

The equity instruments that have no control, joint control or significant influence are measured at fair value through current profit or loss and are presented as transactional financial assets by Electric Shares and Highly Shares. If they are expected to be held for more than one year from the balance sheet date, they are listed as other non-current financial assets. In addition, Electric Shares designates certain non-tradable equity

investments as financial assets that are measured at fair value through other comprehensive income and are presented as other equity investments. The relevant dividend income of such financial assets is included in current profit and loss.

(ii) Impairment provision

For financial assets measured at amortized cost, debt instrument investments, contract assets and financial guarantee contracts measured at fair value and their changes are included in other comprehensive income, provision is recognized on the basis of expected credit losses.

Electric Shares and Highly Shares considers reasonable and evidenced information about past events, current conditions and forecasts of future economic conditions, taking the risk of default as a weighting factor, calculates the probability-weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received, and recognizes the expected credit loss.

On each balance sheet date, Electric Shares and Highly Shares measure the expected credit losses of financial instruments at different stages separately. The financial instruments that have not significantly increased the credit risk since the initial recognition are included in the first stage. Electric Shares and Highly Shares calculates the provision based on expected credit losses in the next 12 months. The financial instruments that the credit risk have increased significantly since the initial confirmation but the impairment has not yet occurred are included in the second stage. Electric Shares and Highly Shares calculates the provision based on expected credit loss for the entire life of the financial instruments. The financial instruments which have incurred credit impairment since the initial confirmation are included in the third stage. Electric Shares and Highly Shares calculates the provision based on expected credit loss for the entire life of the financial instruments.

For financial instruments with lower credit risk on the balance sheet date, Electric Shares and Highly Shares assumes that their credit risk has not increased significantly since the initial recognition, and the loss is prepared according to the expected credit losses in the next 12 months.

For the financial instruments in the first stage, second stage and with lower credit risk, Electric Shares and Highly Shares calculates the interest income according to their book values and actual interest rates without deducting the impairment provision. For the financial instruments in the third stage, the interest income is calculated according to the book value minus amortized cost after the provision for impairment and the actual interest rate.

For notes receivable and accounts receivable and contract assets, regardless of whether there is a significant financing component, Electric Shares and Highly Shares calculates the provision according to the expected credit loss of the entire life.

When the expected credit loss information of individual financial assets cannot estimate at a reasonable cost, Electric Shares divides the receivables into several portfolios according to the credit risk characteristics, and calculates the expected credit losses on the basis of portfolios. The basis for determining the portfolios is as follows:

Portfolios	Content
Bank acceptance bills portfolio	Bank acceptance bills
Commercial acceptance bills portfolio	Commercial acceptance bills
Accounts receivable portfolio	General Accounts receivable
Accounts receivable portfolio	Sovereign credits
Contract assets portfolio	Contract assets
Other receivables portfolio	Deposits
Other receivables portfolio	Employee reserve funds
Other receivables portfolio	Others
Loans portfolio	Various loans
Discounted bills portfolio	Discounted bills
Finance lease receivables portfolio	Finance lease receivables
Other debt investments portfolio	Other debt investments

When the information of expected credit loss for individual financial assets cannot be estimated at a reasonable cost, the receivables is grouped into several portfolios according to the credit risk characteristics by Highly shares, and calculates the expected credit losses on the basis of portfolios. The basis for determining the portfolios is as follows:

Portfolios	Content
Bank acceptance bills portfolio	Bank acceptance bills
Commercial acceptance bills portfolio	Commercial acceptance bills
Accounts receivable portfolio	General Accounts receivable
Other receivables portfolio	Deposits
Other receivables portfolio	Employee reserve funds
Other receivables portfolio	Others

For notes receivable classified as a portfolio, based on historical credit loss experience and combined the current conditions and the forecasts of future economic conditions, Electric Shares and Highly Shares calculates the expected credit losses through default risk exposures and expected lifetime credit losses.

For accounts receivable and contract assets classified as a portfolio, based on historical credit loss experience and combined the current conditions and the forecasts of future economic conditions, Electric Shares compiles a comparison table of the overdue days of receivable accounts and the expected lifetime credit loss rate, and calculates expected credit losses.

For other receivables classified as a portfolio, based on historical credit loss experience and combined the current conditions and the forecasts of future economic conditions, Electric Shares calculates the expected credit losses through default risk exposures and expected credit loss rates over the next 12 months or

throughout the duration.

Electric Shares and Highly Shares included the loss provision for withdrawal or reversal in the current profit and loss. For the debt instruments held at fair value and whose changes were included in other comprehensive income, Electric Shares and Highly Shares included the impairment loss or gain into the current profit and loss, and at the same time adjusted other comprehensive income.

(iii) Termination determination

Financial assets that meet one of the following conditions can be confirmed to be terminated: (a) the contractual right to receive the cash flow of the financial asset is terminated; (b) the financial asset has been transferred, and Electric Shares transferred almost all the risks and rewards of the ownership of the financial asset to the transferee; (c) the financial asset has been transferred. Electric Shares has although neither transferred nor retained almost all the risks and rewards of ownership of the financial asset, but abandoned the control of the financial asset.

When the investment of other equity instruments is confirmed to be terminated, the difference between the book value and the received offered price and the sum of cumulative amount of changes in fair value previously directly included in other comprehensive income is included in retained income. When the rest of the financial assets are confirmed to be terminated, the difference between the book value and the received offered price and the sum of cumulative amount of changes in fair value previously directly included in other comprehensive income is included in current profit or loss.

9.2.2 Financial liabilities

At initial confirmation, financial liabilities are classified into financial liabilities measured at amortized cost and financial liabilities measured at fair value and whose changes were included in current profit or loss.

The financial liabilities of Electric Shares and Highly Shares are mainly financial liabilities measured at amortized cost, including payable notes and payables, other payables, borrowings and payable bonds and so on. Such financial liabilities are initially measured at their fair value deducting transaction costs and are subsequently measured using the effective interest method. If the term is less than one year (including one year), it shall be listed as current liabilities; if the term is more than one year, but it expires within one year (including one year) from the balance sheet date, it shall be listed as non-current liabilities expired within one year; the rest are listed as non-current liabilities.

When the current obligations of a financial liability have all or partly been discharged, Electric Shares and Highly Shares terminates to recognize the portion of the financial liability or obligation that has been discharged. The difference between the book value of the derecognized portion and the paid offered price is included in profit or loss for the current period.

9.2.3 Determination of the fair value of financial instruments

The fair value of a financial instrument with an active market can be determined by quoted prices in an active

market. The fair value of a financial instrument without an active market can be determined by valuation techniques. At the time of valuation, Electric Shares are subject to valuation techniques that are applicable in the current circumstances and are supported by data and other information. Electric Shares selects an input value that is consistent with the characteristics of the asset or liability considered by the market participants in the transaction of the relevant asset or liability, and use the relevant observable input values as much as possible. Unobservable input values are used where the relevant observable input values are not available or not practicable.

10. Hedging

The Group and its other subsidiaries implement the original hedging principles, except for the important subsidiary of the Group Electric Shares and Highly Shares implement "Accounting Standards for Business Enterprises No.24–Hedging" (Finance and Accounting [2017]] No. 9) since January 1, 2018 and January 1, 2019.

10.1 The principles for hedging of the Group and other subsidiaries are as follows:

10.1.1 A hedge can be classified as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

10.1.2 A hedge qualifies for hedge accounting under this Standard only if all of the following conditions are met:

(i) at the inception of the hedge there is formal designation of the hedging relationship (i.e. the relationship between the hedging instrument and hedged item), and formal documentation of that relationship, the group's risk management objective and strategy for undertaking the hedge; (ii) the hedge is expected to be highly effective, and consistent with the originally documented risk management strategy for that particular hedging relationship; (iii) for a cash flow hedge, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; (iv) the effectiveness of the hedge can be reliably measured; (v) the hedge is assessed by the Group for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

A hedge is regarded as highly effective if both of the following conditions are satisfied: (i) at the inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated; (ii) the actual results of offsetting are within a range of 80% to 125%.

10.1.3 Accounting treatment for hedge

(i) Fair value hedge

In the case of a derivative hedging instrument, the gain or loss from re-measuring the hedging instrument at fair value shall be recognized in profit or loss for the current period. In the case of a non-derivative hedging

instrument, the gain or loss from the carrying amount of the hedging instrument due to changes in foreign exchange rate shall be recognized in profit or loss.

The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss for the current period.

(ii) Cash flow hedge

- a) The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in owners' equity as a separate component. The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge shall be recognized in profit or loss for the current period.
- b) If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the amounts previously recognized in capital reserves are reclassified to profit or loss in the same periods during which the financial asset or financial liability affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously recognized in capital reserves are transferred and included in the initial measurement of the cost of the non-financial asset or non-financial liability. The amounts previously recognized in capital reserves are reclassified to profit or loss in the same period(s) during which the non-financial asset or non-financial liability affects profit or loss.

For other cash flow hedges, gains or losses of the hedging instruments that had been recognized directly in owners' equity shall be reclassified into profit or loss for the current period in the same period(s) during which the hedged forecast transaction affects profits or loss.

(iii) Hedges of a net investment in a foreign operation

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in owners' equity as a separate component. The above gain or loss recognized as a separate component of owners' equity shall be recognized in profit or loss for the current period on disposal of the foreign operation. The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge shall be recognized in profit or loss for the current period.

(iv) The ratio analysis method was adopted by the Group to evaluate the effectiveness of the hedging.

10.2 The principles for hedging of the important subsidiary of the Group subsidiaries, Electric Shares and Highly Shares are as follows:

Hedging is the management activity of Electric Shares and Highly Shares for the purpose of avoiding foreign currency risk, commodity price risk, share price risk or credit risk, etc., and the designation of one or more hedging instruments such that the changes in fair value or cash flows of the hedging instruments are expected to wholly or partially offset the changes in fair value or cash flows of the hedged item.

10.2.1 A hedge can be classified as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

10.2.2 A fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation qualifies for hedge accounting under this Standard only if all of the following conditions are met:

1) The hedging relationship consists only of eligible hedging instruments and hedged items; 2) At the beginning of the hedging, the Electric Shares and Highly Shares formally designate the hedging instrument and the hedged item, and prepare for the hedging relationship and the Company's engagement and prepare written documentation of the risk management strategy and risk management objectives of the hedge. The document contains at least the contents of the hedging instrument, the hedged item, the nature of the hedged risk, and the evaluation method of the hedge effectiveness (including the analysis of the cause of the invalid part of the hedge and the method of determining the hedge ratio); 3) The hedge is determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

If the hedging meets the following conditions at the same time, Electric Shares and Highly Shares shall confirm that the hedging relationship meets the requirements for hedging validity:

(i) There is an economic relationship between the hedged item and the hedging instrument. This economic relationship causes the value of the hedging instrument and the hedged item to change in the opposite direction due to the same risk of being hedged.

(ii) In the change in value arising from the economic relationship between the hedged item and the hedging instrument, the impact of credit risk is not dominant.

(iii) The hedging ratio of the hedging relationship shall be equal to the ratio of the number of hedged items actually hedged by the Group to the actual number of hedging instruments that are hedged, but shall not reflect the relative weight of the hedged item and the hedging instrument. Unbalanced, this imbalance can lead to ineffective installment and may result in accounting results that are inconsistent with the hedge accounting objectives.

Electric Shares and Highly Shares shall continuously assess whether the hedging relationship meets the requirements for the effectiveness of the hedging on the commencement date of the hedge and the subsequent period. Especially the reasons for the ineffective part of the hedge that is expected to affect the hedging relationship within the remaining period of the hedge period shall be analyzed. Electric Shares and Highly Shares should at least assess the hedging relationship at the balance sheet date and when significant changes in the relevant circumstances will affect the effectiveness of the hedge.

When the hedging relationship no longer meets the hedging validity requirement due to the hedging ratio, but the risk management objectives for designating the hedging relationship have not changed, the hedging relationship should be rebalanced by Electric Shares and Highly Shares.

10.2.3 Accounting treatment for hedge

(i) Fair value hedge

If the fair value hedge meets the conditions for applying the hedge accounting method, it shall be handled in accordance with the following provisions:

(a) Gains or losses arising from the hedging instrument shall be included in current profit and loss. If the hedging instrument is hedged against a non-trading equity investment (or a component thereof) that is measured at fair value and whose changes are included in other comprehensive income, the gain or loss arising from the hedging instrument should be included in other comprehensive income.

(b) Gains or losses arising from the hedging risk exposure of the hedged item should be included in current profit and loss, and the book value of the confirmed hedged item not measured at fair value is adjusted.

(ii) Cash flow hedge

If the cash flow hedges meet the conditions for applying the hedge accounting method, they shall be handled in accordance with the following principles:

(a) The portion of the gains or losses arising from the hedging instrument that are effective for hedging, as a cash flow hedge reserve, should be included in other comprehensive income. The amount of cash flow hedge reserve that is included in other comprehensive income in each period shall be the amount of change in the current cash flow hedge reserve.

(b) The portion of the gains or losses arising from the hedging instrument that are ineffective (i.e., other gains or losses after deducting other comprehensive income) shall be included in current profit and loss.

(iii) Hedges of a net investment in a foreign operation

The hedging of net investments in overseas operations, including the monetary period of accounting for a portion of the net investment, should be handled in accordance with the rules similar to cash flow hedge accounting:

(a) The portion of the gains or losses resulting from the hedging instrument that are effective for the hedge shall be included in other comprehensive income.

When all or part of the overseas operation is disposed of, the above-mentioned gains or losses of the hedging instrument included in other comprehensive income shall be transferred out accordingly and included in the current profits and losses.

(b) The portion of the gains or losses formed by the hedging instrument that are not valid for the hedge shall be included in the current profits and losses.

11. Accounts receivable

The Group and its other subsidiaries implement the original accounts receivable principles, except for the important subsidiary of the Group Electric Shares and Highly Shares implement “Accounting Standards for Business Enterprises No.22–Financial instrument recognition and measurement” (Finance and Accounting [2017]] No. 7), “Accounting Standards for Business Enterprises No.23–Financial asset transfer” (Finance and Accounting [2017]] No. 8) and “Accounting Standards for Business Enterprises No.37–Financial instrument presentation” (Finance and Accounting [2017]] No. 14) since January 1, 2018 and January 1, 2019.

11.1. The principles for accounts receivable of the Group and other subsidiaries are as follows:

11.1.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	The amount of account receivable is over CNY 20,000,000.00

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	Being individually tested for impairment, and accrued for bad debts with the amount of book value minus the expected present value of future cash flows.

11.1.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis according to the risk characteristics:

(1) Criteria for determining a portfolio and methods for bad debt provision

Criteria for determining a portfolio

Aging portfolio	Account receivables other than individually tested items and other receivables

Methods for bad debt provision according to portfolios:

Aging portfolio	Aging analysis

(2) General accounts receivable aging analysis:

Categories	Provision (%)
Within 1 year(including 1 year)	0-5.00
1 to 2 years	10.00-20.00
2 to 3 years	20.00-50.00
More than 3 years	50.00-100.00

(3) Warranty

Categories	Provision (%)
Within 3 months(including 3 months)	0.00
3 months - 6 months	10.00
6 months - 9 months	20.00
9 months – 1 year	50.00

Categories	Provision (%)
More than 1 year	100.00

11.1.3 Accounts receivable that are not individually significant but for which bad debt provision is individually assessed:

Reason for making individual bad debts provision Whether there are obvious differences between risk of this receivable and risks of other portfolios.

Bad debts provision methods Being individually tested for impairment, and accrued for bad debts with the amount of book value minus the expected present value of future cash flows.

For note receivables, advanced payment, interest receivables, long-term receivables, and other receivable item, bad debts are accrued according to the difference between expected present value of future cash flows for individual receivables and the carrying value.

11.2. The policies of the Group's important subsidiary Electric Shares and Highly Shares on accounts receivable are detailed in "IV. 9 Financial Instruments".

12. Inventories

12.1 Categories of inventory

The Group's inventories mainly include raw material, homemade semi-finished products and work in progress, goods in stock (finished products), turnover materials (packaging, low-value consumption goods, etc.), and others.

12.2 Valuation method for inventory

Inventories are valued at weighted average method or individual valuation method.

12.3 Basis for determining net realizable value and method of determining provision for inventories

On balance sheet date, inventories shall be measured at lower of cost or net realizable value, and the provision for decline in value of inventories shall be made in accordance with the balance of single item cost higher than net realizable value. The net realizable value of the inventories directly used for sale is determined through deducting estimated sales expense and relevant taxes and dues from estimated sale price during normal production and operation. The net realizable value of the inventories to be further processed is determined through deducting the estimated cost for the further processing, the estimated sales expense and relevant taxes and dues from the estimated sale price of the finished products during normal production and operation. On the balance sheet date, as to the same inventories, some of which have a contract price and some have no contract price, the net realizable value shall be determined separately, and then be compared with the corresponding cost, to determine the provision for decline in value of inventories or the reversed amount.

12.4 Inventory system

The Group adopts perpetual inventory system.

12.5 Amortization method for consumables of low value and packing articles

12.5.1 Consumables of low value

The Group adopts the immediate write-off method

12.5.2 Packing articles

The Group adopts the immediate write-off method

13. Long-term equity investments

13.1 Determination of investment cost

13.1.1 For a business combination under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets, assumption of liabilities or issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidation financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and the face value of equity securities issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

When business combination under common control is achieved by multiple transactions step by step, the initial investment cost of the investment is measured based on the respective carrying amounts of the combined party's owner's equity as recorded in the consolidated statements of final controller at the date of the combination calculated by new shareholding ratio. The difference between the initial investment cost and the book value of the original long-term equity investment plus the book value of the consideration paid for the combination is adjusted to the share premium in capital reserves. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

13.1.2 For business combinations on the purchase date not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be measured at the fair value of consideration at purchase date.

13.1.3 The initial investment cost of a long-term equity investment acquired otherwise than through a business combination shall be determined as follows: For a long-term equity acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid; for a long-term equity acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for a long-term equity acquired from the investor, the initial investment cost shall be the value stipulated by the investment contract or agreement (except for when the value stipulated by the contract or agreement is not fair).

13.2 Subsequent measurement and recognition in profit or loss for the current period

Where the Group is able to exercise control over an investor, the long-term equity investment shall be accounted for using the cost method. A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method.

Under the cost method, long-term equity investment is initially recognized at its investment cost. The current investment profit is recognized in accordance with proportional shares of cash dividends or profit distributions declared by the investee, except for cash dividends or profits already declared but not yet paid that are included in the price or consideration paid upon acquisition. Meanwhile, the Group considers whether the long-term equity investment is impaired according to impairment policy.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the period, and the cost of the long-term equity investment shall be adjusted accordingly.

After acquired the long-term equity investment, the Group recognizes its share of the net profit or loss of the investee for the period as investment income or loss for the period and adjust the carrying amount of long-term equity of investments. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to confirm with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. The investee's profit is recognized after adjustment. The Group's share is calculated based on announced distributable profits or cash dividends and correspondingly adjusted to the carrying amount of the long-term equity investment. The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except for those investments that the Group has the obligation to undertake extra losses. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment and recognized in owners' equity.

13.3 Basis for determining control and significant influence over investee

According to the contract, the important financial and operational decisions related to the invested entity need to be agreed by the investors sharing the control rights, and it is considered as joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

13.4 Disposal of long-term equity investment

- (1) When the Group still exercises joint control of an investee after partial disposal of equity investment, the difference between the proceeds actually received and carrying amount of corresponding investment disposed shall be charged to profit or loss for the current period.
- (2) When the Group can no longer exercise joint control of an investee due to partial disposal of equity investment or other reasons, the carrying amount of the proceeds actually received and carrying amount of corresponding investment shall be charged to profit or loss for the period. Meanwhile, the remaining equity investment shall be recognized as long-term equity investment or other related financial assets. When the Group still has joint control of or significant influence over the investee with the retained interest, the Group shall change to the equity method in accordance the rules from cost method transferring to equity method.

13.5 Methods of impairment assessment and determining the provision for impairment loss

If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the current period.

14. Investment real estate

14.1 Investment real estate is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out and a building that is leased out.

14.2 An investment real estate is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment real estate if it is probable that economic benefits associated with an investment real estate will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

15. Fixed assets

15.1 Fixed assets recognition conditions, valuation and depreciation methods

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

Fixed assets are accounted for at the actual cost upon acquisition and depreciated by using the straight-line method from the following month in which they are ready for their intended use.

15.2 The annual depreciation rates of each category of fixed assets are as follows:

Items	Depreciation method	Useful lives (years)	Residual value rates (%)	Annual depreciation rates (%)

Items	Depreciation method	Useful lives (years)	Residual value rates (%)	Annual depreciation rates (%)
Buildings	Straight-line	10 - 40	0 – 10.00	2.25 – 10.00
Machinery and equipment	Straight-line	5 - 20	0 – 10.00	4.50 – 20.00
Transportation vehicles	Straight-line	5 - 10	0 – 10.00	9.00 – 20.00
Office and electronic equipment	Straight-line	3 - 5	0 – 10.00	18.00 - 33.33
Other equipment	Straight-line	5 - 20	0 – 10.00	4.50 – 20.00

15.3 Impairment test and provision methods of impairment loss for fixed assets

If any sign indicates that impairment is incurred in fixed assets on balance sheet date, the corresponding provision for impairment shall be withdrawn according to the difference between book value and recoverable amount.

15.4 Recognition basis and valuation methods for fixed assets acquired under finance leases

The lease which meets one or more criteria listed below is recognized as finance lease: (1) the lease transfers ownership of the asset to the lessee at the end of the lease term; (2) the lessee has the option to purchase the asset at a price sufficiently below fair value at exercise date, that it is reasonably certain the option will be exercised; (3) the lease term is for a major part of the asset's economic life even if title is not transferred[normally, 75% (inclusive)];(4) present value of minimum lease payments to substantially all of the asset's fair value at inception [90% (inclusive)]; present value of minimum lease receipts to substantially all of the asset's fair value at inception [90% (inclusive)];(5) the leased asset is so specialized that it could only be used by the lessee without major modifications being made.

For the fixed assets under finance lease, the lower of the fair value of leased assets at inception of the lease and the present value of the minimum lease payments shall be recognized as cost and depreciation shall be charged as per the depreciation policies for self-owned fixed assets.

16. Construction in progress

16.1 Construction in progress that has reached the expected usable condition will be transferred to fixed assets based on the actual cost. Construction in progress that has reached the expected usable condition but completion settlement has not been carried out shall be transferred to fixed assets as per their assessed value; after completion settlement is officially finished, this provisional estimate value shall be adjusted based on the actual cost but the original depreciation amount will not be adjusted.

16.2 On balance sheet date, if an impairment indication exists, the corresponding provision for impairment shall be withdrawn according to the difference between book value and recoverable amount.

17. Borrowing costs

17.1 Recognition principle of capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Other borrowing costs are recognized as expenses in profit or loss for the period.

17.2 The capitalization period of borrowing costs

17.2.1 The Capitalization of borrowing costs can commence only when all of the following conditions are satisfied: i) Expenditures on the asset have been incurred, ii) Expenditures on borrowings have been incurred; and iii) Construction or production activities to bring the asset to its intended use or usable /salable condition have been commenced.

17.2.2 Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Borrowing costs are recognized as expenses until the acquisition, construction or production of the asset is resumed.

17.2.3 Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale.

17.3 Capitalization amount

When funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less interest income from bank deposits or gain from temporary investments on unused funds. When funds are borrowed under general-purpose borrowings, the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

18. Right-of-use assets

The Group's important subsidiary, Electric Shares, implements "Accounting Standard for Business Enterprises No.21 – Leases" (Caikuai [2018] No.35) since January 1, 2019. The lease standard adopted is as followed:

At the commencement date of the lease, the lessee shall recognize a right-of-use asset and a corresponding lease liability except the short-term lease and low-value asset lease which shall be recognized by the simplified method according to the standard.

Right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term. The right-of-use asset of Electric Shares includes leased buildings and constructions, machines, transportation vehicles, computers and electronic equipment etc.

Commencement date of the lease is the date by which a lessor makes an underlying asset available for use by a lessee.

Right-of-use asset shall be measured at cost on initial measurement, the cost includes:

- i) Amount of the initial measurement of the lease liability;
- ii) Any lease payments made on or before the commencement date, less any lease incentives received;
- iii) Any initial direct costs incurred by the lessee; and
- iv) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions contained in the lease. If the foresaid costs are to produce inventories, it shall be recognized by the "Accounting Standard for Business Enterprises No.1 – Inventories".

The lessee shall recognize and measure the costs described in item iv) in accordance with "Accounting Standard for Business Enterprises No.13 – Contingencies".

Lease incentive is the discount provided by lessor to lessee to achieve the lease. The lease incentives include payments made by a lessor to a lessee in connection with a lease, or the reimbursement or assumption by a lessor of costs of lessee.

Initial direct costs are the incremental costs of obtaining a lease. The incremental costs are costs that would not have been incurred if the lease had not been obtained.

The lessee shall provide depreciation on right-of-use asset according to the "Accounting Standard for Business Enterprises No.4 – Fixed Assets". If the lessee will obtain ownership of the right-of-use asset at the end of the lease period, depreciation shall be provided over the useful life of the underlying asset. If the lessee will not obtain ownership of the right-of-use asset at the end of the lease period, depreciation shall be provided over the shorter of residual lease period or useful life of the underlying asset.

The lessee shall determine if there is any impairment on right-of-use asset and a provision shall be recognized for impairment loss of the underlying asset according to the "Accounting Standard for Business Enterprises No.8 – Impairment of Assets".

19. Intangible assets

19.1 Intangible assets include land use rights (excluding land use rights of investment properties), patents, trademark rights etc. An intangible asset is measured initially at cost.

19.2 The intangible assets with limited useful life shall be systematically and properly amortized based on the expected implementation model of economic benefits relevant to the intangible assets within useful life; the intangible assets whose expected implementation model cannot be reliably determined shall be amortized in straight line method over the following useful lives

Items	Useful life

Land use rights (excluding investment properties)	Operating period or the land use period
Property use right	Period of using
Patents	5 - 15 years
Trademark right	10 years
Non-proprietary technology	10 years
Software licenses	10 years
Concession	10 years
Others	10 years

19.3 The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangibles with infinite useful life and intangibles not yet reached their expected useful conditions are tested for impairment on annual basis regardless of whether there are any indications of impairment.

19.4 Expenditure during the research phase is recognized as an expense in the period in which it is incurred. Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset: (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) The Group has the intention to complete the intangible asset and use or sell it; (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

According to government document Shanghai Economic Enterprise (1997) No.63, idle land use rights is intangible assets with an indefinite useful life and is thus not amortized. The Group reviews the value of idle land use rights at each balance sheet date.

20. Business reputation

Business reputation generated from business combination not under common control is the difference where the cost of combination exceeds the fair value of the investee's identifiable net assets (including assets, liabilities and contingent liabilities).

Business reputation shall be recognized as the net of the initial cost and provision for impairment.

Business reputation generated from the investing an associate company or a joint venture company is treated as a component of the investment instead of an identifiable asset.

The provision for impairment losses for business reputation is consistent with "Impairment of Assets" accounting policy.

21. Long-term deferred expenses

Long-term deferred expenses are measured at actual cost and amortized over the current and subsequent benefit periods or designated periods. Long-term deferred expenses not able to benefit subsequent accounting periods are recognized in the current profit and loss, including those not yet amortized on such project.

22. Payroll payable

Employee benefits refer to the various types of remuneration or compensation expect for the share payment paid by the Group in order to obtain services or termination of labor relations. Employee benefits include short-term payroll, post-employment benefits, compensation to employees for termination of employment relationship and other long-term payroll. Benefit provided to the spouse, children, dependents, dependents of deceased employee and other beneficiaries are also included in employee benefits.

22.1 Short-term employee benefits

The Group recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

Payroll payable on profit sharing plan are recognized when the following conditions are met:

- i) There's current contractual or deemed obligation of the Group due to past events; and
- ii) The amount of obligations arising from the profit sharing plan can be reliably measured.

If the obligation arising from profit sharing plan is not required to be settled in full within 12 months from the end of the reporting period, relevant regulations on other long-term employee benefits shall apply. The bonus which is taken according to results of operations of the Group and employee contributions belongs to the bonus plans, processed according to the short-term profit sharing plan.

22.2 Post-employment benefits

22.2.1 Defined contribution plans

The Group shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. Under a defined contribution plan, when contributions are not expected to be settled in full within twelve months from the end of the annual reporting period in which the employees render their related service, the payroll payable shall be measured at the discounted value of all contributions using a defined discount rate.

22.2.2 Defined benefit plans

The Group shall attribute benefit obligations under a defined benefit plan to periods of service provided by employees according to the formula determined by projected unit credit method, with a corresponding charge to the profit and loss for the current period or the cost of a relevant asset. When an employee's service in later years will lead to a materially higher level of benefit from the defined benefit plan than in earlier years, the Group shall attribute accumulated defined benefit plan obligation with straight line method to the period from the date when service provided by the employee first leads to Group's benefit obligation under the defined benefit plan to the date when future service provided by the employee will not lead to material increase in defined benefit plan obligation. In determining the period to which the benefit obligation shall attribute, the Group shall not consider the situation in which the material increase in defined benefit plan obligation only as a result of future salary increases.

At the end of reporting period, the Group shall recognize the following components of employee benefit cost arising from defined benefit plan:

- i) Service costs, comprising current service costs, past service costs and any gains and losses on settlement.
- ii) Net interest on the net defined benefit plan assets or liabilities, including interest income on plan assets, interest cost on the defined benefit plan obligation and interest on the effect of the asset ceiling.
- iii) Changes as a result of re-measurements of the defined benefit assets/liabilities.

Unless other accounting standards requires or permits the inclusion of employee benefit costs in the cost of assets, item i) and ii) above should be recognized in profit or loss for the current period; item iii) should be recognized in other comprehensive income.

22.3 Termination benefits

Termination benefits primarily include:

22.3.1 Compensation provided to employees due to the termination of employment relationship before due date of employment contract, whether employees agree with the termination or not.

22.3.2 Compensation provided to employees to encourage them to accept employee curtailment before the due date of employment contract, in which the employees have a choice of either to stay in service or leave.

When termination benefits are provided, the Group recognizes employee benefit liabilities for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- i) The date when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal, or
- ii) The date when the Group recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognized, the Group shall apply the relevant regulations of short-term employee benefits; if the termination benefits are not expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognized, the Group shall apply the relevant regulations of long-term employee benefits.

22.4 Other long-term employee benefits

If other long-term employee benefits meet the requirement of defined contribution plans, they are expected to be settled under the related regulations of defined contribution plans. The other long-term employee benefits are expected to be settled under the related regulations of defined benefit plans and recognize net liabilities or net assets.

23. Share-based payments and equity instruments

23.1 Classification of share-based payments

The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

23.2 Method of determining the fair value of equity instruments

23.2.1 For equity instruments that have a quoted market price in an active market and whose fair value can be reliably measured, the Group accounts for such equity instruments using the price from active market.

23.2.2 For equity instruments without a quoted market price in an active market and whose fair value can be reliably measured, the value is determined using valuation techniques including referring to price settled between knowledgeable, willing parties in an arm's length in recent market transactions; referring to present fair value of other substantially identical financial instruments; discounted cash flow method; option pricing model and etc.

23.3 Basis for determining the best estimate of vested equity instrument

Vested equity instrument is estimated based on the latest subsequent information such as the movement of the numbers of vested employees.

23.4 Accounting treatment for implementation, modification, termination of share based payment plan

23.4.1 Equity settled share based payment

Equity settled share based payments in exchange of services from employees which are immediately exercisable upon awarded are recorded at fair value of the equity instruments at award date in relevant cost or

expenses against capital reserves. Equity settled share based payments in exchange of services from employees which are exercisable upon completion of service periods or attainment of business conditions are valued at each balance sheet date based on best estimate of exercisable number of the equity instruments and fair value of the equity instruments at the award date, and record the services received in relevant cost or expenses against capital reserves.

Equity settled share based payments in exchange of services from other parties are recognized at fair value of the services at the date services are obtained if fair value of the services can be reliably measured. If fair value of the services from other parties cannot be reliably measured but the fair value of the equity instruments can be reliably measured, recognition is based on fair value of the equity instruments at the date services are received into relevant cost or expenses, and owner's equity is increased accordingly.

23.4.2 Cash settled share based payment

Cash settled share based payments in exchange of services from employees which are immediately exercisable upon awarded are recognized at fair value of the liabilities the Group assume at award date in relevant cost or expenses, and the relevant liabilities are recognized. Cash settled share based payments in exchange of services from employees which are exercisable upon completion of service periods or attainment of business conditions are valued at each balance sheet date based on best estimate of exercisable situation and fair value of the liabilities assumed, and record the services received in relevant cost or expenses against liabilities.

23.4.3 Modification and termination of share based payment plan

When fair value of the awarded equity instruments are increased, the Group recognizes increase in services received according to the increase in fair value of the equity instruments. When number of the awarded equity instruments is increased, the Group recognizes increase in services received according to increase in fair value of the equity instruments. When conditions to exercise are changed in favor of employees, the changes in conditions are taken into consideration in handling such conditions to exercise.

When fair value of the awarded equity instruments are decreased, the Group continues to recognize the fair value of the equity instruments at award date as service received without consideration of decrease in fair value of the equity instruments. When number of the awarded equity instruments is decreased, the Group records the decreased part as cancellation of awarded equity instruments. When conditions to exercise are unfavorable to the employees, the changes in conditions are not taken into consideration in handling such conditions to exercise.

When the Group cancelled or settled awarded equity instruments during service periods except for those cancelled due to failure to satisfy conditions to exercise, the cancellation or settlement is recorded as expedite of option and the amounts to be recognized in remaining service periods are recognized immediately.

24. Bonds payable

Bond payable is initially measured at fair value, which is the money received (fair value of consideration received) net of any transaction expenses. Bonds payable is subsequently measured at amortized cost. The difference between the net amount of borrowed fund and the amount due for repayment shall be amortized during the borrowing period using effective interest method. The amortization charge shall be recognized in profit or loss for the current period.

25. Estimated liabilities

- 25.1 If the obligations pertinent to contingencies such as external security, arbitration, product warranty and onerous contract become the current obligations of the Group, the performance of the obligations is likely to result in the outflow of economic benefits from the Group, and the amount of the obligations can be measured reliably, the obligations are recognized as estimated liabilities by the Group.
- 25.2 The Group initially measures the estimated liabilities based on the best estimate required to be paid when performing relevant current obligations, and reviews the book value of the estimated liabilities on the balance sheet date.

26. Lease Liabilities

The Group's important subsidiary, Electric Shares, implements "Accounting Standard for Business Enterprises No.21 – Leases" (Caikuai [2018] No.35) since January 1, 2019. The Electric Share lease standard is as follows:

At the commencement date of the lease, the lessee shall recognize a right-of-use asset and a corresponding lease liability except the short-term lease and low-value asset lease which shall be recognized by the simplified method according to the standard.

Commencement date of the lease is the date by which a lessor makes an underlying asset available for use by a lessee.

The lease liability shall be measured at the present value of the lease payments that are not paid at the initial recognition date.

Lease payments are the payments made by a lessee to a lessor for the right to use an underlying asset during the lease term, comprising the following payments:

- i) Fixed payments and in-substance fixed payments, if there are any lease incentives, the incentives shall be deducted;
- ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii) The exercise price of a purchase option if the lessee is reasonable certain to exercise that option;

- iv) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease; and
- v) Amounts expected to be payable by the lessee under residual value guarantees.

When calculating the present value of lease payments, the lessee shall use the interest rate implicit in the lease as the discount rate. If this rate cannot be determined, the lessee shall use the incremental borrowing rate as the discount rate. Interest rate implicit in the lease is the rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying assets and any initial direct costs of the lessor. The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right to use an underlying asset for a period of time in exchange for consideration.

The Electric Shares adopted same discount rate for the lease contracts with similar characteristics when calculating the lease liability. The adopted weighted average incremental borrowing rate is 2.59% to 4.90%.

27. Revenue

The Group and its other subsidiaries implement the original accounts receivable principles, except for the important subsidiary of the Group Electric Shares and Highly shares implement "Accounting Standards for Business Enterprises No.14–Revenue" (Finance and Accounting [2017]] No. 22) since January 1, 2018 and January 1, 2019.

27.1 The principles for revenue of the Group and other subsidiaries are as follows:

27.1.1 Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

27.1.2 Rendering of labor service

When the outcome of a transaction concerning rendering of labor service can be reliably estimated on balance sheet date (the following conditions are met: the amount of the revenue can be measured in a reliable way; relevant economic benefits may flow to the Group; the completion schedule of transaction can be confirmed reliably; the costs incurred or to be incurred during the transaction can be measured in a reliable way), relevant revenue from rendering of labor service is recognized via percentage of completion method, and the completion schedule of transaction is determined based on the percentage of service rendered to the total serve rendered or costs incurred to the total estimated costs. When the outcome of a transaction concerning rendering of labor

service cannot be reliably estimated, if the incurred labor service cost can be compensated, the revenue from rendering of labor force shall be recognized based on the amount of the incurred labor service cost, and the cost shall be carried forward in the same amount. If the incurred labor service cost cannot be compensated, the incurred labor service cost shall be charged to current profits and losses, and the revenue shall not be recognized.

27.1.3 Revenue from alienating of right to use assets

Revenue from alienating of right to use assets is recognized when the economic benefit will probably flow into the Group and the revenue can be measured reliably. Revenue of interest is recognized by the time and actual interest of the assets that have been used. Revenue of charge for use shall be confirmed by the agreed time and methods in the contract or agreement.

27.2 The principle for income of Electric Shares, the important subsidiary of the Group, are as follows:

When the customer obtains control of the relevant goods or services, Electric Shares will recognize the revenue with the amount that they are expected to receive.

27.2.1 Revenue from sale of goods

Revenue is recognized when Electric Shares fulfills its performance obligations in the contract, that is, when the customer obtains control of the relevant goods.

27.2.2 Revenue from rendering of labor service

Revenue from labor services provided by Electric Shares is recognized on the termination date of service.

27.2.3 Revenue from construction contracts

Electric Shares provides engineering services externally, and revenue is recognized within a certain period of time according to the progress of the completed labor services. The progress of the completed labor services is determined according to the proportion of the incurred costs to the estimated total cost. On the balance sheet date, Electric Shares re-estimate the progress of the completed services to enable them to reflect changes in compliance.

When Electric Shares confirms the revenue according to the progress of the completed labor service, the part that Electric Shares has obtained the unconditional collection right is recognized as the accounts receivable, and the rest is recognized as contract assets, and provision for accounts receivable and contract assets is determined based on the expected credit loss. If the contract price Electric Shares received or receivable exceeds the completed labor, the excess is recognized as a contract liability. Electric Shares presents on a net basis for contractual assets and contractual liabilities under the same contract.

Contract costs include contract performance costs and contract acquisition costs. The cost incurred by Electric

Shares for the provision of engineering services is recognized as the contractual performance cost, and when the revenue is recognized, it is carried forward to the cost of the main business in accordance with the progress of the completed labor. The incremental cost incurred by Electric Shares for the acquisition of the engineering labor contract is recognized as the contract acquisition cost. For the contract acquisition cost with amortization period not exceeding one year, it is included in current profit and loss when incurred; for the contract acquisition cost with amortization period over one year, Electric Shares amortizes on the same basis as the recognition of engineering labor income under relevant contract in profit and loss. If the book value of the contract cost is higher than the remaining price offer expected to be obtained of the service minus the estimated cost to be incurred, Electric Shares accounts for provision for impairment on the excess part and recognizes asset impairment losses. On the balance sheet date, for the contract performance cost based on whether the amortization period at the time of initial recognition exceeds one year, the net amount after deducting the provision for impairment of related assets is presented as inventory and other non-current assets by Electric Shares; The cost of contract acquisition with amortization period over one year at initial recognition is deducted from the net amount of impairment provision for related assets and is presented as other non-current assets.

27.2.4 Interest income

Interest income is determined by the actual interest rate based on the time when the other party uses the currency of the electric shares.

27.2.5 Lease income

Lease income generated from operating leases is recognized on the straight-line method over the period of the lease term. Contingent lease income is recognized in current profit or loss when incurred

27.3 The principle for income adopted by Highly Shares, the important subsidiary of the Group, are as follows:

The amount of revenue arising from the sales of goods and rendering of services shall be determined by the fair value in accordance with the consideration received or receivable from under the contract or agreement. The amount of revenue shall be the amount net of trade discount and sales return.

The revenue shall be recognized when inflow of economic benefits arising in the course of the trade-relevant activities of the Highly Shares and the relevant revenue can be reliably measured and all of the following conditions are satisfied:

27.3.1 Revenue from the sale of goods

Highly Shares shall recognize the revenue when the following conditions are satisfied. It has transferred to the buyer the significant risks and rewards of ownership of the goods. Highly Shares retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and the amount of revenue can be measured reliably. The amount of revenue arising from the sale of goods shall be determined in accordance with the consideration received or receivable from the buyer under contract or

agreement, except where the consideration received or receivable under contract or agreement is not fair.

27.3.2 Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction shall be recognized using the percentage of completion method. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied. The amount of revenue can be measured reliably and it is probable that the associated economic benefits will flow to the Highly Shares. The stage of completion of the transaction can be measured reliably and the costs incurred and to be incurred for the transaction can be measured reliably. Highly Shares select the proportion of costs incurred to date to the estimated total costs to determine the stage of completion. The total service revenue on a transaction involving the rendering of services shall be determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair.

When the Highly Shares has entered into a contract or an agreement comprising both sale of goods and rendering of services, if the sale of goods component and the services rendering component can be separately identifiable and measurable, the sale of goods and the revenue from rendering services component shall be accounted separately. If the sale of goods component and the services rendering component cannot be separately identifiable, or cannot be separately measurable despite being separately identifiable, both the sale of goods component and the services rendering component shall be accounted for sale of goods.

28. Contractual contracts

The Group and its other subsidiaries implement the original construction contracts principles, except for the important subsidiary of the Group Electric Shares and Highly Shares implement "Accounting Standards for Business Enterprises No.14–Revenue" (Finance and Accounting [2017]) No. 22) since January 1, 2018 and January 1, 2019.

28.1 The principles for construction contracts of the Group and other subsidiaries are as follows:

28.1.1 If the outcome of a construction contract can be estimated in a reliable way on the balance sheet date, the contract revenue and contract costs shall be recognized in light of the percentage-of-completion method. If the outcome of a construction contract cannot be estimated in a reliable way on the balance sheet date, it shall be treated in accordance with the circumstances as follows, respectively: (1) If the contract costs can be recovered, the contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be recognized as contract expenses in the current period they are incurred; and (2) If the contract costs cannot be recovered, these costs shall be recognized as contract expenses immediately when incurred and no contract revenue shall be recognized.

- 28.1.2 The fact that the result of fixed price contract can be reliably measured means that 1) Total contract income can be reliably measured; 2) Contract related economic benefit may flow into the Group; 3) Actual contract cost can be clearly distinguished and reliably measured; 4) Completion process of contract and cost needed for completing the contract can be reliably recognized. The fact that the result of cost plus contract can be reliably measured means that: 1) Contract related economic benefit may flow into the Group; 2) Actual contract cost can be clearly distinguished and reliably measured.
- 28.1.3 The Group recognizes contract process as per the followings: percentage of accumulated actual contract cost in estimated total cost of contract; percentage of completed contract workload in estimated total workload of contract; process actually measured.
- 28.1.4 If the total estimated contract costs exceed the total estimated contract revenue on the balance sheet date, the estimated loss shall be recognized as the current expenses. For the construction contract under implementation, the inventory falling price reserves shall be withdrawn at its difference. For the onerous contract to be executed, the estimated liabilities shall be recognized at its difference.
- 28.2 The principles for construction contracts of Electric Shares and Highly Shares, important subsidiary of the Group, are detailed in "IV.27 Revenue".

29. Government grants

- 29.1 Government grants include asset-related government grants and income-related government grants.
- 29.2 If the government grant is monetary asset, it is recorded at the amount received or receivable. If the government grant is non-monetary asset, it shall be measured at the fair value; if the fair value cannot be obtained, then it shall be measured at nominal amount.
- 29.3 When gross method is adopted
- (1) The government grants related to assets shall be recognized as deferred incomes; and shall be evenly allocated into the profits and losses during useful life of related assets. If the related assets are sold, transferred, scrapped or damaged before the end of life of the assets, the balance of the relevant deferred incomes that have not been allocated shall be transferred to the current profits and losses of asset disposal.
- (2) The government grants related to income shall be recognized as deferred incomes for compensation of future related expenses or loss and recognized in current profits and losses after related expenses are identified; if compensation of related expenses or losses already incurred, they shall be directly recognized in the current profits and losses.
- 29.4 For government grants both related to assets and income, they shall be treated as different accounting treatments. The whole will be treated as government grants related to income if cannot be distinguished.

29.5 Government grants related to daily operating activities will be calculated into other incomes or write down related cost in accordance with the business nature. If government grant is not related to daily operating activities, it shall be calculated into non-operating income.

29.6 Two accounting treatments for policy concessional loan discount allocated by Ministry of Financial to loan bank and to the Group respectively.

(1) If the financial discount funds are paid to the loan bank, and the bank provides loans at policy preferential interest rates, the Group chooses following accounting treatments: The actual money of loan received is recorded as the value of borrowing. The borrowing cost is calculated based on principal and the preferential interest rate of the policy.

(2) If the financial discount funds are paid directly to the Group, the Group shall reduce the related borrowing costs.

30. Deferred income tax assets and deferred income tax liabilities

30.1 For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method based on the tax rate applicable to the period when the assets are expected to be realized or the liabilities are expected to be settled.

30.2 Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. At the balance sheet date, if solid evidences suggest that it is probable that future taxable income can be obtained to realize deductible temporary differences, deferred tax assets not recognized in prior accounting periods are recognized.

30.3 At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be generated in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

30.4 Current and deferred tax expenses or income are recognized in profit or loss for the period, except for those arising from business combinations and those transactions or events directly recognized in owner's equity.

31. Leases

Except the Group's important subsidiary, Electric Shares, implements "Accounting Standard for Business Enterprises No.21 – Leases" (Caikuai [2018] No.35) since January 1, 2019, the Group and other subsidiaries all implement the original lease standards.

31.1 The principles for lease adopted by the Group and other subsidiaries are as follows:

31.1.1 Operating leases

When the Group is the lessee, operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

When the Group is the lessor, the rents shall be recognized as current profits and losses as per the straight-line method at each period within the lease term. The incurred initial direct expenses shall be directly charged to current profits and losses except those with large amount shall be capitalized and be charged to profits and losses. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

31.1.2 Finance leases

When the Group is the lessee, at the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Direct costs that are directly attributable to the leased item incurred during the inception period of lease are added to the amount recognized for the leased asset. Finance charge is recognized during lease period under the actual interest method.

When the Group is the lessor, on the commencement date of the lease term, the Group shall recognize the sum of the minimum lease receipts on the lease commencement date and the initial direct expenses as the entry value of the finance lease receivables, and record the unguaranteed residual value at the same time; the balance between the sums of the minimum lease receipts, the initial direct expenses and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The current financing income shall be calculated and recognized as per the effective interest method at each period within the lease term.

31.2 The lease standard applied by Electric Shares, the important subsidiary of the Group, are as follows:

31.2.1 Lessee

The Electric Shares as the lessee, at the commencement date of the lease, the lessee shall recognize a right-of-use asset with a corresponding lease liability except the short-term lease and low-value asset lease those shall be simplified recognized according to the standards.

After commencement date of lease, the Electric Shares adopted cost model as the subsequent method to measure the lease. The lessee shall provide depreciation on right-of-use asset according to the "Accounting Standard for Business Enterprises No.4 – Fixed Assets". If the lessee will obtain ownership of the right-of-use asset at the end of the lease period, in which case depreciation must be provided over the useful life of the underlying asset. If the lessee will not obtain ownership of the right-of-use asset at the end of the lease period, in which case depreciation shall be provided over the shorter of residual lease period or useful life of the underlying asset. Electric Shares shall determine if there is any impairment on right-of-use asset and a provision shall be recognized for impairment loss of the underlying asset according to the "Accounting Standard for Business Enterprises No.8 – Impairment of Assets".

Electric Shares calculated the interest expenses during each lease period by fixed periodic interest rate and recognized into profit or loss for the current period. The interest expenses shall be recognized into the relevant assets according to the "Accounting Standard for Business Enterprises No.17 – Borrowing Costs".

For short-term lease and low-value asset lease, Electric Shares chose not to recognize right-of-use asset and lease liability. The lease payments for short-term lease and low-value asset lease shall be recognized into relevant assets costs or profit or loss for the current period during each lease period by straight-line method.

31.2.2 Lessor

a) Finance lease

Electric Shares as the lessor, at the commencement of the lease term shall recognize a finance lease receivable for finance lease and derecognize the finance lease asset. The lessor shall calculate the interest revenue by fixed and periodic interest rate during each lease period.

b) Operating lease

Electric Shares as the lessor, the lease payments received by the lessor are to be recorded as rental income in each lease period on a straight-line basis. All initial direct costs incurred related to operating lease shall be capitalized and recognized as an expense over the lease term on the same basis as the lease income into the profit or loss for the current.

For the fixed assets in operating lease, Electric Shares shall adopt a basis consistent with the lessor's normal depreciation policy for similar assets to recognize these assets' depreciation. For other operating lease assets,

the lessor shall amortize systematically and reasonably by adopting the appropriate business accounting standards. Electric Shares determines if there is any impairment on operating lease asset and performing corresponded accounting treatment on underlying asset according to the "Accounting Standard for Business Enterprises No.8 – Impairment of Assets".

32. Profit distribution

Net profit realized in current period, plus previous undistributed profit (or minus previous undistributed deficit) and other changeover in, is the distributable profit. Distributable profit is distributed in the following order:

- (1) Extracting statutory surplus reserve fund legal surplus (the foreign capital enterprise reserve fund), the proportion is 10% of retained profits;
- (2) Extracting voluntary random surplus (the foreign capital enterprise development fund), the proportion is formulated by general manager office.

After balance sheet date, profit and dividend to be distributed as in a profit distribution plan and been approved and announced shall not be recognized as a liability on the balance sheet date. However, it shall be disclosure separately in the notes of the financial statement. Cash dividends are recognized as liability in the period of approval by the general meeting of shareholders.

33. Assets devaluation

The accounting policy is applicable to the impairment of i) long-term equity investment to subsidiaries, associates and joint venture; ii) investment properties subsequently measured using cost method; iii) fixed assets; iv) biology assets; v) intangible assets; vi) goodwill; vii) equity of proven oil and gas mines and assets such as wells and relevant facilities etc.

The Group undertakes impairment test on goodwill arising from business combination and intangible assets with an infinite useful life no matter whether there is any indication of impairment. If there is any indication of impairment of other assets, an impairment test is undertaken. If the recoverable amount of an individual asset is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Recoverable amount is the higher of an asset's net selling price and value in use. Net selling price refers to the price in an arm's length transaction of the sale of the assets between the parties voluntarily, net the disposal cost. Value-in-use is the net present value of expected future cash flows that an asset generates from continuous use and disposal. Expected future cash flows of an asset shall be determined by estimating the future cash inflows to be derived from continuing use of the asset, essential cash outflows to reach the condition for use and cash inflow of ultimate disposal. Expected future cash flows are generally discounted by required rate of return (before tax) on acquisition or investment. The cash flows do not exceed five years unless it can be proved that a longer period is reasonable (with a contract or special policies)

For the purpose of impairment testing, goodwill is considered together with the related assets portfolio(s). Goodwill is reasonably allocated according to fair value (carrying amount if not applicable) of related assets portfolio(s)' proportion in fair value (or carrying amount) of the combination of the related assets portfolio(s).

For the purpose of impairment testing, an individual asset (including all assets except assets valued at fair value) is considered together with the related assets portfolio(s). The impairment loss of the assets portfolio is first to reduce the carrying amount of goodwill allocated to the assets portfolio, and then to reduce the carrying amount of other assets in the assets portfolio based on their proportion, except for an individual asset that is proved not impaired after testing. Each asset's carrying amount after deduction shall not be below the highest of the net fair value of the asset net the disposal cost (if measurable), the present value of expected future cash flows (if measurable), and zero.

Once the impairment is recognized, it is not being reversed in any subsequent period.

34. Exchange of non-monetary assets

Exchange of non-monetary assets is the exchange of non-monetary assets such as inventories, fixed assets, intangible assets and long-term equity investments between parties to the transaction. The amount of premium monetary assets (mainly include cash, bank deposits, accounts receivable, notes receivable and held-to-maturity debt securities, etc.) related to the transaction shall be less than 25% (not included) of the fair value of the assets received.

If an exchange of non-monetary assets has commercial substance and the fair value of either the asset received or the asset given up can be reliably measured, the cost of the asset received is measured at the fair value of the asset given up plus payable tax costs and premium minus received premium. Commercial substance means that there is significant difference between the risks, life time and amount of future cash flows of the assets received and given up, or that the present value of expected future cash flows is different and the difference is significant compared to the fair value of the assets received and given up. The difference between the fair value and carrying amount of the assets given up is recognized in profit or loss for the period. If the assets given up are inventories, the transaction is sales in substance and shall be accounted as sales. If the assets given up are fixed assets or intangible assets, the difference between the fair value and carrying amount of the assets given up is recognized in profit or loss for the period as non-operating income or non-operating expense. If the assets given up are long-term equity investments, the difference between the fair value and carrying amount of the assets given up is recognized in investment income

If there is conclusive evidence that the fair value of the asset received is more reliable, the cost of the asset received is measured based on the fair value of the asset received.

Exchange of non-monetary assets between related parties shall be paid attention to the substance of the transaction whether it's commercial. Initial cost of exchange of non-monetary assets not commercial in substance is measured at the fair value of the asset given up and related tax costs payable. No gain or loss is recognized.

Where several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

35. Debt restructuring

Debt restructuring refers to an event under the situation of financial difficulties of the debtor, the creditor to make concessions in accordance with the agreement reached by the debtor or the court. Debt restructuring mainly includes pay off the debts with assets, debt-to-equity swap, and modification of other terms of a debt (reduce principal, reduce interest, etc.).

As the debtor, when a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognized in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognized in profit or loss (non-operation income or loss) for the current period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognized in capital reserves as share premium.

As the creditor, when a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt receivable and the cash received is recognized in profit or loss (non-operation income or loss) for the current period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognized in profit or loss for the period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest in the debtor received is recognized in profit or loss for the period. If a provision has been made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognized in profit or loss for the period. Non-cash assets received by the creditor are measured at fair value; share capital entitled by the creditor is measured at fair value as the investment to the debtor.

36. Held for sale

The Group will classify its components (or non-current assets) that meet the following conditions as assets held for sale: (1) According to the practice of asset sales or disposal group in similar transactions, it can be sold immediately under the current situation; (2) The sale is very likely to happen, a plan for sale already determined and confirmed purchase commitments obtained, (confirmed purchase commitment, refers to a legally binding purchase agreement, signed between the Group and other parties, including the transaction price, time, severe penalty for breach of contract, and other important terms, which enables minimal possibility for significant adjustment or cancellation.), which is expected to be completed within one year. Approval of the relevant authority or regulatory authorities has been obtained in accordance with the relevant provisions.

The Group adjusts the estimated net residual value of the assets available for sale, to reflect the net value of fair value subtracting selling costs (but not exceeding its original book value of the asset held for sale). The difference between higher book value and estimated net residual value, will be entitled as the impairment loss of assets into the current period of gains and losses, and the provision for impairment of assets held for sale as well. For the amount of assets impairment loss confirmed by the disposal group that is available for sale, the book value of goodwill in the disposal group shall be deducted first, and then the book value shall be deducted in proportion to the book value of the non-current assets stipulated in the measurement guidelines in the disposition group.

For the net values of which fair value of non-current asset held for sale in the subsequent balances sheet dates less selling costs increases, the previously impaired amount shall be recovered. And the amount shall be reversed into the impairment loss determined after being classified as held for sale, recorded into profit and loss of the current period. Impairment loss identified before classified as held for sale shall not be reversed. For the net values of which fair value of disposal group held for sale in the subsequent balance sheet dates less selling costs increases, the previously impaired amount shall be recovered. And the amount shall be reversed into the determined impairment loss, which is applicable to the provisions of this standard after being classified as held for sale. The reversal amount shall be recorded into profit and loss of the current period. The deducted book value of goodwill, and impairment loss of the non-current assets, applicable to the provisions of this standard before being classified as held for sale, shall not be reversed. The subsequent reversal amount from the determined impairment loss of held for sale disposal group should increase its book value, except goodwill, proportionally in accordance with the portion of book values of the non-current assets that are applicable to the provisions of the standard.

For those companies that lose control of its subsidiaries due to reasons such as sale of subsidiary investments, the Group should divide the subsidiary, as a whole, into the category of held for sale in the individual financial statements of the parent company; all assets and liabilities of the subsidiary should be divided into the category of held for sale in the consolidated financial statements, regardless of whether the Group retain a portion of equity investment after the sale, while drafting out the conditions when the subsidiary for sale is classified as held for sale.

37. Discontinued operations

Discontinued operations is a component that can meet one of the following conditions and be independently distinguished, and has been disposed of or classified as held for sale:

- 1) This component represents an independent major business or a separate major operating area;
- 2) This component is part of a related plan to dispose an independent major business or a separate major operating area;
- 3) This component is a subsidiary that is especially for resale.

The Group shall separately indicate the profits and losses of the continuous operation and discontinued operations in the income statement. For the non-current assets or disposal groups that are not in conformity with the definition of discontinued operation, the impairment loss and transferred amount, as well as the disposal profits and losses shall be reported as a continuous operating profit or loss. The impairment loss of discontinued operation and operating profit or loss as transferred amount, as well as loss disposal, shall be reported as profit or loss from discontinued operations.

38. Fair value measurement

38.1 When measuring the asset or liability at fair values. The Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The objective of using a valuation technique is to estimate the price to sell the asset or to transfer the liability in an orderly transaction between market participants at the measurement date under current market conditions.

38.2 Valuation techniques used by the Group to measure the asset or liability at fair value mainly include the market approach, the income approach and the cost approach. The Group shall use valuation techniques consistent with one or more of those approaches are used to measure fair value. If multiple valuation techniques are used to measure fair value, the Group shall consider the reasonableness of these valuation results, and select the amount that is the most representative of fair value in the circumstances as the fair value.

38.3 Once the valuation technique used to measure fair value is determined, it shall not be changed arbitrarily. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances, which include but not limited to the following:

- a) New markets develop;
- b) New information becomes available;

- c) Information previously used is no longer available;
- d) Improvement of valuation techniques; or
- e) Market conditions change.

Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate.

38.4 The Group shall categorize the inputs to measure fair value into three levels, use Level 1 inputs first, then Level 2 inputs, finally use Level 3 inputs.

Level-1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Group can access at the measurement date. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level-3 inputs are unobservable inputs for the asset or liability.

38.5 When measuring a liability at fair value, the Group shall assume that the liability is transferred to a market participant at the measurement date, the liability would remain outstanding and the market participant transferee would be required to fulfill the obligation.

38.6 When measuring its own equity instrument at fair value, the Group shall assume that its own equity instrument is transferred to a market participant at the measurement date, such instrument would remain outstanding and the market participant would take on the rights and responsibilities associated with the instrument.

39. Segment information

The Group determines the operating segment on the basis of internal organizational structure, management requirements and internal reporting system and determines the reporting segment based on the operating segment and discloses the segment information.

A operating segment is a part of the Group that meets the following conditions at the same time: (a) the segment can generate income and cost in the daily activities; (b) the management of the Group can periodically evaluate the operating results of the segment in order to decide to allocate resources to it and evaluate its performance; (c) the Group can obtain the accounting information of the segment including financial position, the results of operations and cash flows. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

V. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

1. Changes on Accounting Policies

1.1. Revising the Format of General Enterprise Financial Statements

At the end of June 30, 2019, the Group implemented "Notice of the Ministry of Finance on Revising the Format of the 2018 Consolidated Financial Statements" (Caikuai [2019] No. 1), and "Notice of the Ministry of Finance on Revising the Format of the 2019 Annual General Enterprise Financial Statements" (Caikuai [2019] No. 6). The impacts of the change in accounting policy are as follows:

No.	Applicable changes stipulated in the Regulation	Accounting period	Financial Statement items	Before implementation	Affected amounts	After implementation
1	Divide "Notes receivable and Accounts receivable" as "Notes receivable" and "Accounts receivable"	30 June 2019	Notes receivable		6,239,042,466.18	6,239,042,466.18
			Accounts receivable		35,027,543,424.54	35,027,543,424.54
			Notes receivable and Accounts receivable	41,266,585,890.72	-41,266,585,890.72	
		31 December 2018	Notes receivable		8,066,776,078.90	8,066,776,078.90
			Accounts receivable		21,977,958,153.33	21,977,958,153.33
			Notes receivable and Accounts receivable	30,044,734,232.23	-30,044,734,232.23	
2	Reclassify the "Note receivables and account receivables recognized by fair value through other comprehensive income" to "Finance receivables".	30 June 2019	Finance receivables		7,863,293,483.57	7,863,293,483.57
			Notes receivable	9,230,859,949.75	-2,991,817,483.57	6,239,042,466.18
			Other current assets	14,910,794,787.14	-4,871,476,000.00	10,039,318,787.14
		31 December 2018	Finance receivables		3,329,753,000.00	3,329,753,000.00
			Other current assets	11,257,500,003.02	-3,329,753,000.00	7,927,747,003.02
3	Reclassify "Interbank deposits and Financing funds in the balance sheet of financial enterprises" from "Cash and cash	30 June 2019	Lendings to Banks and Other Financial Institutions".		12,753,268,000.00	12,753,268,000.00
			Cash and cash equivalents	38,160,390,024.61	-12,753,268,000.00	25,407,122,024.61
		31 December 2018	Lendings to Banks and Other Financial Institutions".		22,991,054,000.00	22,991,054,000.00

No.	Applicable changes stipulated in the Regulation	Accounting period	Financial Statement items	Before implementation	Affected amounts	After implementation
4	equivalents" to "Lendings to Banks and Other Financial Institutions".		Cash and cash equivalents	47,741,750,988.38	-22,991,054,000.00	24,750,696,988.38
	Reclassify "Redemptory Monetary Capital for Sale" from	30 June 2019	Redemptory Monetary Capital for Sale		1,524,539,000.00	1,524,539,000.00
	"Other current assets" to	31	Other current assets	11,563,857,787.14	-1,524,539,000.00	10,039,318,787.14
	"Redemptory Monetary Capital for Sale"	December 2018	Redemptory Monetary Capital for Sale		2,308,712,000.00	2,308,712,000.00
5			Other current assets	10,236,459,003.02	-2,308,712,000.00	7,927,747,003.02
	Divide "Notes payable and Accounts payable" as	30 June 2019	Notes payable		10,392,887,205.55	10,392,887,205.55
	"Notes payable" and "Accounts payable"	31	Accounts payable		52,366,955,805.12	52,366,955,805.12
		December 2018	Notes payable and Accounts payable	62,759,843,010.67	-62,759,843,010.67	
6			Notes payable		8,948,533,169.79	8,948,533,169.79
	Reclassify the "Savings Absorption and Due to Placements with Banks and Other Financial Institutions" in the balance sheet of financial enterprises" from	30 June 2019	Accounts payable		42,592,172,535.56	42,592,172,535.56
	"Other current liabilities" to	31	Notes payable and Accounts payable	51,540,705,705.35	-51,540,705,705.35	
	"Savings Absorption and Due to Placements with Banks and Other	December 2018	Absorbed deposits and interbank deposits		452,911,635.09	452,911,635.09
6			Other current liabilities	9,944,579,202.98	-452,911,635.09	9,491,667,567.89
			Absorbed deposits and interbank deposits		353,114,565.32	353,114,565.32

No.	Applicable changes stipulated in the Regulation	Accounting period	Financial Statement items	Before implementation	Affected amounts	After implementation
	Financial Institutions”					

1.2. Implement “Accounting Standard for Business Enterprises No.21 – Leases”

Group’s important subsidiary, Electric Shares, implements “Accounting Standard for Business Enterprises No.21 – Leases” (Caikuai [2018] No.35) since January 1, 2019. The right-of-use assets, lease liabilities, opening balance of retained earnings and other financial statements’ items have been adjusted in accordance of the accumulative impacts from the change in accounting policy. There is no comparative adjustment. The impacts of the change in accounting policy are as follows:

No	Applicable changes stipulated in the Regulation	Financial Statement items	Before implementation	1 January 2019 Affected amounts	After implementation
1	For existing operating lease contracts prior to the first implementation of the new lease policy, the Group adopts different transition methods according to the residual lease period: The Group recognizes the lease liabilities on the basis of the residual lease payments and the incremental borrowing rate on January 1, 2019, and assumes that the new leasing policy will be adopted from the beginning of the lease period, and recognizes the book value of the right-of-use assets on the basis of the incremental borrowing rate on January 1, 2019. If the residual lease period is less than one year, the Group adopts a simplified method and did not recognize the right-of-use assets and lease liability,	Right-of-use assets		471,643,000.00	471,643,000.00
		Lease liability		324,143,000.00	324,143,000.00
		Non-current assets due within one year	5,275,344,681.69	171,734,000.00	5,447,078,681.69
		Deferred income tax assets	7,157,311,915.01	6,059,000.00	7,163,370,915.01
		Retained earnings	7,923,315,458.15	-7,150,187.09	7,916,165,271.06
		Minority shareholders' interest	43,834,188,777.18	-11,024,812.91	43,823,163,964.27

which has no significant impact on the financial statements.

For operating lease contracts for low-value assets that existed before the first implementation of the new leasing standards, the Group adopted a simplified method and does not recognize the right-of-use assets and lease liability, which has no significant impact on the financial statements.

1.3. Implement “Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement”, “Accounting Standard for Business Enterprises No.23 – Transfer of Financial assets” and “Accounting Standard for Business Enterprises No.37 – Financial Instruments: Presentation and Disclosures”.

Group’s important subsidiary, Highly Shares, implements “Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement” (Caikuai [2017] No.7), “Accounting Standard for Business Enterprises No.23 – Transfer of Financial assets” (Caikuai [2017] No.8), “Accounting Standard for Business Enterprises No.24 – Hedging” (Caikuai [2017] No.9) and “Accounting Standard for Business Enterprises No.37 – Financial Instruments: Presentation and Disclosures” (Caikuai [2017] No.14) to manage the business model and characteristics of the contractual rights to the cash flows of the financial assets. The Highly Shares reclassified the 4 categories of financial assets, financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets into 3 categories of financial assets, financial assets through amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The reclassification shall affect the opening balance of the retained earnings for the current period. The impact of the change in accounting policy is as follows:

No	Applicable changes stipulated in the Regulation	Financial Statement items	1 January 2019		
			Before implementation	Affected amounts	After implementation
1	Reclassify the “Financial assets available for sale” presented under the original standards of financial instruments into “Other equity investments”.	Other equity investments		18,653,489.80	18,653,489.80
		Financial Assets Available For Sale	12,758,797,478.55	-18,653,489.80	12,740,143,988.75

No	Applicable changes stipulated in the Regulation	Financial Statement items	Before implementation	1 January 2019 Affected amounts	After implementation
2	Reclassify the “financial liabilities at fair value through profit or loss” presented under the original standard of financial instruments into “Transactional Monetary Capital”.	Transactional Monetary Capital	104,540,000.00	13,125,682.11	117,665,682.11
		Financial liabilities at fair value through profit or loss	13,125,682.11	-13,125,682.11	
3	Reclassify the “notes receivable and accounts receivable” measured by fair value and presented under the original standard of financial instruments into “finance receivables”.	Notes receivable	8,066,776,078.90	-2,522,970,260.46	5,543,805,818.44
		Accounts receivable	21,977,958,153.33	-869,826.22	21,977,088,327.11
		Finance receivables	3,329,753,000.00	2,497,962,842.15	5,827,715,842.15
		Deferred income tax assets	7,157,311,915.01	4,733,291.96	7,162,045,206.97
		Other comprehensive income	3,347,339,249.69	-2,353,689.34	3,344,985,560.35
	Meanwhile the asset-related statements at the beginning of the period are adjusted. Determine the expected credit losses and changes in the fair value of notes receivable in accordance with new standards, and adjust the items from equity-related statements at the beginning of the period accordingly.	Minority shareholders' interest	43,834,188,777.18	-18,003,257.63	43,816,185,519.55
		Retained earnings	7,923,315,458.15	-787,005.60	7,922,528,452.55

2. Changes in Accounting Estimates

There is no change in accounting estimates in the reporting period.

3. Corrections of Significant Prior Errors

There is no correction of significant prior errors in the reporting period.

VI. TAXATION

Categories of tax	Tax bases	Tax rates	Benchmark rate / tax incentives and related approvals
VAT	Commodity sales revenue; Rent revenue, Service revenue	17%, 16%, 13%, 11%, 10%, 6%, 5%	Benchmark rate
City maintenance and construction tax	Business tax and VAT	7%, 5%, 1%	Benchmark rate

Categories of tax	Tax bases	Tax rates	Benchmark rate / tax incentives and related approvals
Education surcharge	VAT	5%, 3%	Benchmark rate
River maintenance tax	VAT	1%	Benchmark rate
Property tax	Self-use property residual value; Rental revenue	1.2%, 12%	Benchmark rate
Land use tax	Taxable area of land	3\6\12\20 CNY/m ²	Basic tax rate
Income tax	Taxable income	25%, 15%	Note 1

Note 1: Preferential income tax rates applicable to the companies are as follows:

Full name of the companies	Subsidiary level	Applicable income tax rates	Preferential tax bases
Shanghai Electric Group Shanghai Motor Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Boiler Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Wind Power Group Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Machine Tool Works Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Centrifugal Machinery Research Institute Co., Ltd	3	15.00%	High tech Enterprise
Shanghai Electrical Automation Design And Research Institute Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Institute Of Mechanical & Electrical Engineering Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric power station equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Nuclear Power Equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric KSB Nuclear Pump Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric heavy casting & forging Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric -SPX Engineering & Technologies Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Blower Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Fuel Injection Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Environment Protection Complete Engineering Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric speke engineering technology Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai first machine tool factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric power station environmental protection engineering Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Highly Electrical Appliance Co. Ltd.	3	15.00%	High tech Enterprise
Hangzhou Fusheng Electrical Co. Ltd	3	15.00%	High tech Enterprise

Full name of the companies	Subsidiary level	Applicable income tax rates	Preferential tax bases
Anhui Highly Precision Casting Co., Ltd.	3	15.00%	High tech Enterprise
Nanchang Highly Electrical Appliances Co., Ltd.	3	15.00%	High tech Enterprise
Sichuan Fusheng Electrical Co. Ltd	4	15.00%	High tech Enterprise
Shanghai Highly New Energy Technology Co., Ltd.	4	15.00%	High tech Enterprise
Highly(mianyang) Electrical appliances Co., Ltd.	3	15.00%	Projects listed as encouraged by the state
Shanghai electric valve Co., Ltd.	2	15.00%	High tech Enterprise
Shanghai Highly Special Refrigeration Equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Thales Transportation Automation System Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Automation Instrumentation Co., Ltd.	2	15.00%	High tech Enterprise

VII. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

No.	Full name of the subsidiaries	Sub. Level	Type of subsidiaries	Registration places	Principal places of business	Business natures	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition methods
1	Shanghai Machine Tool (Group) Co. Ltd.	2	1	No. 218 Fengxian Road, Jinan District	Shanghai	Manufacturing industry	32,795.63	100	100	32,795.63	1
2	Pacific mechatronic (Group) Co. Ltd.	2	1	No. 554 Kaixuan Road	Shanghai	Manufacturing industry	70,414.00	100	100	170,414.00	4
3	Shanghai Electric Enterprise Development Co. Ltd.	2	1	Room 1201, 1346 Gonghexin Rd., Zhabei District	Shanghai	Management consulting	41,694.16	100	100	61,950.39	2
4	Shanghai (Group) Electric Changjiang Company	2	1	Room 203, No. 112-3 North Yingchun Rd. Chengnan Block, Wuzhong economic development district, Suzhou Province	Shanghai	Manufacturing industry	500.00	100	100		4
5	Shanghai Pneumatic Hydraulic Limited Company	2	1	Rooms 304-306, East 2nd floor, No. 89, Fuzhou Rd. 301-305, Building 4, Building 3, 465	Shanghai	Manufacturing industry	15,057.30	100	100	14,047.38	1
6	Shanghai Human Resource Co. Ltd.	2	1	Tiantong'an Road, Jing'an District, Shanghai	Shanghai	Consulting services	140.00	100	100	137.36	2

No.	Full name of the subsidiaries	Sub. Level	Type of subsidiaries	Registration places	Principal places of business	Business natures	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition methods
7	Shanghai Electric Light Industry Tools Co., Ltd.	2	1	Room 107, 470 Beijing East Road, Huangpu District	Shanghai	Business	1,214.61	100	100		4
8	Shanghai United Wood Industry Co., Ltd.	2	1	50 Fuxing Zhonglu Road	Shanghai	Manufacturing industry	10,231.00	100	100	3,669.56	1
9	Shanghai Electric Light Industry Asset Management Co., Ltd.	2	1	No. 1712, North Shanxi Rd., Putuo District	Shanghai	Manufacturing industry	15,208.55	100	100	1,062.50	4
10	Shanghai Hero Industrial Co. Ltd.	2	1	Room 205, No. 39, Lane 1249, Xikang Road, Putuo District, Shanghai	Shanghai	Cultural office supplies	48,478.10	100	100	2,257.06	4
11	Shanghai Highly (Group) Co. Ltd.	2	1	No. 888, Ningqiao Rd., Jinqiao Export Processing Zone, Pudong New District	Shanghai	Manufacturing industry	86,631.07	24.44	27.60	104,183.65	2
12	Shanghai Electric Group Co. Ltd.	2	1	30 th floor, Wandu center, No. 8 Xingyi Rd., Shanghai No. 149	Shanghai	Manufacturing industry	1,472,518.80	58.96	59.18	2,295,321.29	4
13	Shanghai Haiya Industrial Co., Ltd.	2	1	Jianguozhong Road, Huangpu District	Shanghai	Wholesale and retail industry	2,000.00	100	100	2,000.00	1
14	Shanghai No.3 Machine Tool Plant	2	1	No.1171 Xietu Road	Shanghai	Manufacturing industry	15,023.77	100	100	11,834.59	2

No.	Full name of the subsidiaries	Sub. Level	Type of subsidiaries	Registration places	Principal places of business	Business natures	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition methods
15	Shanghai Electric Group Hong Kong Co., Ltd.	2	3	Room 2602, Tower 1, Lippo Centre, 89 Queensway, Hong Kong	Hongkong	Investment Management	USD 9,996.00	100	100	65,646.49	2
16	Shanghai Electric Machine Tool Complete Engineering Co. Ltd.	2	1	No. 681, Huai'an Rd., Jing'an District	Shanghai	Electrical and mechanical services	4,984.11	100	100	5,513.85	1
17	Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.	2	1	No. 1997, Jiazhu Rd.	Shanghai	Technology consulting services	40,000.00	60	60	24,000.00	2
18	Shanghai Automation Instrumentation Co., Ltd.	2	1	Jingan District No. 191 Guangzhong West Road Building 7	Shanghai	Manufacturing industry	9,467.76	51.01	51.01	9,467.76	1
19	Shanghai Heavy Machinery Factory Co., Ltd.	2	1	Jiangchuan Road No. 1800	Shanghai	Manufacturing industry	247,321.40	100	100	0.0001	4
20	Shanghai Gongxin Investment Management Co., Ltd.	2	1	No. 1301, Gonghexin Road, Jing'an District, Shanghai	Shanghai	Business services	1,000.00	100	100	2,138.85	1
21	Shanghai Lianhe Instrument Co., Ltd.	2	1	Building 110, No. 191 Guangzhong West Road, Jing'an District	Shanghai	Manufacturing industry	7,000.00	100	100	7,024.13	1

No.	Full name of the subsidiaries	Sub. Level	Type of subsidiaries	Registration places	Principal places of business	Business natures	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition methods
22	Shanghai intelligent rehabilitation medical technology Co., Ltd.	2	1	Lvl 1,Building 104, No.960,Zhongxin Road, Jing'an District, Shanghai	Shanghai	Technology extension and application services	430.00	81.40	81.40	350.00	1
23	Shanghai electric bearing Co., Ltd.	2	1	No. 1161.Humin Road, Minghang District, Shanghai	Shanghai	Manufacturing industry	10,000.00	100	100	5,884.86	2
24	Shanghai electric valve Co., Ltd.	2	1	No. 333, qinqiao road, China (Shanghai) pilot free trade zone	Shanghai	Manufacturing industry	6,150.00	100	100	17,930.49	2

Note:

Type of subsidiary: 1. domestic non-financial enterprise; 2. domestic financial enterprise; 3. overseas subsidiary; 4. institution; 5. infrastructure enterprise.

Acquisition method: 1. investment; 2. business combination involving enterprise under common control; 3. business combinations not involving enterprise under common control; 4. others.

Proportion of ownership interest refers to the direct shareholding ratio of the parent company on subsidiaries and proportion of voting power includes the direct shareholding of the parent company and the indirect shareholding through the holding company

2. The reasons of control obtained over the subsidiary where proportion of voting power is less than half

No.	Full name of the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Registered capital	Total investment (in ten thousands)	Sub. level	Reasons for included in the scope of consolidation
1	Shanghai Highly (Group) Co. Ltd	24.44	27.60	86,631.07	104,183.65	2	Note

Note: The Company holds majority of voting rights in the investee's Board of Directors.

3. The reasons of none control obtained over the subsidiary where proportion of direct & indirect voting power is more than half

No.	Full name of the subsidiaries	Proportion of ownership interest (%)	Proportion of voting power (%)	Registered capital	Actual capital contribution (in ten thousands)	Sub. level	Reasons for not included in the scope of consolidation
1	Shanghai Electric (Group), Retired Veteran Cadres Function Room	100	100	10	46.74	2	Full funding institution, which is not included in the consolidation
2	Shanghai Electric Production Safety Monitoring Center	100	100	500	500	2	Public institution, which is not included in the consolidation
3	Shanghai Electric Science And Technology Innovation Center	80	80	200	133.21	2	In liquidation

4. Important non-wholly-owned subsidiaries

4.1. Minority shareholders

No.	Full name of the subsidiaries	Proportion of minority ownership interest (%)	Current profit and loss attributable to minority shareholders	Current paid dividends to minority shareholders	Ending accumulated minority shareholders' equity
1	Shanghai highly (group) Co., Ltd	72.40	156,465,497.34	94,081,337.13	3,860,563,696.03
2	Shanghai Electric Group Co. Ltd.	40.82	1,183,742,445.60	380,144,414.00	35,963,739,710.60

4.2. Main financial information

Items	Current-period amount	
	Shanghai Highly (Group) Co., Ltd.	Shanghai Electric Group Co., Ltd.
Current assets	9,879,429,703.24	180,197,871,000.00
Non-current assets	5,233,336,313.98	74,495,626,000.00
Total assets	<u>15,112,766,017.22</u>	<u>254,693,497,000.00</u>
Current liabilities	9,142,683,058.00	145,860,764,000.00
Non-current liabilities	637,812,660.83	20,729,500,000.00
Total liabilities	<u>9,780,495,718.83</u>	<u>166,590,264,000.00</u>
Revenue	6,824,846,183.72	52,956,456,000.00
Net profit	216,112,565.38	2,899,908,000.00
Total comprehensive income	236,363,775.36	2,866,611,000.00
Operating cash flow	-165,271,207.74	-9,992,835,000.00

Continued:

Items	Previous period amount	
	Shanghai Highly (Group) Co., Ltd.	Shanghai Electric Group Co., Ltd.
Current assets	9,014,654,157.10	151,727,947,000.00
Non-current assets	5,320,656,672.83	66,793,918,000.00
Total assets	<u>14,335,310,829.93</u>	<u>218,521,865,000.00</u>
Current liabilities	8,445,384,490.92	119,623,268,000.00
Non-current liabilities	555,970,530.98	25,261,977,000.00
Total liabilities	<u>9,001,355,021.90</u>	<u>144,885,245,000.00</u>
Revenue	6,983,295,592.26	51,273,997,000.00
Net profit	228,550,253.26	2,937,636,000.00
Total comprehensive income	202,141,978.19	2,949,918,000.00
Operating cash flow	-65,699,744.03	-11,497,776,000.00

5. Former subsidiary excluded in the scope of consolidation during the current period

5.1. Basic information

No.	Name	Place of incorporation	Registered capital (CNY 10,000)	Nature of business	Proportion of ownership interest (%)	Proportion of voting power (%)	Reasons for not being a subsidiary
1	Shanghai Hoisting and Conveying Machinery Factory Co., Ltd.	No. 191, Minxing Rd., Yangpu District	44,420.00	Manufacturing industry	100	100	Note

Note: In 2019, Shanghai Hoisting and Conveying Machinery Factory Co., Ltd. has been sold out and completed the changes in shares.

5.2. Main financial indicators of former subsidiary (in CNY ten thousands)

No	Name	Previous accounting period			Date of disposal			Beginning of current year to the date of disposal		
		Assets	Liabilities	Equities	Assets	Liabilities	Equities	Revenue	Expense	Profit
1	Shanghai Hoisting And Conveying Machinery Factory Co., Ltd.	193,341,547.89	189,645,831.80	3,695,716.09	172,183,392.54	171,146,246.49	1,037,146.05	8,329,428.70	11,030,728.03	-2,658,570.04

6. New subsidiary included into consolidation in the current period

No	Name	Closing balance of net assets	Net profit in current period
1	Shanghai Haiya Industrial Co., Ltd.	20,030,031.62	30,031.62

VIII. NOTES TO MATERIAL ITEM IN CONSOLIDATED FINANCIAL STATEMENTS

1 Cash and cash equivalents

Items	Closing balance	Opening balance
Cash on Hand	14,104,578.63	3,772,458.12
Cash in bank	20,152,020,297.96	20,595,749,536.81

Items	Closing balance	Opening balance
Other Monetary Capital	5,240,997,148.02	4,151,174,993.45
Total	<u>25,407,122,024.61</u>	<u>24,750,696,988.38</u>
Include: Total amount deposited abroad	1,887,383,505.28	859,054,418.83

Restricted bank balances

Categories	Closing balance	Opening balance
Security deposits	1,683,895,638.56	837,832,016.59
Restricted bank deposits	8,107,741.51	6,821,400.50
Fixed-term deposits over three months	4,730,747,000.00	7,352,953,000.00
Reserved deposits in Central bank	2,006,029,800.02	2,577,728,000.00
Others	25,572,924.65	1,178,429.47
Total	<u>8,454,353,104.74</u>	<u>10,776,512,846.56</u>

2 Lendings to banks and other financial institutions

Items	Closing balance	Opening balance
The amount deposited in domestic banks and other financial institutions	12,753,268,000.00	22,991,054,000.00
Total	<u>12,753,268,000.00</u>	<u>22,991,054,000.00</u>

3 Transactional monetary capital

Items	Closing fair value	Opening fair value
1. Financial assets classified as measured as at fair value through profit and loss upon initial recognition	<u>5,206,468,210.00</u>	<u>4,419,450,000.00</u>
Include: Held-for-trading investments in debt securities	4,107,658,000.00	3,561,654,600.00
Held-for-trading investments in equity instruments	357,086,210.00	57,652,600.00
Others	741,724,000.00	800,142,800.00
2. Financial assets measured as at fair value through profit and loss upon initial recognition		
Include: Held-for-trading investments in debt securities		
Held-for-trading investments in mixture instruments		
Others		
Total	<u>5,206,468,210.00</u>	<u>4,419,450,000.00</u>

4 Derivative financial assets

Items	Closing balance	Opening balance
Hedging instruments of Shanghai Electric Group Co. Ltd.	1,527,000.00	788,000.00
Total	<u>1,527,000.00</u>	<u>788,000.00</u>

Details of hedging instruments:

Items	Closing balance		Opening balance	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	1,527,000.00	3,910,000.00	788,000.00	5,168,000.00
Less: Non-current part				
Current part	1,527,000.00	3,910,000.00	788,000.00	5,168,000.00
Total	<u>1,527,000.00</u>	<u>3,910,000.00</u>	<u>788,000.00</u>	<u>5,168,000.00</u>

5 Notes receivable

5.1. Summary of notes receivable

Categories	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Bank acceptances	2,859,911,994.23		2,859,911,994.23	4,353,895,439.85		4,353,895,439.85
Commercial acceptances	3,379,130,471.95		3,379,130,471.95	3,712,880,639.05		3,712,880,639.05
Total	<u>6,239,042,466.18</u>		<u>6,239,042,466.18</u>	<u>8,066,776,078.90</u>		<u>8,066,776,078.90</u>

5.2. Pledged notes receivable at the end of the period

Categories	Pledged amount at end of period
Bank acceptance bill	115,022,000.00
Commercial acceptances	54,476,000.00
Total	<u>169,498,000.00</u>

- 5.3. Receivables that have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date

Categories	Terminate recognized amount at the end of the period	Terminate unrecognized amount at the end of the period
Bank acceptances	952,568,288.10	200,000,000.00
Commercial acceptances	45,910,647.54	
Total	<u>998,478,935.64</u>	<u>200,000,000.00</u>

Note: Subsidiaries of Shanghai Electric Group Co., Ltd., which is the subsidiary of the Group, endorsed and discounted some of the bank acceptances for their daily fund management. Therefore, those companies reclassified the remaining other receivables-bank acceptances to financial assets measured by fair value and whose changes are recorded into other comprehensive income.

- 5.4. Notes receivable converted into Accounts receivable due to drawer's failure to perform: None.

6 Accounts receivable

Categories	Closing balance			
	Carrying value Amount	Proportion (%)	Provision for bad debt Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	1,278,712,438.40	2.88	985,187,914.83	77.05
Accounts receivable that bad debt provision is assessed according to credit risk characteristics portfolios	42,985,936,392.76	96.67	8,336,343,417.79	19.39
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	202,049,039.44	0.45	117,623,113.44	58.22
Total	<u>44,466,697,870.60</u>	<u>100</u>	<u>9,439,154,446.06</u>	

Continued:

Categories	Opening balance			
	Carrying value		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	1,446,348,205.71	4.76	1,265,004,391.60	87.46
Accounts receivable that bad debt provision is assessed according to credit risk characteristics portfolios	28,193,791,023.05	92.83	6,984,823,676.96	24.77
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	731,758,510.57	2.41	144,111,517.44	19.69
Total	<u>30,371,897,739.33</u>	<u>100</u>	<u>8,393,939,586.00</u>	

6.1 Accounts receivable for which bad debt provision has been assessed individually

Debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Xinjiang Kuishan Baota Petrochemical Co. Ltd.	310,853,000.00	310,853,000.00	More than 3 years	100.00	Expected to be irrecoverable
Ningxia Eastern Thermoelectric Co., Ltd	264,242,000.00	264,242,000.00	More than 3 years	100.00	Expected to be irrecoverable
China Nuclear Engineering Co., Ltd.	103,250,649.22	8,490,533.85	1-2 years	8.22	Expected partial recoverable
RELIANCE ENERGY LTD	100,599,159.78	100,599,159.78	More than 3 years	100.00	Expected to be irrecoverable
Indian Hisar Project	100,448,000.00	100,448,000.00	1-3 years	100.00	Expected to be irrecoverable
North China Power Engineering (Beijing) Co., Ltd.	53,758,000.00	53,758,000.00	1-3 years	100.00	Expected to be irrecoverable
Bohai Shipyard Group Co., Ltd.	29,687,000.00	29,687,000.00	1-3 years	100.00	Expected to be irrecoverable
China Zhongyuan Engineering Co., Ltd.	25,664,438.28	4,863,834.57	1-3 years	18.95	Expected partial recoverable
China Nuclear Power Engineering Co., Ltd.	22,157,717.22	1,007,912.73	1-2 years	4.55	Expected partial recoverable

Debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Qinyang Power Plant	21,172,473.90	21,172,473.90	More than 3 years	100.00	Expected to be irrecoverable
The subtotal of other significant items of Electric Shares	246,880,000.00	90,066,000.00	1-3 years	36.48	Expected partial recoverable
Total	<u>1,278,712,438.40</u>	<u>985,187,914.83</u>			

6.2 Accounts receivable portfolios for which bad debt provision has been assessed using portfolios based on the risk characteristics:

Aging	Closing balance		Provision for bad debt
	Carrying amount		
	Amount	Proportion (%)	
Within 1 year (Including 1 year)	28,156,091,012.50	65.50	797,947,580.01
1–2 years (Including 2 years)	6,060,735,874.58	14.10	1,038,966,277.36
2–3 years (Including 3 years)	2,917,907,268.93	6.79	1,399,244,389.46
>3 years	5,851,202,236.75	13.61	5,100,185,170.96
Total	<u>42,985,936,392.76</u>	<u>100</u>	<u>8,336,343,417.79</u>

Continued:

Aging	Opening balance		Provision for bad debt
	Carrying amount		
	Amount	Proportion (%)	
Within 1 year (Including 1 year)	17,013,281,275.57	60.34	563,711,450.51
1–2 years (Including 2 years)	4,509,264,423.32	15.99	826,581,946.86
2–3 years (Including 3 years)	2,007,900,241.77	7.12	982,079,542.53
>3 years	4,663,345,082.39	16.55	4,612,450,737.06
Total	<u>28,193,791,023.05</u>	<u>100</u>	<u>6,984,823,676.96</u>

6.3 Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision
Donglin Power Plant	15,508,900.00	15,508,900.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Tianxiang Stainless Steel Products Company	13,663,222.08	13,663,222.08	More than 3 years	100.00	Expected to be irrecoverable
Puyang Yueneng Power Generation Co., Ltd	12,018,557.70	1,802,783.66	1-2 years (Including 2 years)	15.00	Expected partial recoverable
China Water Resources and Electric Power Material Group Co., Ltd.	11,930,000.00		Within 1 year (Including 1 year)		Expected to be recoverable
China Coal Ordos Energy Chemical Co., Ltd.	9,963,188.16	1,494,478.22	1-2 years (Including 2 years)	15.00	Expected partial recoverable
Shanghai Bell Alcatel Information Products Co., Ltd.	9,830,094.74	1,474,514.21	1-2 years (Including 2 years)	15.00	Expected partial recoverable
Jinan South Trading Company	7,775,500.00	3,887,750.00	2-3 years (Including 3 years)	50.00	Expected partial recoverable
Huangshan Namia Automation Complete Equipment Sales Co., Ltd.	6,931,814.00	1,039,772.10	1-2 years (Including 2 years)	15.00	Expected partial recoverable
Jiangsu Jiangnan High Fibre Co., Ltd.	6,560,000.00	6,560,000.00	More than 3 years	100.00	Expected to be irrecoverable
Dongfang Electric Co., Ltd.	6,378,576.00	2,690,272.00	1-3 years (Including 3 years)	42.18	Expected partial recoverable
China Shipbuilding Industry Corporation Seventh Institute	5,941,025.65		2-3 years (Including 3 years)		Expected to be recoverable
Shenhua Ningxia Coal Industry Group Co., Ltd.	5,467,943.05	820,191.46	1 to 2 years (Including 2 years)	15.00	Expected partial recoverable
Shanxi Tianze Coal Chemical Group Co., Ltd.	5,409,704.87	502,717.18	Within 2 years (Including 2 years)	9.29	Expected partial recoverable
Shanghai Shangshi Longchuang Intelligent Energy Technology Co., Ltd.	5,248,205.13	2,624,102.56	2-3 years (Including 3 years)	50.00	Expected partial recoverable
Shanghai Guanshun Investment Development Co., Ltd.	4,938,983.57		Within 3 years (Including 3 years)		Expected to be recoverable

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision
Shanghai Xinghe Jiulong Power Cable Co., Ltd.	4,333,694.07	4,333,694.07	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Huihuang Investment Consulting Co., Ltd.	3,433,943.61		Within 1 year (Including 1 year)		Expected to be recoverable
Shanghai Xiyuan Asset Management Co., Ltd.	1,128,050.70	1,043,370.87	1 to 2 years (Including 2 years)	92.49	Expected partial recoverable
Shanghai Xinyue Instrument Factory	1,100,000.00	850,800.00	More than 3 years	77.35	Expected partial recoverable
Subtotal for other items individually not significantly important	64,487,636.11	59,326,545.03	Within 3 years (Including 3 years)	92.00	Expected partial recoverable
Total	<u>202,049,039.44</u>	<u>117,623,113.44</u>			

6.4 Recovery or Reversal of bad debt

Debtors	Transfer back or recovered amount	Accumulative amount of provision for bad debts before reversing or withdrawing	Reason or method for recovery or transfer back
Accounts receivable 1 of Shanghai Electric Group Co. Ltd.	92,282,000.00	92,282,000.00	Payment recovery
Accounts receivable 2 of Shanghai Electric Group Co. Ltd.	42,674,000.00	42,674,000.00	Payment recovery
Accounts receivable 3 of Shanghai Electric Group Co. Ltd.	27,079,000.00	27,079,000.00	Payment recovery
Accounts receivable 4 of Shanghai Electric Group Co. Ltd.	17,575,000.00	17,575,000.00	Payment recovery
Accounts receivable 5 of Shanghai Electric Group Co. Ltd.	16,309,000.00	16,309,000.00	Payment recovery
Subtotal of other reversal of Highly Shares	100,016.04	100,016.04	Payment recovery
Subtotal of other reversal of Electric Shares	243,501,000.00	243,501,000.00	Payment recovery
Other miscellaneous subtotal	2,990,171.10	2,990,171.10	Payment recovery
Total	<u>442,510,187.14</u>	<u>442,510,187.14</u>	

6.5 Accounts receivable written-off during the reporting period

Debtor	Nature of accounts receivable	Write-off amount	Write-off reason	Write-off procedures	Related party transaction
Shanghai Highly (Group) Co. Ltd.	Payment for goods	47,736.00	Expected to be irrecoverable	Internal approval	No
Total		<u>47,736.00</u>			

6.6 Top five ending balance of accounts receivable by debtor

Debtors	Closing balance	Proportion of total accounts receivable (%)	Provision for bad debt
Total amount for the top five entities	5,387,498,000.00	12.12	2,243,541,000.00
Total	<u>5,387,498,000.00</u>	<u>12.12</u>	<u>2,243,541,000.00</u>

6.7 Derecognized accounts receivable due to the transfer of financial assets:

As for June 30, 2019, Electric Shares, the subsidiary of the Group made a non-recourse factoring and derecognized some accounts receivable with a net book value of CNY 203,066,000.

6.8 The amount of accounts receivable transfer, which continues to be recognized, such as securitization and factoring: None.

7 Finance receivables

7.1 List of finance receivables

Items	Closing balance	Opening balance
Accounts receivable measured at fair value with changes through other comprehensive income	4,222,181,000.00	2,724,919,000.00
Notes receivable measured at fair value and with changes through other comprehensive income	3,641,112,483.57	604,834,000.00
Total	<u>7,863,293,483.57</u>	<u>3,329,753,000.00</u>

7.2 Accounts receivable measured at fair value with changes through other comprehensive income

7.2.1 Accounts receivable classification

Items	Closing balance	Opening balance
Accounts receivable measured at fair value with changes through other comprehensive income	4,510,717,000.00	2,991,500,000.00
Less: Provision of bad debt	288,536,000.00	266,581,000.00
Total	<u>4,222,181,000.00</u>	<u>2,724,919,000.00</u>

7.2.2 Accounts receivable measured at fair value with changes through other comprehensive income has been assessed using the aging analysis approach:

Items	Closing balance	Opening balance
Not overdue	3,975,959,000.00	1,776,174,000.00
Overdue within 1 year (Including 1 year)	259,522,000.00	940,704,000.00
Overdue 1-2 years	1,109,000.00	25,533,000.00
Overdue 2-3 years	25,038,000.00	
Overdue 3-4 years	124,753,000.00	124,753,000.00
Overdue 4-5 years		
Overdue more than 5 years	124,336,000.00	124,336,000.00
Total	<u>4,510,717,000.00</u>	<u>2,991,500,000.00</u>

Note: For the six months ended June 30, 2019, Since Shanghai Electric Group Co., Ltd., a subsidiary of the Group, may factor its accounts receivable based on the needs of its daily fund management, the remaining balance of accounts receivable books are classified as financial assets measured at fair value through other comprehensive income. The fair value of this part of the accounts receivable was CNY 4,510,717,000, and the amount of bad debt provision measured based on the expected lifetime credit loss was CNY 288,536,000.

7.2.3 Accounts receivable measured at fair value with changes through other comprehensive income for which bad debt provision has been assessed individually portfolios

Items	Balance	Expected credit loss rate for the entire duration (%)	Bad debt provision	Reasons for the provision
Accounts receivable 1	3,408,692,000.00	0.55	18,818,000.00	Expected to be partial irrecoverable
Accounts receivable 2	249,089,000.00	100.00	249,089,000.00	Expected to be irrecoverable
Total	<u>3,657,781,000.00</u>		<u>267,907,000.00</u>	

7.2.4 Accounts receivable measured at fair value with changes through other comprehensive income for which bad debt provision has been assessed as portfolios

Items	Balance	Bad debt provision	
		Expected credit loss rate for the entire duration (%)	Amount
Not overdue	567,267,000.00	0-1.00	3,821,000.00
Overdue within 1 year	259,522,000.00	1.00-5.00	4,178,000.00
Overdue 1-2 years	1,109,000.00	5.00-12.00	111,000.00
Overdue 2-3 years	25,038,000.00	50.00	12,519,000.00
Total	<u>852,936,000.00</u>		<u>20,629,000.00</u>

7.3 Notes receivable measured at fair value and with changes through other comprehensive income

Shanghai Electric Group Co., Ltd., a subsidiary of the Group, may frequently discount and endorsed some bank acceptance bills based on the needs of its daily fund management. Therefore, the remaining bank acceptance bills are recognized as financial assets measured at fair value with changes through other comprehensive income.

On June 30, 2019, Shanghai Electric Group Co., Ltd., a subsidiary of the Group, the provision for bad debts of notes receivable measured at fair value with changes through other comprehensive income was made based on the expected credit loss of the whole life period. Shanghai Electric Group Co., Ltd., a subsidiary of the Group, considers that there is no significant credit risk in the bank acceptance bills held by the Group and there will be no significant loss due to bank default. Therefore, no provision for bad debts shall be made.

On June 30, 2019, the receivables financing due to notes receivable pledged for the issuance of bank acceptance bills presented by Shanghai Electric Group Co., Ltd., a subsidiary of the Group, was at amount of RMB 234,140,000.00 for the opening of bank acceptance bills.

8 Advance to suppliers

8.1 Aging analysis of prepayments

Aging	Closing balance		
	Carrying amount		Provision for bad debt
	Amount	Proportion (%)	
Within 1 year (1 year included)	12,403,992,342.20	72.15	1,060.82
1-2 years(Including 2 years)	2,663,032,506.38	15.49	433,556.22
2-3 years(Including 3 years)	1,156,439,056.75	6.73	1,367,111.32
More than 3 years	968,395,196.66	5.63	7,295,114.18
Total	<u>17,191,859,101.99</u>	<u>100</u>	<u>9,096,842.54</u>

Continued:

Aging	Opening balance		
	Carrying amount		Provision for bad debt
	Amount	Proportion (%)	
Within 1 year (1 year included)	8,255,287,007.70	68.87	1,060.82
1-2 years(Including 2 years)	1,907,910,018.12	15.92	568,803.06
2-3 years(Including 3 years)	1,023,599,584.66	8.54	1,596,075.01
More than 3 years	799,282,553.08	6.67	7,480,379.50
Total	<u>11,986,079,163.56</u>	<u>100</u>	<u>9,646,318.39</u>

8.2 Significant advance to supplier with aging over 1 year

As of June 30, 2019, the prepayments aged over one year were CNY 4,787,866,759.79 (December 31, 2018: CNY 3,730,792,155.86), mainly for equipment prepayment for project contractor. These funds have not been settled due to the incompleteness of the project.

8.3 Top five prepayments by Closing Balance of debtors

Debtors	Carrying amount	Percentage of total prepayments (%)	Provision for bad debt
Total prepayments for the top five balances	5,980,788,000.00	34.79	
Total	<u>5,980,788,000.00</u>	<u>34.79</u>	

9 Other receivable

Items	Closing balance	Opening balance
Interests receivable	150,323,246.12	113,994,836.73
Dividends receivable	97,057,000.00	272,087,000.00
Other receivables	4,725,594,448.82	5,224,622,992.48
Total	<u>4,972,974,694.94</u>	<u>5,610,704,829.21</u>

9.1 Accrued interest receivable

9.1.1 Categories of accrued interest receivable

Items	Closing balance	Opening balance
Time deposits	65,731,506.55	97,959,796.51
Entrusted Loan		405,290.28
Bond investments	84,591,739.57	15,629,749.94
Total	<u>150,323,246.12</u>	<u>113,994,836.73</u>

9.1.2 Material overdue interests: None.

9.2 Dividend receivable

Item	Closing balance	Opening balance
Dividends receivable	97,057,000.00	272,087,000.00
Total	<u>97,057,000.00</u>	<u>272,087,000.00</u>

9.3 Other receivable

9.3.1 Other Receivable of important subsidiaries of the Group: Electric Shares and Highly Shares

a) Classification by nature of payment

Nature	Closing balance	Opening balance
Security deposits	27,549,846.31	43,886,595.94
Export tax rebate	4,504,243.04	5,110,953.45
Advances and others	35,508,053.12	10,986,194.67
Electric shares receivables from related parties		2,000,000,000.00
Electric shares receivables from third parties	4,050,771,000.00	2,228,186,000.00
Less: Bad debt provision	196,269,235.36	161,027,673.76
Total	<u>3,922,063,907.11</u>	<u>4,127,142,070.30</u>

b) Bad debt provision

Bad debt provision	The first stage Expected credit losses in the next 12 months	The second stage Expected credit loss for the entire duration (no credit impairment)	The third stage Expected credit loss for the entire duration (impairment of credit has occurred)	Total
Balance on December 31, 2018	20,310,673.76		140,717,000.00	161,027,673.76
Balance on January 1, 2019	20,310,673.76		140,717,000.00	161,027,673.76
The balance of January 1, 2019 in this period.				
-- Transfer to the second stage				
-- Transfer to the third stage				
-- Reverse to the second stage				
-- Reverse back to the first stage				
Provision	43,561.60			43,561.60
Reversal				
Transfer				
Write-off				
Other changes				
Acquisition of subsidiaries	1,310,000.00		16,971,000.00	18,281,000.00
Net (decrease) / increase in the current period	-5,312,000.00		22,229,000.00	16,917,000.00
Balance on June 30, 2019	<u>16,352,235.36</u>		<u>179,917,000.00</u>	<u>196,269,235.36</u>

9.3.2 Other receivables of the Group and other subsidiaries

Categories	Closing balance			
	Carrying amount		Provision for bad debt	
	Amount	(%)	Amount	(%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,657,716,530.37	52.01	1,133,746,366.08	68.39
Other receivables for which bad debt provision has been assessed by portfolios of risk characteristics	1,171,746,822.10	36.76	1,027,806,172.40	87.72
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	357,927,581.48	11.23	222,307,853.76	62.11
Total	<u>3,187,390,933.95</u>	<u>100</u>	<u>2,383,860,392.24</u>	

Continued:

Categories	Opening balance			
	Carrying amount		Provision for bad debt	
	Amount	(%)	Amount	(%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	2,016,851,746.98	57.59	1,172,104,088.60	58.12
Other receivables for which bad debt provision has been assessed by portfolios of risk characteristics	1,156,940,443.00	33.03	1,002,192,414.50	86.62
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	328,617,178.91	9.38	230,631,943.61	70.18
Total	<u>3,502,409,368.89</u>	<u>100</u>	<u>2,404,928,446.71</u>	

a) Other receivables that are individually significant and for which bad debt provision has been assessed individually

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision
Shanghai SVA (Group) Co., Ltd.	776,250,000.00	776,250,000.00	Over 3 years	100.00	Expected to be irrecoverable
Shanghai forging machine tool factory	122,695,711.34	122,695,711.34	Over 3 years	100.00	Expected to be irrecoverable
Shanghai Jia'ang Industrial Co., Ltd.	84,847,820.87	84,847,820.87	Over 3 years	100.00	Expected to be irrecoverable
Shanghai Nanyang Motor Co. Ltd.	68,844,157.77		Over 3 years		Expected to be recoverable
Shanghai Meizheng Comprehensive Service Co., Ltd.	63,912,946.00		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Electric Power Clean Energy Technology Co., Ltd.	51,550,000.00		Within 1 year		Expected to be recoverable
Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.	39,200,000.00		1-3 years(Including 3 years)		Expected to be recoverable
Shanghai Paihui Investment Management Ltd.	36,900,000.00		1-3 years(Including 3 years)		Expected to be recoverable
Shanghai Guanshengyuan Additive Product Factory	30,576,274.68		1-2 years(Including 2 years)		Expected to be recoverable
Zhejiang Dongxing Paper Co., Ltd.	30,349,501.80	30,349,501.80	Over 3 years	100.00	Expected to be irrecoverable
Shanghai Shenhua SVA SMEG Football Club Inc.	27,500,000.00	27,500,000.00	Over 3 years	100.00	Expected to be irrecoverable
Shanghai Dalong Machinery Factory Co., Ltd.	24,500,000.00		1-3 years(Including 3 years)		Expected to be recoverable
Subtotal of other significant individual items	300,590,117.91	92,103,332.07		30.64	Expected partial recoverable
Total	<u>1,657,716,530.37</u>	<u>1,133,746,366.08</u>			

b) Other receivables portfolios with bad debt provision assessed through the aging analysis approach

Aging	Closing balance		
	Carrying amount		Provision for bad debt
	Amount	(%)	
Within 1 year (1 year included)	96,094,738.56	8.20	594,071.86
1–2 years(2 years included)	13,951,083.47	1.19	944,287.34
2–3 years(3 years included)	11,637,453.84	0.99	5,768,362.17
More than 3 years	1,050,063,546.23	89.62	1,020,499,451.03
Total	<u>1,171,746,822.10</u>	<u>100.00</u>	<u>1,027,806,172.40</u>

Continued:

Aging	Opening balance		
	Carrying amount		Provision for bad debt
	Amount	(%)	
Within 1 year (1 year included)	95,141,371.15	8.23	597,607.84
1–2 years(2 years included)	11,721,872.62	1.01	636,827.08
2–3 years(3 years included)	13,897,611.84	1.20	6,697,934.61
More than 3 years	1,036,179,587.39	89.56	994,260,044.97
Total	<u>1,156,940,443.00</u>	<u>100.00</u>	<u>1,002,192,414.50</u>

c) Other receivables that are not individually significant at the end of the period but for which bad debt provision has been assessed individually

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion of provision (%)	Reason for proportion
Shanghai Putuo District People's Court	19,898,000.00		More than 1 year		Expected to be recoverable
Shandong Nanshan Aluminum Co., Ltd.	17,706,000.00	17,706,000.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Xinyi Nonferrous Foundry	15,698,246.80	15,698,246.80	More than 3 years	100.00	Expected to be irrecoverable
Shanghai No.4 Machine Tool Factory	14,187,310.89	14,187,310.89	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Long Electric Tool Co.,Ltd.	12,472,672.85	12,472,672.85	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Yangpu District Land Reserve Center	11,140,720.00		2-3 years(Including 3 years)		Expected to be recoverable
Shanghai Pacific Machinery Import and Export Corporation	10,749,416.77	10,749,416.77	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Seagull Camera Co., Ltd.	10,088,789.20		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Machine Tool Import and Export Co., Ltd.	10,030,174.83	10,030,174.83	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Xinyefang Shangying enterprise development Limited	10,000,000.00		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Electric Machine Co., Ltd.	9,808,074.70	9,808,074.70	More than 3 years	100.00	Expected to be irrecoverable
Fuxi Investment Holding Co., Ltd.	8,441,382.79	8,441,382.79	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Xingguo Factory	8,379,778.77	8,379,778.77	More than 3 years	100.00	Expected to be irrecoverable
Shanghai slowdown Machinery Factory	8,127,831.15	8,127,831.15	More than 3 years	100.00	Expected to be irrecoverable
China Cinda Asset Management Co., Ltd.	6,879,999.00	1,375,999.80	1-2 years(Including 2 years)	20.00	Expected partial recoverable
Shanghai Yuqu Metal Products Co., Ltd.	6,700,000.00		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Construction Estate Co., Ltd.	5,067,000.00		Within 1 year		Expected to be recoverable

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion of provision (%)	Reason for proportion
Shanghai Yichu Lotus Chain Supermarket Co., Ltd.	3,525,295.50		Within 1 year		Expected to be recoverable
Shanghai Zhongjiu Power Transformer Co., Ltd.	3,100,000.00	3,100,000.00	More than 3 years	100.00	Expected to be irrecoverable
Handan Iron and Steel (Group) LLC.	1,935,850.66	1,935,850.66	More than 3 years	100.00	Expected to be irrecoverable
CFC Project of Shanghai Vacuum Pump Plant	1,755,098.00	1,755,098.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Second Vacuum Pump Factory Co., Ltd.	1,730,000.00	1,730,000.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Fifth Valve Factory	1,500,000.00	1,500,000.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai second pen accessories factory	1,358,672.80		More than 3 years		Expected to be recoverable
Shanghai Ruihua (Group) Co., Ltd.	1,300,000.00	1,300,000.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Automotive Braking System Co., Ltd.	1,178,681.00	1,178,681.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Jiaoyun Automotive Power System Co., Ltd.	1,100,700.00	1,100,700.00	More than 3 years	100.00	Expected to be irrecoverable
Simike Diamond Mould Co., Ltd.	1,093,782.88	1,093,782.88	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Jindiao lifting equipment factory	1,040,364.16		More than 3 years		Expected to be recoverable
Subtotal for other items individually not significantly important	151,933,738.73	90,636,851.87		59.66	Expected partial recoverable
	<u>357,927,581.48</u>	<u>222,307,853.76</u>			

d) Recovery or reversals during the current period: None

e) Other receivables written-off during the current period: None

f) Top five ending balance of other receivables by debtor					
Debtors	Nature of fund	Closing balance	Aging	Percentage of total other receivables (%)	Provision for bad debt
Shanghai SVA (Group) Co., Ltd.	Business transaction	776,250,000.00	More than 3 years	10.72	776,250,000.00
Other receivable 1 from Electric share	Security deposit	242,008,000.00	Within 1 year (Including 1 year)	3.34	
Other receivable 2 from Electric share	Advance payment	195,530,000.00	1-2 years (Including 2 years)	2.70	
Shanghai forging machine tool factory	Business transaction	122,695,711.34	More than 3 years	1.70	122,695,711.34
Other receivable 3 from Electric share	Advance payment	114,837,000.00	Within 1 year (Including 1 year)	1.59	
Total		<u>1,451,320,711.34</u>		<u>20.05</u>	<u>898,945,711.34</u>

10 Redemptory Monetary Capital for Sale

Items	Closing balance	Opening balance
Classification by collateral		
Enterprise bonds	1,524,539,000.00	2,308,712,000.00
Total	<u>1,524,539,000.00</u>	<u>2,308,712,000.00</u>

11 Inventories

Items	Closing balance		
	Book value	Provision for inventories	Net book value
Raw materials	7,530,467,994.69	706,853,831.98	6,823,614,162.71
Work-in-progress	14,426,623,419.33	1,171,086,173.76	13,255,537,245.57
Finished goods	12,221,726,006.25	826,169,259.78	11,395,556,746.47
Finished goods (Packing materials, consumables, low-value Item)	3,328,156.88	98,233.15	3,229,923.73
Others	1,886,199,366.79	3,002,048.18	1,883,197,318.61
Total	<u>36,068,344,943.94</u>	<u>2,707,209,546.85</u>	<u>33,361,135,397.09</u>

Continued:

Items	Opening balance		
	Book value	Provision for inventories	Net book value
Raw materials	5,623,706,183.08	738,294,644.40	4,885,411,538.68
Work-in-progress	13,823,504,756.80	1,339,971,803.57	12,483,532,953.23
Finished goods	13,477,485,610.50	579,338,515.89	12,898,147,094.61
Finished goods (Packing materials, consumables, low-value Item)	346,847,818.00	2,958,733.15	343,889,084.85
Others	164,496,780.12	377,048.18	164,119,731.94
Total	<u>33,436,041,148.50</u>	<u>2,660,940,745.19</u>	<u>30,775,100,403.31</u>

12 Contractual assets

Items	Closing balance		
	Book value	Provision for contract assets	Net book value
Projects of Electric share	25,578,218,000.00	1,142,930,000.00	24,435,288,000.00
Total	<u>25,578,218,000.00</u>	<u>1,142,930,000.00</u>	<u>24,435,288,000.00</u>

Continued:

Items	Book value	Opening balance	Net book value
		Provision for contract assets	
Projects of Electric share	13,289,791,000.00	1,060,009,000.00	12,229,782,000.00
Total	<u>13,289,791,000.00</u>	<u>1,060,009,000.00</u>	<u>12,229,782,000.00</u>

13 Non-current assets due within one year

Items	Closing balance	Opening balance
Financial lease receivables due within one year	4,214,407,000.00	4,180,012,000.00
Other long-term receivables due within one year	16,018,638.00	20,526,638.00
Total	<u>4,230,425,638.00</u>	<u>4,200,538,638.00</u>

14 Other current assets

Items	Closing balance	Opening balance
I. Entrusted Loan	73,200,000.00	83,200,000.00
II. Discounted notes	227,497,000.00	317,917,000.00
III. Prepaid expenses		19,712.41
IV. Loans	1,299,781,500.00	268,690,000.00
V. Pending deduct VAT on purchase	1,501,295,287.14	1,336,363,264.27
VI. Other debt investment due within 1 year	6,486,611,000.00	5,787,735,000.00
VII. Others	450,934,000.00	133,822,026.34
Total	<u>10,039,318,787.14</u>	<u>7,927,747,003.02</u>

15 Financial assets available for sale

15.1 Information about financial assets available for sale

Items	Closing balance	Closing balance	Book value
		Provision for bad debts	
I. Available for sale debt instruments	2,103,803,366.04		2,103,803,366.04
II. Available for sale equity instruments	<u>13,928,061,228.49</u>	<u>298,820,366.20</u>	<u>13,629,240,862.29</u>
Measured at fair value	9,369,327,108.96	134,049.57	9,369,193,059.39
Measured at cost	4,558,734,119.53	298,686,316.63	4,260,047,802.90
III. Others	151,948,887.41		151,948,887.41

Items	Closing balance	Closing balance Provision for bad debts	Book value
Total	<u>16,183,813,481.94</u>	<u>298,820,366.20</u>	<u>15,884,993,115.74</u>

Continued:

Items	Closing balance	Opening balance Provision for bad debts	Book value
I. Available for sale debt instruments	1,659,821,070.51		1,659,821,070.51
II. Available for sale equity instruments	<u>11,397,796,774.24</u>	<u>298,820,366.20</u>	<u>11,098,976,408.04</u>
Measured at fair value	7,288,972,654.71	134,049.57	7,288,838,605.14
Measured at cost	4,108,824,119.53	298,686,316.63	3,810,137,802.90
III. Others			
Total	<u>13,057,617,844.75</u>	<u>298,820,366.20</u>	<u>12,758,797,478.55</u>

15.2 Ending balance of available-for-sale financial assets measured at fair value

Items	Available for sale equity instruments	Available for sale debt instruments	Others	Total
Amortized cost of the equity instruments cost /debt instruments	2,966,108,602.10	2,244,272,201.07	136,545,223.50	5,346,926,026.67
Fair value	9,369,327,108.96	2,103,803,366.04	151,948,887.41	11,625,079,362.41
Accumulated changes of fair value in other comprehensive income	6,403,218,506.86	-140,468,835.03	15,403,663.91	6,278,153,335.74
The amount of provision for impairment	134,049.57			134,049.57
Total	<u>9,369,193,059.39</u>	<u>2,103,803,366.04</u>	<u>151,948,887.41</u>	<u>11,624,945,312.84</u>

15.3 Details of available-for-sale financial assets measured at cost

Investees	Accounting methods	Investment costs	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Total		<u>4,558,734,119.53</u>	<u>4,108,824,119.53</u>	<u>449,910,000.00</u>	<u>4,558,734,119.53</u>		<u>298,686,316.63</u>		
AVIC Commercial Aircraft Engine Co., Ltd.	Cost method	900,000,000.00	900,000,000.00		900,000,000.00	15.00			
Shanghai life insurance Company	Cost method	873,600,000.00	873,600,000.00		873,600,000.00	14.00			
Advanced Manufacturing Industry Investment Fund (Limited Partnership)	Cost method	873,333,300.00	773,333,300.00	100,000,000.00	873,333,300.00	4.55			
Shanghai Shenchuang Equity Investment Fund Partnership (Limited Partnership)	Cost method	250,000,000.00	250,000,000.00		250,000,000.00	11.88			
Shanghai Shenchuang Euity Investment Management Center (Limited Partnership)	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	10.00			
Shanghai State-owned Enterprise Reform and Development Equity Investment Fund Partnership (L.P.)	Cost method	600,000,000.00	250,000,000.00	350,000,000.00	600,000,000.00	12.30			
Shanghai Guosheng Haitong Equity Investment Fund Partnership (L.P.)	Cost method	250,000,000.00	250,000,000.00		250,000,000.00	11.11			
Shanghai Nanyang Motor Co.,	Cost method	125,954,540.27	125,954,540.27		125,954,540.27	60.00	125,954,540.27		

Investees	Accounting methods	Investment costs	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Ltd									
China United Heavy Gas Turbine Technology Co., Ltd.	Cost method	114,000,000.00	114,000,000.00		114,000,000.00	12.00			
Shanghai Tuling Asset Management Co., Ltd. Tuling	Cost method	100,000,000.00	100,000,000.00		100,000,000.00				
Zengli No.1 Private Equity Fund									
Shanghai Tuling Asset Management Co., Ltd. Tuling	Cost method	100,000,000.00	100,000,000.00		100,000,000.00				
Zengli No.2 Private Equity Fund									
Other miscellaneous subtotals	Cost method	370,846,279.26	370,936,279.26	-90,000.00	370,846,279.26		172,731,776.36		

16 Other debt investments

Item	Closing balance	Opening balance
Debt investments	322,991,000.00	261,372,000.00
Total	<u>322,991,000.00</u>	<u>261,372,000.00</u>

Details of significant other debt investments

Other debt investments	Amortized cost	Fair value	Accumulated changes of fair value in other comprehensive income	Provision for impairment loss
Available-for-sales bonds	319,418,000.00	322,991,000.00	3,573,000.00	
Total	<u>319,418,000.00</u>	<u>322,991,000.00</u>	<u>3,573,000.00</u>	

17 Long-term accounts receivables

Items	Book value	Closing balance Provision for bad debts	Net value
Finance lease	10,375,907,000.00	960,251,000.00	9,415,656,000.00
Including: Unrealized financing income	1,345,888,000.00		1,345,888,000.00
Installment collection of selling goods.	26,280,635.91		26,280,635.91
Others	770,008,282.51		770,008,282.51
Less: Long-term receivables due within one year	5,175,365,377.54	784,698,000.00	4,390,667,377.54
Total	<u>5,996,830,540.88</u>	<u>175,553,000.00</u>	<u>5,821,277,540.88</u>

Continued:

Items	Book value	Opening balance Provision for bad debts	Net value	Period-end discount rate interval
Finance lease	10,280,606,000.00	910,135,000.00	9,370,471,000.00	
Including: Unrealized financing income	1,196,177,000.00		1,196,177,000.00	
Installment collection of selling goods.	26,280,635.91		26,280,635.91	
Others	19,938,000.00	2,742,000.00	17,196,000.00	
Less: Long-term receivables due within one year	4,961,761,638.00	761,223,000.00	4,200,538,638.00	
Total	<u>5,365,062,997.91</u>	<u>151,654,000.00</u>	<u>5,213,408,997.91</u>	

18 Long-term equity investment

18.1 Disclosure by category

Items	Opening balance	Increase	Decrease	Closing balance
Investment in joint ventures	5,412,270,883.20	13,331,000.00	87,911,975.50	5,337,689,907.70
Investment in associated enterprises	9,558,079,130.11	1,553,845,798.23	1,159,460,737.45	9,952,464,190.89
Subtotal	<u>14,970,350,013.31</u>	<u>1,567,176,798.23</u>	<u>1,247,372,712.95</u>	<u>15,290,154,098.59</u>
Less: provision for impairment loss	451,106,000.00		7,008,000.00	444,098,000.00
Total	<u>14,519,244,013.31</u>	<u>1,567,176,798.23</u>	<u>1,240,364,712.95</u>	<u>14,846,056,098.59</u>

18.2 Details of long-term equity investment

Investees	Investment costs	Opening balance	Changes in current period			
			Increase	Decrease	Investment profit or loss under equity method	Other comprehensive income adjustment
						Business combination into subsidiary under the different control
Total	13,774,692,208.26	14,519,244,013.31	664,884,000.00	30,660,000.00	399,187,111.87	13,331,000.00
1. Subtotal for joint ventures	4,702,753,000.00	4,968,172,883.20		30,660,000.00	-29,032,192.14	13,331,000.00
Ansaldo Energia S.P.A ("AEN") (Note 1)	2,976,485,000.00	2,690,901,000.00			-138,682,000.00	13,331,000.00
Shanghai Fanake Robot Co., Ltd.	868,128,000.00	1,307,089,000.00			70,205,000.00	
Shanghai Yunzhongxin Enterprise Development Co., Ltd.	660,000,000.00	659,417,000.00				
Shanghai Fanake International Trading Co., Ltd.	109,840,000.00	147,303,000.00			10,787,000.00	
Other joint ventures of Electric Shares subtotal	82,495,000.00	152,663,000.00		30,660,000.00	27,962,000.00	-25,608,000.00
Shanghai Dahua - Chino Instrument Co., Ltd.	5,805,000.00	10,799,883.20			695,807.86	
2. Subtotal for investments in associates	9,071,939,208.26	9,551,071,130.11	664,884,000.00		428,219,304.01	-808,781,000.00
Shanghai Highly Nakano Refrigerators Co., Ltd	64,978,616.92	78,521,991.75			2,111,238.13	
State Nuclear Power Automation System	98,000,000.00	190,128,010.57			3,279,820.34	

Investees	Company	Investment costs	Opening balance	Changes in current period				Business combination into subsidiary under the different control
				Increase	Decrease	Investment profit or loss under equity method	Other comprehensive income adjustment	
Engineering (SNPAS)								
Shanghai Instrumentation Instrument Co., Ltd.	Automation nine	2,217,741.94	5,309,073.28			33,855.82		
Thousand Field Measurement and Control Equipment (Kunshan) Co., Ltd.		2,648,640.00	7,782,483.68			892,389.72		
China Energy Engineering Group Co., Ltd. (Note 2)		1,073,605,000.00	805,200,000.00	268,405,000.00		10,328,000.00		
Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.		558,309,000.00	678,753,000.00			31,565,000.00		
Suzhou THVOW Technology Co., Ltd. (Note 3)		664,943,000.00	664,943,000.00					-664,943,000.00
Shanghai Rail Traffic Equipment Development Co., Ltd.		353,363,000.00	580,978,265.34			5,081,000.00		
Shanghai Jintai Engineering Machinery Co., Ltd.		480,531,000.00	549,895,000.00			52,992,000.00		
Mitsubishi Elevator Shanghai Mechanical & Electrical Co., Ltd.		341,663,000.00	453,180,000.00			633,000.00		

Investees	Changes in current period				Investment costs	Opening balance	Increase	Decrease	Investment profit or loss under equity method		Other comprehensive income adjustment	Business combination into subsidiary under the different control
ManzAG		429,181,000.00	410,072,000.00						-7,708,000.00			
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.		451,829,000.00	385,248,000.00						29,345,000.00			
Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.		250,000,000.00	248,023,000.00						-658,000.00			
Shanghai Riyong Youjie Automotive Electric Co., Ltd.,		195,708,000.00	240,258,000.00						16,545,000.00			
Shenhua (Beijing) Photovoltaic Technology R&D Co., Ltd.		245,000,000.00	208,187,000.00						-27,774,000.00			
Nanjing Panneng Electric Power Technology Co., Ltd.		155,441,886.78	179,255,000.00						8,789,000.00			
Shanghai Nabtesco Hydraulic Co., Ltd.		165,735,000.00	164,043,000.00						22,753,000.00			
Shanghai Siemens Switchgear Co., Ltd.		139,640,000.00	154,936,000.00						36,184,000.00			
Shanghai Marathon Innovation Electric Co., Ltd.		161,251,000.00	147,443,000.00						8,758,000.00			
Chongqing Fuling Energy Industry Co., Ltd.		164,601,000.00							741,000.00			
Shanghai Danfoss Hydraulic Transmission Co., Ltd.		58,602,425.08	120,293,000.00						18,678,000.00			

Investees	Investment costs	Opening balance	Changes in current period			
			Increase	Decrease	Investment profit or loss under equity method	Other comprehensive income adjustment
						Business combination into subsidiary under the different control
Shanghai KSB Pumps Ltd.	125,134,458.23	39,049,660.23			3,004,000.00	
Shanghai Electric Research and Construction Technology Group Co., Ltd.	100,000,000.00	104,161,000.00			927,000.00	
Legend Electric (Shenyang) Co., Ltd.	42,654,778.88	94,604,000.00			28,889,000.00	
Shanghai Schneider Distribution Electric Co., Ltd.	97,267,000.00	74,259,000.00			56,600,000.00	
Other subtotal	2,649,634,660.43	2,966,548,645.26	396,479,000.00		126,230,000.00	-143,838,000.00

Continued:

Investees	Changes in current period					Provision for impairment
	Business combination into associates under the different control	Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others	Closing balance
Total	<u>190,714,000.00</u>	<u>77,000.00</u>	<u>346,283,520.81</u>		<u>269,951,494.22</u>	<u>14,846,056,098.59</u>
1. Subtotal for joint ventures						
Ansaldo Energia S.P.A ("AEN") (Note 1)			<u>2,611,783.36</u>			<u>4,893,591,907.70</u>
Shanghai Fanake Robot Co., Ltd.						<u>2,565,550,000.00</u>
Shanghai Yunzhongxin Enterprise Development Co., Ltd.						<u>1,377,294,000.00</u>
Shanghai Fanake International Trading Co., Ltd.						<u>659,417,000.00</u>
Other joint ventures of Electric Shares subtotal			<u>1,000,000.00</u>			<u>158,090,000.00</u>
Shanghai Dahua - Chino Instrument Co., Ltd.			<u>1,611,783.36</u>			<u>123,357,000.00</u>
						<u>9,883,907.70</u>
2. Subtotal for investments in associates	<u>190,714,000.00</u>	<u>77,000.00</u>	<u>343,671,737.45</u>		<u>269,951,494.22</u>	<u>9,952,464,190.89</u>
Shanghai Highly Nakano Refrigerators Co., Ltd						
State Nuclear Power Automation Engineering			<u>3,467,969.67</u>			<u>77,165,260.21</u>
						<u>193,407,830.91</u>

Investees	Business combination into associates under the different control	Changes in current period					Provision for impairment
		Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others	Closing balance	
(SNPAS)							
Shanghai Instrument Co., Ltd.	Automation nine					5,342,929.10	
Thousand Field Measurement and Control Equipment (Kunshan) Co., Ltd.			1,612,767.78			7,062,105.62	
China Energy Engineering Group Co., Ltd. (Note 2)						1,083,933,000.00	
Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.			32,655,000.00			677,663,000.00	
Suzhou THVOW Technology Co., Ltd. (Note 3)						0.00	
Shanghai Rail Traffic Equipment Development Co., Ltd.			29,146,000.00			556,913,265.34	
Shanghai Jintai Engineering Machinery Co., Ltd.			41,405,000.00			561,482,000.00	
Mitsubishi Elevator Shanghai Mechanical & Electrical Co., Ltd.						453,813,000.00	
ManzAG						402,364,000.00	

Investees	Business combination into associates under the different control	Changes in current period				Closing balance	Provision for impairment
		Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others		
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.						414,593,000.00	
Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.						247,365,000.00	
Shanghai Riyong Youjie Automotive Electric Co., Ltd.,						256,803,000.00	
Shenhua (Beijing) Photovoltaic Technology R&D Co., Ltd.						180,413,000.00	
Nanjing Panneng Electric Power Technology Co., Ltd.			6,250,000.00			181,794,000.00	
Shanghai Nabtesco Hydraulic Co., Ltd.			21,000,000.00			165,796,000.00	
Shanghai Siemens Switchgear Co., Ltd.						191,120,000.00	
Shanghai Marathon Innovation Electric Co., Ltd.						156,201,000.00	
Chongqing Fuling Energy Industry Co., Ltd.	164,601,000.00					165,342,000.00	
Shanghai Danfoss Hydraulic Transmission Co., Ltd.						138,971,000.00	
Shanghai KSB Pumps Ltd.						42,053,660.23	

Investees	Changes in current period					
	Business combination into associates under the different control	Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others	Closing balance
Shanghai Electric Research and Construction Technology Group Co., Ltd.						105,088,000.00
Legend Electric (Shenyang) Co., Ltd.						123,493,000.00
Shanghai Schneider Distribution Electric Co., Ltd.			49,489,000.00			81,370,000.00
Other subtotal	26,113,000.00	77,000.00	158,646,000.00		269,951,494.22	3,482,915,139.48

Note 1: On May 8, 2014, Electric Shares, the Group's subsidiary, signed an equity transfer agreement with Italy CDP Equity S.p.A (hereinafter referred to as "CDP") (formerly named as Fondo Strategico Italiano S.p.A) to acquire 40% shares of Italian Ansaldo Energia (hereinafter referred to as "AEN") held by CDP. The purchase price is EUR 400 million. On December 4, 2014, the Electric Shares and CDP completed the equity settlement procedures, and the Electric Shares officially became the shareholder of AEN. After the settlement, CDP still holds 44.55% of AEN's equity. According to AEN's Articles of Association, its major financial and operational decisions shall be agreed jointly by both Electric Shares and CDP. Therefore, AEN became a joint venture of the Group's subsidiaries' Electric Shares.

In addition, since AEN's recording currency is Euro and the Electric Share's recording currency is CNY, the net investment in AEN's shares faces the risk of fluctuations in the exchange rate of the Euro against CNY. Electric Shares have hedged the foreign exchange risk through the net investment hedge of overseas operations, and the risk of exchange rate fluctuations of the Euro against the CNY that caused the change in AEN's net investment is the hedged risk. From January 1 to June 30, 2019, the Eurobonds of EUR 600 million has been issued, among which EUR 338.4 million are designated as hedging instrument. Electric Shares have developed formal hedging documents to specify the above hedging relationships, risk management objectives and hedging strategies. Meanwhile, Electric Shares performed validity tests, and the test results showed that the above hedges were highly effective during the year. The impact of the foreign currency statement translation difference on the net investment of AEN due to exchange rate movement during the year was CNY 13,331,000.00. The effective portion of the net investment hedge for overseas operations is CNY 13,331,000.00. The net effect of the above-mentioned foreign currency statement

translation difference and the effective portion of the net investment hedge of overseas operations on other comprehensive income is zero.

Note 2: In current period, Electric Shares, Group's subsidiary, contributed additional capital of CNY 268,405,000.00 to China Energy Engineering Group Co., Ltd.

Note 3: In current period, the Group's subsidiary Electric Shares obtained control over Suzhou THVOW Technology Co., Ltd, which is included in the scope of consolidation.

18.3 The main financial information of the important joint ventures

Items	Current period		
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.	Shanghai Yunzhongxin Enterprise Development Co., Ltd.
Current assets	12,061,006,000.00	2,984,797,000.00	1,197,470,000.00
Non-current assets	16,017,783,000.00	810,448,000.00	105,000.00
Total assets	<u>28,078,789,000.00</u>	<u>3,795,245,000.00</u>	<u>1,197,575,000.00</u>
Current liabilities	16,052,725,000.00	1,040,657,000.00	26,000.00
Non-current liabilities	8,495,704,000.00		
Total liabilities	<u>24,548,429,000.00</u>	<u>1,040,657,000.00</u>	<u>26,000.00</u>
Net assets	3,530,360,000.00	2,754,588,000.00	1,197,549,000.00
Net assets calculated by shares	1,412,144,000.00	1,377,294,000.00	658,651,950.00
Adjusting events	1,153,406,000.00		
The book value of equity investments in joint ventures	<u>2,565,550,000.00</u>	<u>1,377,294,000.00</u>	<u>659,417,000.00</u>
The fair value of publicly quoted equity investments			
Revenue	4,016,046,000.00	1,583,816,000.00	
Finance expense			
Income tax expense			
Net profit	-346,705,000.00	139,438,000.00	-1,390,000.00
Other comprehensive income			
Total comprehensive income	<u>-346,705,000.00</u>	<u>139,438,000.00</u>	<u>-1,390,000.00</u>
Dividends received from joint ventures			

Continued:

Items	Prior period		
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.	Shanghai Yunzhongxin Enterprise Development Co., Ltd.
Current assets	11,935,837,000.00	3,255,903,000.00	1,228,230,000.00
Non-current assets	15,772,505,000.00	567,260,000.00	91,000.00
Total assets	<u>27,708,342,000.00</u>	<u>3,823,163,000.00</u>	<u>1,228,321,000.00</u>
Current liabilities	15,155,522,000.00	1,208,985,000.00	29,381,000.00
Non-current liabilities	8,509,345,000.00		

Items	Prior period		
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.	Shanghai Yunzhongxin Enterprise Development Co., Ltd.
Total liabilities	<u>23,664,867,000.00</u>	<u>1,208,985,000.00</u>	<u>29,381,000.00</u>
Net assets	4,043,475,000.00	2,614,178,000.00	1,198,940,000.00
Net assets calculated by shares	1,617,390,000.00	1,307,089,000.00	659,417,000.00
Adjusting events	1,073,511,000.00		
The book value of equity investments in joint ventures	<u>2,690,901,000.00</u>	<u>1,307,089,000.00</u>	<u>659,417,000.00</u>
The fair value of publicly quoted equity investments			
Revenue	9,494,338,000.00	3,569,315,000.00	
Finance expense	-347,086,079.00	46,537,000.00	-1,066,000.00
Income tax expense	-43,050,288.00	-86,079,000.00	
Net profit	-1,362,925,000.00	653,764,000.00	-1,059,000.00
Other comprehensive income	657,392,000.00		
Total comprehensive income	<u>-705,533,000.00</u>	<u>653,764,000.00</u>	<u>-1,059,000.00</u>
Dividends received from joint ventures		241,741,000.00	

18.4 The main financial information of the important joint ventures

Items	Current period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	China Energy Engineering Group Co., Ltd.
Current assets	2,159,410,000.00	767,352,000.00	1,580,655,000.00	11,389,393,000.00
Non-current assets	372,936,000.00	103,448,000.00	720,101,000.00	9,798,208,000.00
Total assets	<u>2,532,346,000.00</u>	<u>870,800,000.00</u>	<u>2,300,756,000.00</u>	<u>21,187,601,000.00</u>
Current liabilities	1,106,095,000.00	463,945,000.00	962,445,000.00	9,843,049,000.00
Non-current liabilities			2,000.00	5,018,663,000.00
Total liabilities	<u>1,106,095,000.00</u>	<u>463,945,000.00</u>	<u>962,447,000.00</u>	<u>14,861,712,000.00</u>
Minority shareholder's equity				1,625,913,000.00
Total equity attributable to the shareholders of parent company	<u>1,426,251,000.00</u>	<u>406,855,000.00</u>	<u>1,338,309,000.00</u>	<u>4,699,976,000.00</u>

Items	Current period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	China Energy Engineering Group Co., Ltd.
Net assets				
calculated by shares	678,895,476.00	81,371,000.00	401,492,700.00	939,995,200.00
Adjustment items				143,937,800.00
The book value of equity investments in associated enterprises	<u>677,663,000.00</u>	<u>81,370,000.00</u>	<u>414,593,000.00</u>	<u>1,083,933,000.00</u>
The fair value of publicly quoted equity investments				
Revenue	1,976,886,000.00	1,194,966,000.00	1,498,334,000.00	2,252,511,000.00
Net profit	66,340,000.00	283,001,000.00	96,990,000.00	-1,668,000.00
Other comprehensive income				
Total comprehensive income	66,340,000.00	283,001,000.00	96,990,000.00	-1,668,000.00
Dividends received from associated enterprises	32,655,000.00	52,565,000.00		

Continued:

Items	Prior period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	China Energy Engineering Group Co., Ltd.
Current assets	2,159,410,000.00	983,491,000.00	1,724,111,000.00	8,007,502,000.00
Non-current assets	372,637,000.00	116,167,000.00	568,081,000.00	8,887,259,000.00
Total assets	<u>2,532,047,000.00</u>	<u>1,099,658,000.00</u>	<u>2,292,192,000.00</u>	<u>16,894,761,000.00</u>
Current liabilities	1,106,095,000.00	728,363,000.00	1,008,032,000.00	6,423,608,000.00
Non-current liabilities				5,209,457,000.00
Total liabilities	<u>1,106,095,000.00</u>	<u>728,363,000.00</u>	<u>1,008,032,000.00</u>	<u>11,633,065,000.00</u>

Items	Prior period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	China Energy Engineering Group Co., Ltd.
Minority shareholder's equity				1,547,674,000.00
Total equity attributable to the shareholders of parent company	<u>1,425,952,000.00</u>	<u>371,295,000.00</u>	<u>1,284,160,000.00</u>	<u>3,714,022,000.00</u>
Net assets calculated by shares	678,753,000.00	74,259,000.00	385,248,000.00	742,804,000.00
Adjusting events				62,396,000.00
The book value of equity investments in associated enterprises	<u>678,753,000.00</u>	<u>74,259,000.00</u>	<u>385,248,000.00</u>	<u>805,200,000.00</u>
The fair value of publicly quoted equity investments				
Revenue	4,652,685,000.00	2,297,088,000.00	3,044,405,000.00	7,026,417,000.00
Net profit	137,244,000.00	547,652,000.00	282,911,000.00	177,267,000.00
Other comprehensive income				
Total comprehensive income	137,244,000.00	547,652,000.00	282,911,000.00	177,267,000.00
Dividends received from associated enterprises	43,302,000.00	163,051,000.00	150,766,000.00	

18.5 Financial information summary of insignificant joint ventures and associated enterprises

Items	Current period	Prior period
Joint ventures:		
Total book value of the investment	291,330,907.70	310,765,883.20
Total of following items according to shares		
Net profits	96,872,500.00	52,684,783.36
Other comprehensive incomes		
Total comprehensive incomes	96,872,500.00	52,684,783.36
Associated enterprises:		
Total book value of the investment	7,694,905,190.89	7,607,611,130.11
Total of following amount according to shares		

Items	Current period	Prior period
Net profits	750,953,260.03	669,486,351.14
Other comprehensive incomes		
Total comprehensive incomes	750,953,260.03	669,486,351.14

18.6 Equity-related risk information in joint ventures and associated enterprises

18.6.1 There is no limitation on transfer funds of joint ventures and associated enterprises at the end of reporting period.

18.6.2 At the end of reporting period, Shanghai Road and Bridge Construction Machinery Co., Ltd., Shanghai Clean Energy Investment Co. Ltd., Shanghai Meida Welding Equipment Co., Ltd., and Shanghai Zibo Zhidian Enterprise Management Co., Ltd. suffered an extraordinary loss and the Company adjusted the book value of the investment to zero. There was no extraordinary loss on other major joint ventures and associated enterprises in current period except those mentioned above.

18.6.3 There were no unrecognized commitments related to investments in joint ventures in the current period.

18.6.4 At the end of the period, there were no contingent liabilities related to investments in joint ventures.

18.7 Information about structured entities not included in the consolidated financial statements: None.

19 Other equity investments

Items	Closing balance	Opening balance
Fair value measurement - other equity instruments	22,426,726.74	
Total	<u>22,426,726.74</u>	

Fair value measurement - other equity investment:

Items	Closing balance	Opening balance
Other equity instruments		
-Fair value	22,426,726.74	
-Cost	4,675,544.19	
-Accumulated into other comprehensive income	17,751,182.55	

20 Other non-current financial assets

Items	Closing fair value	Opening fair value
Non-listed equity investments	4,780,977,000.00	4,263,832,000.00
Stock and fund investments	1,054,762,000.00	1,097,014,000.00
Total	<u>5,835,739,000.00</u>	<u>5,360,846,000.00</u>

21 Investment real estate

21.1 Investment real estate measured at cost

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>1,963,131,461.64</u>	<u>364,606,000.00</u>	<u>4,184,000.00</u>	<u>2,323,553,461.64</u>
Including: 1. Buildings and constructions	1,783,663,331.11	364,606,000.00	4,184,000.00	2,144,085,331.11
2. Land use rights	179,468,130.53			179,468,130.53
II. Total accumulated depreciation and amortization	<u>850,052,305.75</u>	<u>73,510,527.26</u>	<u>2,159,000.00</u>	<u>921,403,833.01</u>
Including: 1. Buildings and constructions	811,281,092.72	73,452,679.40	2,159,000.00	882,574,772.12
2. Land use rights	38,771,213.03	57,847.86		38,829,060.89
III. Total net book value	<u>1,113,079,155.89</u>			<u>1,402,149,628.63</u>
Including: 1. Buildings and constructions	972,382,238.39			1,261,510,558.99
2. Land use rights	140,696,917.50			140,639,069.64
IV. Total provision for impairment losses of investment properties	<u>320,316.80</u>			<u>320,316.80</u>
Including: 1. Buildings and constructions	320,316.80			320,316.80
2. Land use rights				
V. Total net book value of investment properties	<u>1,112,758,839.09</u>			<u>1,401,829,311.83</u>
Including: 1. Buildings and constructions	972,061,921.59			1,261,190,242.19
2. Land use rights	140,696,917.50			140,639,069.64

22 Fixed assets

Items	Closing balance	Opening balance
Fixed assets	21,967,275,036.75	20,445,273,877.72
Fixed asset disposal	2,452,988.13	
Total	<u>21,969,728,024.88</u>	<u>20,445,273,877.72</u>

22.1 Details of fixed assets

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>44,409,773,922.40</u>	<u>3,215,989,670.13</u>	<u>1,160,206,709.46</u>	<u>46,465,556,883.07</u>
Including: Buildings and construction	14,997,288,574.89	1,863,460,946.34	274,230,803.47	16,586,518,717.76
Machinery and equipment	26,131,716,790.25	1,186,013,528.58	782,980,447.44	26,534,749,871.39
Transportation vehicles	638,177,697.99	29,714,145.99	40,607,632.17	627,284,211.81
Electronic and office equipment	2,279,764,764.64	136,458,210.01	61,907,375.04	2,354,315,599.61
Other equipment	362,826,094.63	342,839.21	480,451.34	362,688,482.50
II. Total accumulated depreciation	<u>23,233,896,830.94</u>	<u>1,302,994,515.42</u>	<u>776,365,911.79</u>	<u>23,760,525,434.57</u>
Including: Buildings and construction	5,463,537,242.14	366,044,604.34	39,293,823.12	5,790,288,023.36
Machinery and equipment	15,567,188,128.32	807,935,024.16	648,901,185.72	15,726,221,966.76
Transportation vehicles	485,902,212.97	18,880,416.97	35,492,177.28	469,290,452.66
Electronic and office equipment	1,622,085,322.87	108,649,828.96	52,277,470.62	1,678,457,681.21
Other equipment	95,183,924.64	1,484,640.99	401,255.05	96,267,310.58
III. Subtotal carrying amount of fixed assets	<u>21,175,877,091.46</u>			<u>22,705,031,448.50</u>
Including: Buildings and construction	9,533,751,332.75			10,796,230,694.40
Machinery and equipment	10,564,528,661.93			10,808,527,904.63
Transportation vehicles	152,275,485.02			157,993,759.15
Electronic and office equipment	657,679,441.77			675,857,918.40
Other equipment	267,642,169.99			266,421,171.92
IV. Total provision for impairment losses	<u>730,603,213.74</u>	<u>7,466,000.00</u>	<u>312,801.99</u>	<u>737,756,411.75</u>
Including: Buildings and construction	91,880,655.83			91,880,655.83
Machinery and equipment	374,953,535.32	7,466,000.00	6,183.12	382,413,352.20
Transportation vehicles	1,676,346.12		7,373.42	1,668,972.70

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Electronic and office equipment	1,481,080.45		186,430.80	1,294,649.65
Other equipment	260,611,596.02		112,814.65	260,498,781.37
V. Total carrying amount of fixed assets	<u>20,445,273,877.72</u>			<u>21,967,275,036.75</u>
Including: Buildings and construction	9,441,870,676.92			10,704,350,038.57
Machinery and equipment	10,189,575,126.61			10,426,114,552.43
Transportation vehicles	150,599,138.90			156,324,786.45
Electronic and office equipment	656,198,361.32			674,563,268.75
Other equipment	7,030,573.97			5,922,390.55

22.2 Disclosures on fixed assets which are temporarily idle

Item	Book value	Accumulated depreciation	Provision for impairment	Net value	Note
Machinery and equipment	470,504,968.80	223,720,098.96	107,748,730.84	139,036,139.00	
Total	<u>470,504,968.80</u>	<u>223,720,098.96</u>	<u>107,748,730.84</u>	<u>139,036,139.00</u>	

22.3 Fixed assets of which certificates of title have not been obtained

Item	Total original cost
Fixed assets of which certificates of title have not been obtained	217,335,038.92

23 Construction in progress

Projects	Closing balance		
	Original value	Provision for impairment	Book value
Yumen Xinneng Solar Thermal Power Generation Project	1,008,433,000.00		1,008,433,000.00
Wind Power Offshore Fan Manufacturing Base Project	379,318,000.00	24,155,000.00	355,163,000.00
Ma'anshan Water Project	368,081,000.00		368,081,000.00
Mitsubishi production Line Equipment Installation	293,126,000.00		293,126,000.00
Qidong City Water Environment Comprehensive Improvement Project	205,000,000.00		205,000,000.00
Real Estate Park Renovation Project	177,348,000.00		177,348,000.00
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project	156,036,000.00		156,036,000.00
Transmission and Distribution Equipment R&D Test Platform Construction Project	135,613,000.00		135,613,000.00

Projects	Closing balance		
	Original value	Provision for impairment	Book value
Taihu Wujiang Relocation Project	115,913,000.00		115,913,000.00
Jiyou overseas projects under construction	100,483,000.00		100,483,000.00
Jiyou Technical Transformation Project	88,270,000.00	1,364,000.00	86,906,000.00
Rudong Water Development Project	57,059,000.00		57,059,000.00
Boiler equipment expansion project	56,156,000.00		56,156,000.00
Compressor Intelligent Manufacturing Transformation Project	52,185,619.37		52,185,619.37
Rudong Water Environmental Treatment Project	40,330,000.00		40,330,000.00
Kashibi Pump Main Pump Technology Use Engineering	35,783,000.00		35,783,000.00
Nanchang Large Scale Compressor Transfer and Reconstruction Project	31,988,744.43		31,988,744.43
New Energy Automotive Air Conditioning Compressor 150,000 Project	29,232,688.93		29,232,688.93
Shanghai First Breakthrough and Demonstration Application of Advanced Intelligent Equipment (Demonstration Application)	24,123,029.94		24,123,029.94
Electromechanical Shares new plant	20,856,000.00		20,856,000.00
Construction of Feihang new factory building and its technical transformation project	19,969,000.00		19,969,000.00
First Machine Tool Port Engineering Phase III	14,074,000.00		14,074,000.00
Nanchang H series production increase and transformation project	9,699,453.36		9,699,453.36
Zhongshan West Road Housing Demolition and Reconstruction Project	8,439,712.51	8,439,712.51	
Nanchang TE series capacity project	6,969,454.17		6,969,454.17
Military Project	5,366,130.00	5,366,130.00	
Mengcheng County Agriculture and Forestry Biomass Power Generation Project	5,310,000.00		5,310,000.00
Anhui THE big specifications	4,415,198.91		4,415,198.91
New Casting Line in Anhui	2,021,735.38		2,021,735.38
ASD air conditioning DC inverter compressor motor production line project			
Pudong Avenue 2748 House Renovation Project			
Huaibei Biomass Thermal Power Project			
Wuhe Biomass Thermal Power Project			

Projects	Closing balance		
	Original value	Provision for impairment	Book value
Haian Hazardous Waste Project			
Tianchang Agriculture and Forestry Biomass Power Generation Project			
Wheel forging manipulators, etc.			
Other	871,008,495.58		871,008,495.58
Total	<u>4,322,608,262.58</u>	<u>39,324,842.51</u>	<u>4,283,283,420.07</u>

Continued:

Projects	Opening balance		
	Original value	Provision for impairment	Book value
Yumen Xinneng Solar Thermal Power Generation Project			
Wind Power Offshore Fan Manufacturing Base Project	356,095,000.00		356,095,000.00
Ma'anshan Water Project	184,078,000.00		184,078,000.00
Mitsubishi production Line Equipment Installation	255,315,000.00		255,315,000.00
Qidong City Water Environment Comprehensive Improvement Project			
Real Estate Park Renovation Project	88,589,000.00		88,589,000.00
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project	93,875,000.00		93,875,000.00
Transmission and Distribution Equipment R&D Test Platform Construction Project	111,067,000.00		111,067,000.00
Taihu Wujiang Relocation Project	81,958,000.00		81,958,000.00
Jiyou overseas projects under construction	94,886,000.00		94,886,000.00
Jiyou Technical Transformation Project	61,160,000.00		61,160,000.00
Rudong Water Development Project			
Boiler equipment expansion project	7,109,000.00		7,109,000.00
Compressor Intelligent Manufacturing Transformation Project	52,645,390.99		52,645,390.99
Rudong Water Environmental Treatment Project			
Kashibi Pump Main Pump Technology Use Engineering	35,783,000.00		35,783,000.00
Nanchang Large Scale Compressor Transfer and Reconstruction Project	69,840,482.35		69,840,482.35
New Energy Automotive Air Conditioning Compressor	27,094,549.39		27,094,549.39

Projects	Original value	Opening balance	
		Provision for impairment	Book value
150,000 Project			
Shanghai First Breakthrough and Demonstration Application of Advanced Intelligent Equipment (Demonstration Application)	19,140,660.60		19,140,660.60
Electromechanical Shares new plant	20,587,000.00		20,587,000.00
Construction of Feihang new factory building and its technical transformation project	10,116,000.00		10,116,000.00
First Machine Tool Port Engineering Phase III	13,976,000.00		13,976,000.00
Nanchang H series production increase and transformation project	8,306,151.44		8,306,151.44
Zhongshan West Road Housing Demolition and Reconstruction Project	8,439,712.51	8,439,712.51	
Nanchang TE series capacity project	24,565,379.66		24,565,379.66
Military Project	5,366,130.00	5,366,130.00	
Mengcheng County Agriculture and Forestry Biomass Power Generation Project	254,914,000.00		254,914,000.00
Anhui THE big specifications	15,895,671.64		15,895,671.64
New Casting Line in Anhui	18,026,811.00		18,026,811.00
ASD air conditioning DC inverter compressor motor production line project	11,669,226.38		11,669,226.38
Pudong Avenue 2748 House Renovation Project	6,845,088.42		6,845,088.42
Huaibei Biomass Thermal Power Project	5,496,000.00		5,496,000.00
Wuhe Biomass Thermal Power Project	1,400,000.00		1,400,000.00
Haian Hazardous Waste Project	1,126,000.00		1,126,000.00
Tianchang Agriculture and Forestry Biomass Power Generation Project	252,000.00		252,000.00
Wheel forging manipulators, etc.	42,582,739.73	4,677,301.66	37,905,438.07
Other	265,334,314.86	6,790,160.32	258,544,154.54
Total	<u>2,253,534,308.97</u>	<u>25,273,304.49</u>	<u>2,228,261,004.48</u>

23.1 Changes in significant construction in progress (Top 10 projects are disclosed)

Projects	Budget amount (ten thousand CNY)	Opening balance	Increase in the current period	Transfer to fixed assets	Other decreases	Closing balance
Yumen Xinneng Solar Thermal Power Generation Project			1,025,881,000.00		17,448,000.00	1,008,433,000.00
Wind Power Offshore Fan Manufacturing Base Project		356,095,000.00	50,144,000.00	26,921,000.00		379,318,000.00
Mitsubishi production Line Equipment Installation		255,315,000.00	127,046,000.00	89,235,000.00		293,126,000.00
Ma'anshan Water Project		184,078,000.00	184,003,000.00			368,081,000.00
Qidong City Water Environment Comprehensive Improvement Project			205,000,000.00			205,000,000.00
Real Estate Park Renovation Project		88,589,000.00	88,759,000.00			177,348,000.00
Transmission and Distribution Equipment R&D Test Platform Construction Project		111,067,000.00	29,992,000.00	4,535,000.00	911,000.00	135,613,000.00
Jiyou overseas projects under construction		94,886,000.00	53,090,000.00	47,606,000.00	-113,000.00	100,483,000.00
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project		93,875,000.00	62,161,000.00			156,036,000.00
Taihu Wujiang Relocation Project		81,958,000.00	33,955,000.00			115,913,000.00
Total		<u>1,265,863,000.00</u>	<u>1,860,031,000.00</u>	<u>168,297,000.00</u>	<u>18,246,000.00</u>	<u>2,939,351,000.00</u>

Continued:

Projects	Ratio of the amount invested on the budget amount (%)	Project progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Yumen Xinneng Solar Thermal Power Generation Project			37,590,000	17,880,000		Self- raised
Wind Power Offshore Fan Manufacturing Base Project						Self-funded
Mitsubishi production Line Equipment Installation						Self- raised
Ma'anshan Water Project			2,242,000.00	2,242,000.00		Self-funded
Qidong City Water Environment Comprehensive Improvement Project						Self-funded
Real Estate Park Renovation Project						Self-funded
Transmission and Distribution Equipment R&D Test Platform Construction Project						Financing, SASAC funding
Jiyou overseas projects under construction						Self-funded
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project			2,124,000.00	2,124,000.00		Self-funded
Taihu Wujiang Relocation Project						Self-funded
Total			<u>41,956,000.00</u>	<u>22,246,000.00</u>		

24 Right-of-use assets

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost		<u>1,420,368,000.00</u>	<u>19,240,000.00</u>	<u>1,401,128,000.00</u>
Including: Buildings and construction		989,586,000.00	18,460,000.00	971,126,000.00
Machinery and equipment		376,634,000.00	709,000.00	375,925,000.00
Transportation vehicles		26,163,000.00	20,000.00	26,143,000.00
Electronic and office equipment		27,985,000.00	51,000.00	27,934,000.00
II. Total accumulated depreciation		<u>519,264,000.00</u>	<u>18,232,000.00</u>	<u>501,032,000.00</u>
Including: Buildings and construction		379,358,000.00	18,171,000.00	361,187,000.00
Machinery and equipment		117,187,000.00	87,000.00	117,100,000.00
Transportation vehicles		11,419,000.00	-17,000.00	11,436,000.00
Electronic and office equipment		11,300,000.00	-9,000.00	11,309,000.00
III. Subtotal carrying amount of fixed assets				<u>900,096,000.00</u>
Including: Buildings and construction				609,939,000.00
Machinery and equipment				258,825,000.00
Transportation vehicles				14,707,000.00
Electronic and office equipment				16,625,000.00
IV. Total provision for impairment losses				
Including: Buildings and construction				
Machinery and equipment				
Transportation vehicles				
Electronic and office equipment				
V. Total carrying amount of fixed assets				<u>900,096,000.00</u>
Including: Buildings and construction				609,939,000.00
Machinery and equipment				258,825,000.00
Transportation vehicles				14,707,000.00
Electronic and office equipment				16,625,000.00

25 Intangible assets

25.1 Classifications of intangible assets

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>11,470,842,441.57</u>	<u>874,668,468.45</u>	<u>342,082,376.00</u>	<u>12,003,428,534.02</u>
1. Land use rights	6,758,877,052.82	459,869,170.24	308,552,376.00	6,910,193,847.06
2. House use rights	33,089,388.19			33,089,388.19
3. Software	568,441,352.71	142,340,827.58	1,945,000.00	708,837,180.29
4. Patents	1,203,373,971.69	266,570,470.63	709,000.00	1,469,235,442.32
5. Trademarks	16,377,509.18			16,377,509.18
6. Non-patented technologies	528,794,500.02	93,000.00		528,887,500.02
7. Franchise	2,047,237,000.00	5,795,000.00	30,876,000.00	2,022,156,000.00
8. Others	314,651,666.96			314,651,666.96
II. Total accumulated amortization	<u>2,795,061,155.82</u>	<u>214,886,178.72</u>	<u>35,566,373.92</u>	<u>2,974,380,960.62</u>
1. Land use rights	1,184,918,974.61	102,613,802.81	28,705,873.92	1,258,826,903.50
2. House use rights	535,704.30			535,704.30
3. Software	319,969,934.73	24,926,119.44	1,932,500.00	342,963,554.17
4. Patents	423,312,721.78	35,818,556.47	709,000.00	458,422,278.25
5. Trademarks	6,651,563.70	6,700.00		6,658,263.70
6. Non-patented technologies	503,940,258.54	9,890,000.00		513,830,258.54
7. Franchise	177,672,000.00	41,631,000.00	4,219,000.00	215,084,000.00
8. Others	178,059,998.16			178,059,998.16
III. Total provision for impairment	<u>166,034,714.77</u>	<u>453,000.00</u>		<u>166,487,714.77</u>
1. Land use rights	26,609,854.77			26,609,854.77
2. House use rights	4,761,630.14			4,761,630.14
3. Software	2,930,000.00	453,000.00		3,383,000.00
4. Patents	69,895,294.45			69,895,294.45
5. Trademarks	227,659.18			227,659.18
6. Non-patented technologies	3,017,772.11			3,017,772.11
7. Franchise				
8. Others	58,592,504.12			58,592,504.12
IV. Total carrying amount of intangible assets	<u>8,509,746,570.98</u>			<u>8,862,559,858.63</u>

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Land use rights	5,547,348,223.44			5,624,757,088.79
2. House use rights	27,792,053.75			27,792,053.75
3. Software	245,541,417.98			362,490,626.12
4. Patents	710,165,955.46			940,917,869.62
5. Trademarks	9,498,286.30			9,491,586.30
6. Non-patented technologies	21,836,469.37			12,039,469.37
7. Franchise	1,869,565,000.00			1,807,072,000.00
8. Others	77,999,164.68			77,999,164.68

25.2 Other disclosures

Item	The original value of intangible assets
The land use rights of which property license has not been obtained at the end of the reporting period	12,333,000.00

26 Research and development expenses

Projects	Opening balance	Increase in the current period		Decrease in the current period			Closing balance
		Internal research and development	Others	Recognized as fixed assets	Recognized as intangible assets	Recorded into profits and losses	
Electric Share research and development project	131,790,000.00		19,358,000.00				151,148,000.00
Highly research and development project	9,940,094.77		5,550,998.45		3,969,055.25		11,522,037.97
Auto-instrument Limited Development Project	4,433,019.74	12,604,066.41			1,467,369.21	1,660,195.78	13,909,521.16
Total	<u>146,163,114.51</u>	<u>12,604,066.41</u>	<u>24,908,998.45</u>		<u>5,436,424.46</u>	<u>1,660,195.78</u>	<u>176,579,559.13</u>

27 Business reputation

27.1 The book value of business reputation

Name of the investees or items resulting in business reputation	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Nedfast Investment B.V	1,496,908,288.32		5,780,000.00	1,491,128,288.32
TEC4AERO GmbH	1,057,237,000.00		298,000.00	1,056,939,000.00
Hangzhou Fusheng electrical Co. Ltd	317,639,344.17			317,639,344.17
Ningbo Haifeng Environmental Protection Co., Ltd.	576,047,000.00			576,047,000.00
Suzhou Tianwo Technology Co., Ltd.		323,080,000.00		323,080,000.00
Wujiang Taihu Industrial Waste Treatment Co., Ltd.	278,538,000.00			278,538,000.00
Shanghai Southbridge Transformer Co., Ltd.	73,234,000.00			73,234,000.00
Guoxuan New Energy (Suzhou) Co., Ltd.	49,480,000.00			49,480,000.00
Shanghai Cyeco Environmental Technology Co., Ltd,	41,966,048.72			41,966,048.72
Shanghai Dahua Electrical Equipment Co., Ltd.	28,654,000.00			28,654,000.00
CTU Clean Technology Universe AG	20,252,000.00			20,252,000.00
Shanghai Maple Cable Co., Ltd.	19,446,000.00			19,446,000.00
Shanghai Tianhong Micro Bearing Co., Ltd.	16,193,355.95			16,193,355.95
Shanghai Nanhualanling Electric Co., Ltd.	14,464,000.00			14,464,000.00
Shanghai Nace Electric Sets Co., Ltd.	11,394,000.00			11,394,000.00
Shanghai United Bearing Co., Ltd.	8,818,307.02			8,818,307.02
Shanghai United Wood Industry Co., Ltd.	8,381,227.91			8,381,227.91
Shanghai Electric Wind Energy Equipment Co., Ltd.	7,093,000.00			7,093,000.00
Shanghai Flight Wire and Cable Co., Ltd.	6,577,000.00			6,577,000.00
Shanghai Highly (Group) Co. Ltd.	4,517,322.71			4,517,322.71
Anhui Highly Precision Casting Co., Ltd.	2,061,791.55			2,061,791.55
Wujiang Transformer Co., Ltd.	1,267,000.00			1,267,000.00
Shanghai No.5 Electrical Wire	272.32			272.32

Name of the investees or items resulting in business reputation	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Factory Co., Ltd				
Total	<u>4,040,168,958.67</u>	<u>323,080,000.00</u>	<u>6,078,000.00</u>	<u>4,357,170,958.67</u>

Note 1: The changes in goodwill of Nedfast Investment B.V and TEC4AERO GmbH in current period were caused by the impact on translation of foreign currency statements.

Note 2: The increase in goodwill in current period was due to the control of Suzhou Tianwo Technology Co., Ltd., a subsidiary of the Group.

27.2 Provision for impairment of goodwill

Name of the investee or items resulting in business reputation	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
TEC4AEROGmbH	151,731,000.00		-584,000.00	152,315,000.00
CTU Clean Technology Universe AG	20,252,000.00			20,252,000.00
Shanghai Cyeco Environmental Technology Co., Ltd,	28,233,000.00			28,233,000.00
Shanghai Maple Cable Co., Ltd.	19,446,000.00			19,446,000.00
Shanghai Nanhualanling Electric Co., Ltd.	14,464,000.00			14,464,000.00
Shanghai Southbridge Transformer Co., Ltd.	73,234,000.00			73,234,000.00
Wujiang Transformer Co., Ltd.	1,267,000.00			1,267,000.00
Shanghai United Wood Industry Co., Ltd.	8,381,227.91			8,381,227.91
Shanghai No.5 Electrical Wire Factory Co., Ltd	272.32			272.32
Total	<u>317,008,500.23</u>		<u>-584,000.00</u>	<u>317,592,500.23</u>

Note: The change in goodwill of TEC4AERO GmbH in current period is due to the impact on translation of foreign currency statements.

28 Long-term deferred expenses

Items	Opening balance	Increase in the period	Amortization for the period	Other decreases	Closing balance
Site development fee	28,205,729.27		7,177,202.73		21,028,526.54
Renovation	48,732,223.32	14,374,721.15	7,436,869.04	263.82	55,669,811.61

Items	Opening balance	Increase in the period	Amortization for the period	Other decreases	Closing balance
Industrial mold	69,733,167.21	7,395,726.35	21,307,202.03		55,821,691.53
Improvement	201,309,726.31	4,106,000.00	19,309,000.00		186,106,726.31
Other long-term items to be amortized	230,580,266.41	56,972,539.76	31,066,090.57	530,850.97	255,955,864.63
Total	<u>578,561,112.52</u>	<u>82,848,987.26</u>	<u>86,296,364.37</u>	<u>531,114.79</u>	<u>574,582,620.62</u>

29 Deferred income tax assets / deferred income tax liabilities

29.1 Deferred income tax assets and deferred income tax liabilities are not presented at the net amount after offset

Items	Closing balance		Opening balance	
	Deferred income tax assets/ liabilities	Deductible /taxable temporary differences	Deferred income tax assets/ liabilities	Deductible /taxable temporary differences
I. Deferred tax assets	<u>7,696,340,298.67</u>	<u>38,837,264,075.32</u>	<u>7,157,311,915.01</u>	<u>34,400,008,887.43</u>
Impairment of assets	3,412,446,366.58	17,289,446,778.71	2,936,376,155.31	15,056,573,338.25
Recoverable losses confirmed by Taxation	605,829,000.00	2,597,112,000.00	517,069,039.21	2,165,186,046.74
Accrued payroll	4,803,955.97	32,026,373.14	5,767,504.77	38,450,031.82
Accrued expenses	1,600,286,402.59	9,025,616,017.28	1,616,495,641.53	8,538,503,610.20
Government grants	16,483,720.14	104,930,621.84	17,339,710.66	115,598,070.58
Others	2,056,490,853.39	9,788,132,284.35	2,064,263,863.53	8,485,697,789.84
II. Deferred tax liabilities	<u>2,906,122,641.45</u>	<u>11,864,174,693.66</u>	<u>2,093,804,859.26</u>	<u>8,528,558,806.21</u>
Changes in fair value of financial assets	2,145,223,292.68	8,580,067,170.59	1,559,613,283.53	6,271,413,029.64
The fair value adjustment on acquisition	174,022,710.82	774,176,738.80	163,739,456.11	720,295,824.42
Revaluation of assets	447,955,587.87	1,971,729,000.00	191,488,000.00	844,939,000.00
Others	138,921,050.08	538,201,784.27	178,964,119.62	691,910,952.15

29.2 Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	4,165,321,348.65	1,521,076,694.06
Deductible loss	4,812,891,844.26	4,585,238,694.48
Total	<u>8,978,213,192.91</u>	<u>6,106,315,388.54</u>

29.3 Due year of unrecognized deferred tax assets caused by carries forward deductible loss.

Year	Closing balance	Opening balance	Note
2019	322,413,884.14	301,604,350.96	
2020	1,169,567,397.68	1,162,269,219.19	
2021	1,022,788,898.22	980,039,916.05	
2022	1,323,175,098.08	1,253,630,240.57	
2023	974,946,566.14	887,694,967.71	
Total	<u>4,812,891,844.26</u>	<u>4,585,238,694.48</u>	

30 Other non-current assets

Items	Closing balance	Opening balance
Contract assets	8,057,703,000.00	8,133,980,000.00
Long-term borrowings		39,200,000.00
Entrusted loan	41,400,000.00	41,400,000.00
Others	187,783,600.00	1,310,600.00
Total	<u>8,286,886,600.00</u>	<u>8,215,890,600.00</u>

31 Short-term borrowings

31.1 Classification of short term borrowings

Items	Closing balance	Opening balance
Pledged loan	535,457,272.51	536,757,019.06
Mortgage loan	546,388,400.00	169,991,000.00
Guaranteed loan	6,860,367,158.53	430,910,000.00
Credit loan	11,962,310,673.51	13,089,191,600.04
Total	<u>19,904,523,504.55</u>	<u>14,226,849,619.10</u>

31.2 The Group had no unpaid overdue short-term borrowings at the end of period.

32 Transactional monetary liabilities

Items	Closing fair value	Opening fair value
Transactional financial assets	125,422,000.00	104,540,000.00
Among which: Forward foreign exchange contract	1,954,000.00	
Total	<u>125,422,000.00</u>	<u>104,540,000.00</u>

Note 1: On June 30, 2019, the transactional financial liabilities of CNY 123,468,000.00 were the fair value of the shares in the structured entities of the Group's subsidiary Electric Shares held by other investors.

Note 2: According to the forward foreign exchange contract, Shanghai Highly (Group) Co., Ltd., a subsidiary of the Group, will exchange out USD 41,000,000.00 at a certain exchange rate, which is equivalent to CNY 279,908,700.00 in the last 6 months of current period.

33 Financial liabilities measured at fair value through profits and losses

Item	Closing fair value	Opening fair value
Forward foreign exchange		13,125,682.11
Total		<u>13,125,682.11</u>

Note: According to the forward foreign exchange contract, Shanghai Highly (Group) Co., Ltd. will exchange out USD 46,500,000.00 at a certain exchange rate, which is equivalent to CNY 306,341,160.00 in current period.

34 Derivative financial liabilities

Item	Closing balance	Opening balance
Forward foreign exchange contract	3,910,000.00	5,168,000.00
Total	<u>3,910,000.00</u>	<u>5,168,000.00</u>

35 Notes payable

Items	Closing balance	Opening balance
Commercial notes payable	3,496,477,341.66	2,679,624,051.25
Banks notes payable	6,896,409,863.89	6,268,909,118.54
Total	<u>10,392,887,205.55</u>	<u>8,948,533,169.79</u>

36 Accounts payable

Item	Closing balance	Opening balance
Accounts payable	52,366,955,805.12	42,592,172,535.56
Total	<u>52,366,955,805.12</u>	<u>42,592,172,535.56</u>

Accounts payable with a significant amount and aging over one year:

Items	Closing balance	Reasons for unpaid
Accounts payable for construction and materials	10,460,472,061.60	The project has not completed and the payment is unsettled
Total	<u>10,460,472,061.60</u>	

37 Advance from customers

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	149,524,629.12	505,596,326.21
More than 1 year	750,378,728.54	293,848,553.44
Total	<u>899,903,357.66</u>	<u>799,444,879.65</u>

38 Contractual liabilities

Items	Closing balance	Beginning balance
Advance payment from sales of goods and services rendered	39,827,664,000.00	36,566,071,000.00
Total	<u>39,827,664,000.00</u>	<u>36,566,071,000.00</u>

39 Payroll payable

39.1 Payroll payable

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short term employee benefits	3,195,084,864.99	4,648,293,486.04	5,301,281,605.56	2,542,096,745.47
II. Post-employment benefits - defined contribution plans	85,838,522.99	528,348,884.05	529,749,840.20	84,437,566.84
III. Termination benefits	28,123,770.86	31,626,191.00	30,256,994.15	29,492,967.71
IV. Other benefits due within one year				
V. Others				
Total	<u>3,309,047,158.84</u>	<u>5,208,268,561.09</u>	<u>5,861,288,439.91</u>	<u>2,656,027,280.02</u>

39.2 Short-term employee benefits

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Salaries, bonuses, allowances and subsidies	2,251,040,866.76	3,911,249,427.03	3,839,261,994.41	2,323,028,299.38
II. Employment benefits	816,336,843.75	114,205,520.57	877,260,047.43	53,282,316.89
III. Social security	<u>15,002,909.77</u>	<u>265,864,930.78</u>	<u>257,660,370.79</u>	<u>23,207,469.76</u>
Include: 1. Medical insurance	12,980,463.84	231,280,349.77	224,858,010.70	19,402,802.91
2. Employment injury insurance	1,251,060.38	13,886,295.02	12,792,679.77	2,344,675.63
3. Maternity insurance	771,385.55	20,019,016.69	19,330,411.02	1,459,991.22
4. Others		679,269.30	679,269.30	
IV. The Housing Fund	36,062,976.27	264,909,028.58	264,206,171.89	36,765,832.96
V. Labor union funds and employee education funds	75,803,561.71	69,626,108.31	62,893,021.04	82,536,648.98
VI. Short-term compensated absences				
VII. Short-term profit-sharing plan				
VIII. Others	837,706.73	22,438,470.77		23,276,177.50
Total	<u>3,195,084,864.99</u>	<u>4,648,293,486.04</u>	<u>5,301,281,605.56</u>	<u>2,542,096,745.47</u>

39.3 Defined contribution plans

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Social security insurance	30,917,225.31	513,338,825.32	463,230,405.97	81,025,644.66
II. Unemployment insurance	3,165,297.68	14,798,340.73	14,551,716.23	3,411,922.18
III. Enterprise annuity payment	51,756,000.00	211,718.00	51,967,718.00	
Total	<u>85,838,522.99</u>	<u>528,348,884.05</u>	<u>529,749,840.20</u>	<u>84,437,566.84</u>

40 Taxes payable

Items	Opening balance	Closing balance
Value added tax	1,265,889,132.90	1,381,299,450.24
Business tax		81,602,664.35
Enterprise income tax	1,112,933,353.47	1,278,922,699.22
City construction and maintenance tax	31,334,732.98	57,259,757.54
Property tax	21,415,539.08	62,918,008.71
Land-use tax	6,845,244.19	10,532,095.83

Items	Opening balance	Closing balance
Individual income tax	32,580,954.13	45,309,755.39
Education surcharge	1,401,543.24	28,263,296.83
Others	18,349,669.65	4,532,220.51
Total	<u>2,490,750,169.64</u>	<u>2,950,639,948.62</u>

41 Other accounts payable

Items	Closing Balance	Opening balance
Accrued interest payable	280,688,813.20	296,227,437.35
Dividend payable	1,702,787,517.30	506,898,382.15
Other payable	12,319,960,828.18	11,830,927,633.26
Total	<u>14,303,437,158.68</u>	<u>12,634,053,452.76</u>

41.1 Details of accrued interest payable

Items	Closing Balance	Opening balance
Interest expenses of long-term borrowings with interest payable by installments and principal payable on maturity	42,146,459.89	9,544,698.31
Interest expenses on corporate debenture	143,339,219.09	230,788,927.88
Interest payable on short-term borrowings	13,880,506.54	7,716,003.49
Other interests	81,322,627.68	48,177,807.67
Total	<u>280,688,813.20</u>	<u>296,227,437.35</u>

41.2 Details of dividend payable

Items	Closing balance	Opening balance
Dividends belonging to minority shareholder of subsidiary	1,502,988,841.56	307,099,706.41
The State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government	199,798,675.74	199,798,675.74
Total	<u>1,702,787,517.30</u>	<u>506,898,382.15</u>

41.3 Other payable

41.3.1 Listed by nature

Items	Closing balance	Opening balance
Equity incentive repurchase obligation	404,741,000.00	
Collection and payment	1,167,101,475.36	1,182,726,155.93

Items	Closing balance	Opening balance
Unit Current account	3,077,061,727.36	3,070,789,971.01
Elevator warranty maintenance costs	182,252,000.00	212,137,000.00
Technical commission	323,603,000.00	374,735,000.00
Trust management fees	6,440,422.30	4,331,853.80
Sales commission	1,479,768,000.00	1,551,146,712.54
Deposits and margin	644,788,015.09	585,927,123.01
Accrued expenses	108,904,332.08	72,037,172.70
Earmarks and use of funds	14,192,298.31	114,006,794.93
Rental fees	421,266.67	4,327,039.42
Clearance and compensation	278,486,163.68	200,590,798.59
Joint borrowings (Note)	924,000,000.00	1,008,582,000.00
Factoring expenses	219,177,000.00	338,186,000.00
Others	3,489,024,127.33	3,111,404,011.33
Total	<u>12,319,960,828.18</u>	<u>11,830,927,633.26</u>

Note: Shanghai Institute of Mechanical & Electrical Engineering (hereinafter referred to as “Institute of M&E”), a subsidiary of the Group, as a joint borrower with Chungmin New Energy Mulei Electric Power Co., Ltd. (hereinafter referred to as “Mulei Electric”) and Chungmin New Energy Mulei New Energy Co., Ltd. (hereinafter referred to as “Mulei New Energy”) respectively, signed the CNY Fund Loan Contract with China Development Bank Corporation (hereinafter referred to as “CDB”) with special purpose of construction for Chungmin New Energy Mulei Project. The Group recognized it as Other payables.

42 Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year	2,520,974,695.69	1,880,906,681.69
Bonds payable due within 1 year	8,135,633,765.99	2,500,000,000.00
Long-term payables due within 1 year	2,864,384,000.00	479,788,000.00
Other long-term liabilities due within 1 year	254,118,000.00	414,650,000.00
Total	<u>13,775,110,461.68</u>	<u>5,275,344,681.69</u>

43 Other current liabilities

Items	Closing balance	Opening balance
Short-term bonds payable	1,049,112,756.72	1,003,141,666.67
Deferred revenue within 1 year	25,204,811.17	24,417,963.13
Estimated liabilities	4,269,537,000.00	4,110,855,000.00
Accrued expense	4,147,813,000.00	3,681,371,000.00
Total	<u>9,491,667,567.89</u>	<u>8,819,785,629.80</u>

44 Long-term loans

Items	Closing balance	Opening balance
Pledge loan	2,272,766,656.15	2,306,655,000.00
Mortgage loan	133,913,556.20	109,473,000.00
Guarantee loan	1,709,220,909.92	731,261,360.35
Credit loan	5,927,321,692.25	8,439,723,594.74
Total	<u>10,043,222,814.52</u>	<u>11,587,112,955.09</u>

45 Bonds payable

45.1 Bonds payable

Items	Closing balance	Opening balance
Electric convertible bonds (Note 1)	4,369,736,000.00	5,572,501,000.00
Electric Euro debt (Note 2)		4,704,244,000.00
The first phase of the electric shares (Note 3)	2,476,635,000.00	2,472,500,000.00
The first phase of the electric (group) head office (Note 4)	2,500,000,000.00	2,500,000,000.00
Morning Star Bonds (Note 5)		3,426,041,880.99
Total	<u>9,346,371,000.00</u>	<u>18,675,286,880.99</u>

Note 1: On February 2, 2015, Electric Share, a subsidiary of the Company, issued CNY 6 billion convertible bonds with maturity date of year 2021. The annual nominal interest rates are 0.2% for the first year, 0.5% for the second year, 1% for the third year, 1.5% for the fourth year, 1.5% for the fifth year and 1.6% for the sixth year, respectively with principal payment due on maturity date.

The convertible bond issued can be converted into Electric Share's A Shares since August 3, 2015 with initial conversion price of CNY 10.72 per share. Since Electric Share started to implement Year 2014 cash bonus program in July of 2015 (with a cash bonus of CNY 0.05873 per share), the conversion price was adjusted to CNY

10.66 per share. On August 29, 2016 Electric Share issued new shares to purchase assets, and the conversion price was adjusted to CNY 10.65 /share since from November 28, 2016. On October 19, 2017 Electric Shares issued new shares to purchase assets, and the conversion price of electric convertible bonds has been adjusted to CNY 10.46/ share since October 24, 2017. On November 6, 2017 due to the non-public issuance of new A Shares by Electric Shares, the conversion price of the Electric convertible bonds was adjusted to CNY 10.37/share from November 9, 2017. On August 28, 2018, the conversion price of the Electric Shares was revised down to CNY 10.28/share. On December 12, 2018, the conversion price of Electric convertible bond was revised downwards to CNY 5.19/share.

The convertible bonds are convertible bonds with redeemable terms. Since the last two interest-bearing years of the convertible bonds, if the 30 trading days average closing price of the shares of the Electric Shares is lower than 70% of the current conversion price, the bondholder has the right to resell all or part of the convertible bonds to Electric Shares at 103% of the face value (including the interest for the current interest-bearing year).

After deducting the issuance expenses, regarding the issuance of convertible bonds of CNY 6 billion, , the debt component was CNY 4,745,903,000.00, which was included in the bonds payable, and the equity component was CNY 1,214,919,000.00, which was included in the capital reserve.

Note 2: On May 22, 2015, Shanghai electric New Times Co., Ltd., a subsidiary of the Group issued bonds of EUR 600 million with maturity of 5 years, and interest rate of 1.125%, and traded on Ireland Stock Exchange on May 25, 2015, which were guaranteed by the Group.

Note 3: The Group's subsidiary Electric Shares issued 2018 medium-term note series 1 on December 13, 2018 at face value with the term of 5 years. The value date was December 17, 2017, and the redemption date was December 17, 2023. The total planned issuance amount is CNY 2.5 billion, while the actual total issuance amount is CNY 2.5 billion. The issuance interest rate is 4.15% (3-month Shanghai Interbank Offered Rate +1% on December 14, 2018).

Note 4: On December 26, 2018, the Company issued 2018 medium-term note series 1 at face value with a term of three years. The value date was December 26, 2018, and the redemption date was December 26, 2021. The total planned issuance amount is CNY 2.5 billion while the actual issuance amount is CNY 2.5 billion. The issuance interest rate was 3.9%.

Note 5: On 14 August 2014, the Group's subsidiary Shanghai Electric Group Global Investment Limited issued a 5-year Corporate bond with fixed coupon at par value of CNY 500 million with coupon rate 3%, i.e. Morning Star.

45.2 Changes in bonds payable (Not including preferred shares classified as financial liabilities, perpetual debt and other financial instruments)

Name of bonds	Face value	Date of issuance	Bond period	Amount of issuance	Opening balance	Issuance in current period	Accrued interest by par value
Electric convertible bonds (Note 1)	6,000,000,000.00	2015-2-2	6 years	6,000,000,000.00	5,572,501,000.00		44,630,000.00
Electric bond of Europe (Note 2)	EUR 600,000,000.00	2015-5-22	5 years	4,681,920,000.00	4,704,244,000.00		26,382,000.00
The first phase of the electric shares (Note 3)	2,500,000,000.00	2018-12-13	5 years	2,500,000,000.00	2,472,500,000.00		51,449,000.00
The first phase of the electric (group) head office (Note 4)	2,500,000,000.00	2018-12-26	3 years	2,500,000,000.00	2,500,000,000.00		50,078,219.09
Morningstar (Note 5)	USD 500,000,000.00	2014-8-14	5 years	3,022,735,924.36	3,426,041,880.99		50,785,750.00
Total				<u>18,704,655,924.36</u>	<u>18,675,286,880.99</u>		<u>223,324,969.09</u>

Continued:

Name of bonds	Exchange gain or loss	Amortization of premiums and discounts	Repayment	Less: transfer to shareholders' equity	Less: transfer to interest payable	Less: the part due within one year	Closing Balance
Electric convertible bonds (Note 1)		93,531,000.00		1,296,296,000.00	44,630,000.00		4,369,736,000.00
Electric bond of Europe (Note 2)	-18,164,000.00	1,473,000.00			26,382,000.00	4,687,553,000.00	
The first phase of the electric shares (Note 3)		4,135,000			51,449,000.00		2,476,635,000.00
The first phase of the electric (group) head office (Note 4)					50,078,219.09		2,500,000,000.00
Morningstar (Note 5)	20,774,914.02	746,970.98	50,268,750.00			3,448,080,765.99	
Total	<u>2,610,914.02</u>	<u>99,885,970.98</u>	<u>50,268,750.00</u>	<u>1,296,296,000.00</u>	<u>172,539,219.09</u>	<u>8,135,633,765.99</u>	<u>9,346,371,000.00</u>

46 Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	686,996,000.00	
Total	<u>686,996,000.00</u>	

47 Long-term payable

Item	Closing balance	Opening balance
Long-term payables	2,543,039,532.51	2,661,946,061.86
Specific payables	19,804,889.45	174,519,468.42
Total	<u>2,562,844,421.96</u>	<u>2,836,465,530.28</u>

48 Long term employee benefit payable

Items	Closing balance	Opening balance
I. Post-employment benefits - defined benefit plans net debt	188,460,741.22	323,114,710.88
II. Termination benefits	143,981,770.68	135,864,810.07
III. Other long-term benefits	2,217,091,609.83	2,148,284,657.31
Total	<u>2,549,534,121.73</u>	<u>2,607,264,178.26</u>

49 Estimated liabilities

Items	Closing balance	Opening balance
Pending litigation	69,340,036.86	69,340,036.86
Product quality assurance	282,416,073.09	198,407,524.61
Restructuring obligations	10,315,504.20	10,315,504.20
Others	43,606,865.81	43,606,865.81
Total	<u>405,678,479.96</u>	<u>321,669,931.48</u>

50 Deferred profits

Projects/ Categories	Opening balance	Increase	Decrease	Closing balance
Government grants related to assets:				
Capitalized government grants related to land demolition	407,338,643.24			407,338,643.24
Head office education center training program.	96,315,795.16			96,315,795.16
Prime Share relocation allowances	117,594,000.00		2,909,000.00	114,685,000.00

Projects/ Categories	Opening balance	Increase	Decrease	Closing balance
Electric Share turbine blade research and development subsidies for the purchase of assets	65,099,000.00		1,979,000.00	63,120,000.00
Electric Share Nantong Guohai comprehensive development support funds	54,912,000.00		688,000.00	54,224,000.00
Electric Shares test tower project	49,500,000.00			49,500,000.00
Electric Shares two technical transformation project	38,334,000.00			38,334,000.00
Electric Shares relocation subsidies	20,465,000.00			20,465,000.00
Electric Shares Shanghai No.14 rail transportation subsidies	18,997,000.00			18,997,000.00
Electric Shares research and development and industrialization of pressure vessel and other nuclear island main equipment	17,814,000.00		2,070,000.00	15,744,000.00
Electric Shares other government grants related to assets	459,605,000.00	39,762,000.00	46,180,000.00	453,187,000.00
Automation Instrumentation Co., Ltd. government grants related to assets	28,202,612.48		3,868,056.43	24,334,556.05
Electrical Valve Company government grants related to assets	7,537,500.00			7,537,500.00
Government grants related to income:				
Electric Shares Removal Compensation for Auxiliary Machinery Works		124,150,000.00	124,150,000.00	
Electric Share major projects of strategic emerging industries in Shanghai	43,803,000.00		5,217,000.00	38,586,000.00
Electrical Share special funds to support strategic emerging industries	20,940,000.00			20,940,000.00
Other government grants related to income	511,990,000.00	205,962,000.00	220,886,000.00	497,066,000.00
Less: deferred income due within one year	414,545,000.00		414,545,000.00	
Total	<u>1,543,902,550.88</u>	<u>369,874,000.00</u>	<u>-6,597,943.57</u>	<u>1,920,374,494.45</u>

Projects related to government grants

Projects	Opening balance	Subsidy increased in current period	Amount included in the non-operating income	Amount included in the other income	Others	Closing balance	Assets-related/ Income-related
Government grants related to assets	511,990,000.00	205,962,000.00		219,994,000.00	-892,000.00	497,066,000.00	Income-related
Electric Shares Government grants related to assets	459,605,000.00	39,762,000.00		16,562,000.00	-29,618,000.00	453,187,000.00	Assets-related
Income related to land demolition	407,338,643.24					407,338,643.24	Assets-related
Superior Moving Subsidies	117,594,000.00			2,909,000.00		114,685,000.00	Assets-related
Head Office Education Center Training Program	96,315,795.16					96,315,795.16	Assets-related
Electric Shares Turbine Blade R&D Asset Purchase Subsidy	65,099,000.00			1,979,000.00		63,120,000.00	Assets-related
Electric Shares Nantong Guohai Comprehensive Development Support Fund	54,912,000.00			688,000.00		54,224,000.00	Assets-related
Electric Shares Research on Core Technology of High Speed Elevator and Construction Project of Experimental Platform	49,500,000.00					49,500,000.00	Assets-related
Electric Shares Major Projects of Strategic Emerging Industries in Shanghai	43,803,000.00			5,217,000.00		38,586,000.00	Income-related
Electric Shares Technology Second Investment Project	38,334,000.00					38,334,000.00	Assets-related
Asset-related Government Subsidies for Ziyi Limited	28,202,612.48				-3,868,056.43	24,334,556.05	Assets-related

Projects	Opening balance	Subsidy increased in current period	Amount included in the non-operating income	Amount included in the other income	Others	Closing balance	Assets-related/ Income-related
Electric Shares Special Funds for Support of Strategic Emerging Industries	20,940,000.00					20,940,000.00	Assets-related
Electric Shares Wujiang Transformer Removal Subsidy	20,465,000.00					20,465,000.00	Assets-related
Electric Shares Equipment Subsidy for Shanghai Rail Transit Line 14	18,997,000.00					18,997,000.00	Assets-related
Electric Shares Development and Industrialization of Main Equipment of Nuclear Island such as Pressure Vessel	17,814,000.00			2,070,000.00		15,744,000.00	Assets-related
Asset-related Government Subsidies for Electrical Valve Companies	7,537,500.00					7,537,500.00	Assets-related
Electric Shares Removal Compensation for Auxiliary Machinery Works		124,150,000.00		124,150,000.00			Income-related
Total	<u>1,958,447,550.88</u>	<u>369,874,000.00</u>		<u>373,569,000.00</u>	<u>-34,378,056.43</u>	<u>1,920,374,494.45</u>	

51 Other non-current liabilities

Items/Categories	Closing balance	Opening balance
Unamortized exchange gain	61,228,220.90	61,228,220.90
Others	356,703,491.52	345,476,635.21
Total	<u>417,931,712.42</u>	<u>406,704,856.11</u>

52 Paid - in capital

Investor	Opening balance		Increase in current period	Decrease in current period	Closing balance	
	Investment Amount	Proportion (%)			Investment Amount	Proportion (%)
Total	<u>9,080,366,283.42</u>	<u>100</u>			<u>9,080,366,283.42</u>	<u>100</u>
The State-Owned Assets Supervision And Administration Commission Of Shanghai Municipal Government	9,080,366,283.42	100.00			9,080,366,283.42	100.00

53 Capital reserve

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Capital premium	962,441,681.01			962,441,681.01
II. Other capital reserves	6,966,807,431.74	1,783,126,254.57		8,749,933,686.31
III. Surplus reserves of the old accounting system transfer in	1,112,433,027.20			1,112,433,027.20
Total	<u>9,041,682,139.95</u>	<u>1,783,126,254.57</u>		<u>10,824,808,394.52</u>

Including: state-owned exclusive capital reserves

Note: The main changes of other capital reserves are as follows:

The equity impact of convertible bonds of Shanghai Electric Group Co., Ltd., a subsidiary of the Group, was CNY 596,634,400.

A minority shareholder of Shanghai Electric Group Co., Ltd., a subsidiary of the Group made a capital contribution, which leads to an increase of capital reserve of CNY 1,073,364,200.

54 Special reserves

Item	Closing balance	Opening balance	Notes
Safety production costs	159,210,606.00	152,057,913.19	
Total	<u>159,210,606.00</u>	<u>152,057,913.19</u>	

55 Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	747,238,034.67			747,238,034.67
Total	<u>747,238,034.67</u>			<u>747,238,034.67</u>

56 Retained earnings

Items	Amount for the current period	Amount for prior period
Closing balance for prior period	7,923,315,458.15	6,735,437,809.50
Changes in accounting policies(Note 1)	-7,937,192.69	303,323,535.00
Opening balance	<u>7,915,378,265.46</u>	<u>7,038,761,344.50</u>
Increase in the period	<u>905,369,145.75</u>	<u>1,241,908,106.70</u>
Including: Net profit attributable to owners of the Company for the period	905,369,145.75	1,410,136,216.51
Change of fair value of investment in other equity instruments into undistributed profit.(Note 2)		-168,228,109.81
Other adjustments		
Decrease in the period	<u>146,614,941.38</u>	<u>357,353,993.05</u>
Including: Appropriation to surplus reserves		79,705,844.90
Appropriation to general risk reserves		
Declaration of cash dividends		249,273,220.21
Declaration of dividends transferred to capital		
Others (Note 3)	146,614,941.38	28,374,927.94
Closing balance	<u>8,674,132,469.83</u>	<u>7,923,315,458.15</u>

Note 1: On January 1, 2019, the undistributed profit at the beginning of 2019 was adjusted due to the first implementation of the new revenue standard and the new financial instrument standard by the Group's subsidiary Highly Shares and the new lease accounting standards by Electric Shares.

Note 2: Other reductions are mainly due to the withdrawal of employee bonus funds, etc.

57 Revenue and cost

57.1 Details for revenue & cost

Items	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
1. Principal activities	57,529,598,548.07	47,142,868,923.37	56,565,821,672.75	46,657,258,565.17
2. Other operating activities	2,849,261,364.43	1,664,258,563.05	2,542,408,757.97	1,477,101,373.84
Total	<u>60,378,859,912.50</u>	<u>48,807,127,486.42</u>	<u>59,108,230,430.72</u>	<u>48,134,359,939.01</u>

The main business income includes new energy and environmental protection, efficient clean energy business, industrial equipment, modern service industry and other sales revenue. The operating cost is mainly the product cost related to the main business. The segment information of the Group has been presented in Note VIII (75).

57.2 Revenue by business types

Items	Amount for current period	Amount for prior period
Sale of goods	45,129,183,065.83	45,799,144,056.68
Construction contract	8,458,497,000.00	6,996,696,000.00
Services rendered	3,884,755,290.45	3,706,965,998.63
Others	57,163,191.79	63,015,617.44
Total	<u>57,529,598,548.07</u>	<u>56,565,821,672.75</u>

57.3 Other operating profit

Items	Amount for current period	Amount for prior period
Sales of material	1,099,914,555.91	776,773,463.33
Financial services revenue	798,983,000.00	879,372,000.00
Rental income	526,181,012.92	596,937,172.65
Non-industrial service	67,257,000.00	62,051,000.00
Others	356,925,795.60	227,275,121.99
Total	<u>2,849,261,364.43</u>	<u>2,542,408,757.97</u>

58 Marketing costs

Items	Amount for current period	Amount for prior period
1. Packing expenses	124,979,437.01	148,689,277.43
2. Transportation expenses	96,242,886.38	105,856,679.63
3. Storage expenses	11,176,737.04	7,143,203.26
4. Insurance expenses	1,100,986.43	1,445,262.42
5. Exhibition fees	47,587.00	
6. Advertisement expenses	2,404,863.58	2,360,113.70
7. Selling service fees	26,160,240.13	26,246,108.14
8. Employee salary	543,141,803.93	452,745,230.82
Including: Salary	10,845,664.25	7,802,972.85
Welfare expenses	679,761.89	674,926.45
9. Operating expenses	4,703,351.96	3,947,733.90
10. Commission fees	190,563,061.04	248,100,699.02
11. Depreciation expenses	277,145.88	327.78
12. Repair expenses		23,230.70
13. Quality guarantee deposit	324,367,326.66	358,870,789.20
14. Others	427,676,713.28	497,749,896.19
Total	<u>1,752,842,140.32</u>	<u>1,853,178,552.19</u>

59 Managing costs

Items	Amount for current period	Amount for prior period
1. Employee salary	1,987,238,923.27	1,950,791,347.38
Including: Salary	74,782,507.96	61,937,132.90
Welfare expenses	5,816,549.66	5,203,333.33
2. Depreciation expenses	550,091,283.33	467,128,398.08
3. Insurance expenses	341,004.86	496,365.73
4. Entertainment expenses	5,437,379.88	6,907,267.27
5. Conference expenses	113,740.78	15,028.94
6. Travelling expenses	7,018,014.55	5,617,145.93
7. Office supplies expenses	222,201,615.50	197,248,145.41
8. Amortization of intangible assets	9,484,361.67	17,891,638.74
9. Rental expenses	12,186,418.86	10,962,241.27

Items	Amount for current period	Amount for prior period
10. Agency costs	6,925,921.17	4,533,429.80
Including: Annual auditing fee	527,665.64	684,598.11
11. Others	964,633,712.86	894,079,509.59
Total	<u>3,765,672,376.73</u>	<u>3,555,670,518.14</u>

60 Research and development expenses

Items	Amount for current period	Amount for prior period
1. Employee salary	850,165,901.61	719,051,980.24
2. Depreciation expenses	86,107,512.17	76,982,801.31
3. Amortization of intangible assets	14,606,510.68	10,725,165.80
4. Outsourcing research fees	48,993,000.00	66,847,000.00
5. Direct material fees	639,505,775.03	621,979,882.96
6. Repair expenses	1,051,580.33	1,756,318.63
7. Testing fee	1,811,578.37	1,488,527.28
8. Others	184,096,737.83	135,509,352.13
Total	<u>1,826,338,596.02</u>	<u>1,634,341,028.35</u>

61 Financing costs

Items	Amount for current period	Amount for prior period
Interest expense	1,264,425,825.05	644,170,075.09
Add: Lease liabilities interest expense	12,235,000.00	
Less: Interest income	293,005,457.46	179,361,933.25
Gain or loss on foreign exchange	31,806,837.38	16,783,468.99
Others	127,348,928.36	83,220,131.93
Total	<u>1,142,811,133.33</u>	<u>564,811,742.76</u>

62 Assets devaluation

Items	Amount for current period	Amount for prior period
1. Impairment on bad debt	-550,445.01	472,891.91
2. Impairment on inventory valuation	-622,441,923.82	-607,283,019.90
3. Impairment on fixed assets	-7,466,000.00	
4. Impairment on construction in progress	-25,086,000.00	
5. Impairment on intangible assets	-453,000.00	

Items	Amount for current period	Amount for prior period
6. Other impairment losses	-3,703,000.00	-483,705,177.94
Total	<u>-659,700,368.83</u>	<u>-1,090,515,305.93</u>

63 Credit impairment losses

Items	Amount for current period	Amount for prior period
Impairment on bad debt	-378,993,000.00	
Impairment on contract assets	11,405,000.00	
Others	-61,467,000.00	
Total	<u>-429,055,000.00</u>	

64 Other income

Items	Amount for current period	Amount for prior period
2019 second batch of industrial transformation and upgrading financial subsidies	6,000,000.00	
Anhui project subsidy	715,600.01	681,600.04
Innovation-driven development special funds	1,039,516.47	1,006,907.80
Auxiliary machine factory relocation compensation	124,150,000.00	65,237,000.00
Fuyang District Industrial Strong Zone Support Fund	3,092,200.00	
Energy efficient electromechanical project award	274,916.01	274,915.97
Special funds for industrial and information development finance	3,790,000.00	
Hangzhou Industrial Strong Zone Construction Project	231,675.00	231,675.00
Hangzhou Industrial Coordination Project	371,880.00	371,880.00
Technical transformation project	2,555,500.08	2,998,111.62
Subsidies for research projects for composite grinding centers for precision shafting parts processing	14,081,000.00	
Other government grants related to income	77,437,393.38	241,501,928.66
Other government grants related to assets	31,693,305.21	42,294,256.88
Shanghai Pudong New Area Development Support Fund	10,012,000.00	
Shanghai Industrial Transformation and Development Special Fund	170,000.00	
Shanghai Zizhu High-tech Industry Support	54,930,000.00	82,000.00
Tax incentive	8,863,900.00	1,610,000.00

Items	Amount for current period	Amount for prior period
Special support		1,770,000.00
Small energy-saving and fluorine-free project special section	1,300,000.02	1,300,000.02
Yangpu District Financial Support	15,620,000.00	15,429,000.00
Project Support Fund related to equipment procurement	3,452,813.76	3,452,813.76
VAT plus deduction	142,256.80	
Government support special funds	47,080,000.00	
Government science and technology subsidy	8,981,000.00	
Government expropriation of land for compensation for loss of work stoppage	7,946,000.00	
Government supports enterprise technology innovation and capacity enhancement subsidies	5,600,000.00	
Total	<u>429,530,956.74</u>	<u>378,242,089.75</u>

65 Income on investment

65.1 The details of income on investment

The sources of income from investment	Amount for current period	Amount for prior period
Long-term equity investment income calculated by equity method	399,187,111.87	509,711,065.24
The investment income from treating long-term equity investment	69,943,701.47	23,469,200.22
The investment income from holding available-for-sale financial assets	18,754,152.82	2,288,889.82
The investment income got from disposing available-for-sale financial assets	268,581,265.12	8,007,670.39
The investment income got from disposing trading financial assets	52,962,514.11	-1,088,000.00
The investment income got from the period of holding trading financial assets	28,135,000.00	3,742,000.00
Investment income from disposal of other debt investments	51,240,000.00	170,803,000.00
Others	13,230,728.89	-25,456,156.29
Total	<u>902,034,474.28</u>	<u>691,477,669.38</u>

66 Gains/(Losses) from changes in fair values

Sources resulting in gains from changes in fair values	Amount for current period	Amount for prior period
Transactional financial assets (Applied for new accounting policies)	10,614,550.00	
Financial assets measured at fair value through profits and losses (Applied for old accounting policies)		-84,032,500.00
Derivative financial assets	714,000.00	29,029,000.00
Transactional financial liabilities	11,171,682.11	
Financial liabilities measured at fair value through profits and losses		-5,321,440.00
Derivative financial liabilities		
Invested property evaluated by fair value		
Others	-60,040,000.00	
Total	<u>-37,539,767.89</u>	<u>-60,324,940.00</u>

67 Gains/(Losses) from disposal of assets

Items	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit in current period
Gains from assets disposal	424,564,000.00	50,628,000.00	424,564,000.00
Losses from assets disposal	48,895.47		48,895.47
Total	<u>424,515,104.53</u>	<u>50,628,000.00</u>	<u>424,515,104.53</u>

68 Non-operating profits

68.1 Details of Non-operating profits

Items	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Total gains on disposal of non-current assets	9,737,376.33	1,938,912.99	9,737,376.33
Gains on debt restructuring		2,466,000.00	
Government subsidies unrelated to business day-to-day activities	11,854,150.38	26,614,592.43	11,854,150.38
Others	208,783,872.66	135,583,378.90	208,783,872.66
Total	<u>230,375,399.37</u>	<u>166,602,884.32</u>	<u>230,375,399.37</u>

68.2 Details of Non-operating profits

Items	Amount for current period	Amount for prior period
Financial-supporting fund	9,922,620.50	22,300,000.00
Fuyang District Top Ten Industrial Outstanding Enterprise Awards	100,000.00	
Talent introduction subsidy		32,861.00
Tax refund	792,053.28	1,887.04
Others	1,039,476.60	4,279,844.39
Total	<u>11,854,150.38</u>	<u>26,614,592.43</u>

69 Non-operating expenses

Items	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Total loss from disposal of non-current assets	7,981.11	214,384.26	7,981.11
Donation	15,344,000.00	1,562,540.58	15,344,000.00
Compensation, liquidated damages and fine expenditure	12,012.69	595,294.59	12,012.69
Others	71,818,751.14	70,689,705.44	71,818,751.14
Total	<u>87,182,744.94</u>	<u>73,061,924.87</u>	<u>87,182,744.94</u>

70 Income tax expenses

70.1 Income tax expense table

Items	Amount for current period	Amount for prior period
Current-stage income tax to be paid according to tax law and relevant regulations	1,031,709,021.43	494,443,672.91
Adjustment of deferred income taxes	-279,923,476.96	-139,626,568.59
Others		
Total	<u>751,785,544.47</u>	<u>354,817,104.32</u>

70.2 The reconciliation

70.3 The reconciliation of adjusting accounting profit and income tax

Items	Amount for current period
Total profit	3,585,580,797.27
The income tax calculated by applicable tax rate	896,395,199.32
Effect of different tax rates applicable to subsidiaries	-172,902,645.09
The combined impact of offsetting profits	-12,137,195.19
Effect of prior periods income tax adjustment	46,897,605.39
Effect of non-taxable income	-56,946,591.81
Non-deductible cost, expense and losses	63,605,889.74
Before the end of the impact of deferred tax assets using the tax losses not recognized	-117,868,133.45
Effect of the current deferred tax assets unrecognized deductible temporary differences or deductible losses	356,460,077.73
Impact on investment income of joint ventures and associates	-185,071,381.70
Electric Share tax incentive from qualified expenses	-68,508,000.00
Highly share tax rate changes	1,749,719.53
Others	111,000.00
Income tax expenses	<u>751,785,544.47</u>

71 Other comprehensive income

71.1 Items of other comprehensive income and impact on the income tax and transferred to the profit or loss

Items	Amount for current period				Amount for prior period			
	Before-tax amount	Income tax	After-tax amount attributed to parent company	After-tax amount attributed to minority shareholders	Before-tax amount	Income tax	After-tax amount attributed to parent company	After-tax amount attributed to minority shareholders
I. Other comprehensive income cannot be transferred into profit and loss in future	<u>-11,059,763.06</u>	<u>-3,506,690.77</u>	<u>-2,601,989.03</u>	<u>-4,951,083.26</u>	<u>1,814,000.00</u>	<u>537,000.00</u>	<u>367,181.54</u>	<u>909,818.46</u>
1. Re-measured defined movement of benefit plan about net assets and liabilities	-14,833,000.00	-4,450,000.00	-3,383,068.74	-6,999,931.26	1,814,000.00	537,000.00	367,181.54	909,818.46
2. Others	3,773,236.94	943,309.23	781,079.71	2,048,848.00				
II. Other comprehensive income can be transferred into profit and loss in the future	<u>2,534,574,431.13</u>	<u>629,875,924.30</u>	<u>1,914,120,594.22</u>	<u>-9,422,087.39</u>	<u>-2,790,045,442.50</u>	<u>-672,341,271.40</u>	<u>-2,095,712,602.49</u>	<u>-21,991,568.61</u>
1. Changes of Accounts Receivable Measured at Fair Value and included in other comprehensive Income	-74,009,000.00	-15,456,000.00	-18,185,843.73	-40,367,156.2700				
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period	-12,184,000.00		-7,209,954.44	-4,974,045.56				
Subtotal	<u>-61,825,000.00</u>	<u>-15,456,000.00</u>	<u>-10,975,889.29</u>	<u>-35,393,110.71</u>				

Items	Amount for current period				Amount for prior period			
	Before-tax amount	Income tax	After-tax amount attributed to parent company	After-tax amount attributed to minority shareholders	Before-tax amount	Income tax	After-tax amount attributed to parent company	After-tax amount attributed to minority shareholders
2. Gains and losses from changes in fair value of available for sale financial assets	2,532,629,647.83	633,175,924.30	1,899,453,723.53		-2,624,989,085.58	-656,247,271.40	-1,963,700,883.62	-5,040,930.56
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								
Subtotal	<u>2,532,629,647.83</u>	<u>633,175,924.30</u>	<u>1,899,453,723.53</u>		<u>-2,624,989,085.58</u>	<u>-656,247,271.40</u>	<u>-1,963,700,883.62</u>	<u>-5,040,930.56</u>
3. Changes in Fair Value of Other Creditor's Rights Investment	98,444,000.00	11,801,000.00	52,680,530.83	33,962,469.17	74,708,000.00	-11,130,000.00	51,446,213.5000	34,391,786.5000
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period	51,240,000.00		30,321,574.67	20,918,425.33	113,747,000.00		69,263,347.58	44,483,652.42
Subtotal	<u>47,204,000.00</u>	<u>11,801,000.00</u>	<u>22,358,956.16</u>	<u>13,044,043.84</u>	<u>-39,039,000.00</u>	<u>-11,130,000.00</u>	<u>-17,817,134.08</u>	<u>-10,091,865.92</u>
4. Cash flow hedging reserve (effective part of cash flow hedging gains against losses)	1,268,000.00	355,000.00	540,273.18	372,726.82	-13,249,000.00	-4,964,000.00	-6,336,469.49	-1,948,530.51
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								

Items	Amount for current period				Amount for prior period			
	Before-tax amount	Income tax	After-tax amount attributed to parent company	After-tax amount attributed to minority shareholders	Before-tax amount	Income tax	After-tax amount attributed to parent company	After-tax amount attributed to minority shareholders
The hedged item to the initial recognition amount of adjustment								
Subtotal	<u>1,268,000.00</u>	<u>355,000.00</u>	<u>540,273.18</u>	<u>372,726.82</u>	<u>-13,249,000.00</u>	<u>-4,964,000.00</u>	<u>-6,336,469.49</u>	<u>-1,948,530.51</u>
5. Translation differences of financial statements denominated in foreign currencies	15,297,783.30		2,743,530.64	12,554,252.66	-112,768,356.92		-107,858,115.30	-4,910,241.62
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								
Subtotal	<u>15,297,783.30</u>		<u>2,743,530.64</u>	<u>12,554,252.66</u>	<u>-112,768,356.92</u>		<u>-107,858,115.30</u>	<u>-4,910,241.62</u>
6. Others								
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								
III. Total	<u>2,523,514,668.07</u>	<u>626,369,233.53</u>	<u>1,911,518,605.19</u>	<u>-14,373,170.65</u>	<u>-2,788,231,442.50</u>	<u>-671,804,271.40</u>	<u>-2,095,345,420.95</u>	<u>-21,081,750.15</u>

71.2 Adjustment of other comprehensive income

Items	Re-measure d defined movement of benefit plan about net assets and liabilities	Under the equity method, share of other comprehensive income can't be transferred into profit or loss	Changes of Accounts Receivable Measured at Fair Value and included in other comprehensive Income	Gains and losses from changes in fair value of available for sale financial assets	Changes in Fair Value of Other Creditor's Rights Investment	Cash flow hedging reserve (effective part of cash flow hedging gains against losses)	Translation differences of financial statements denominated in foreign currencies	Others	Subtotal
I. The balance on 1 January, 2019	<u>2,498,256.37</u>	<u>8,294,272.93</u>	<u>-24,822,202.79</u>	<u>3,375,919,668.86</u>	<u>23,729,342.18</u>	<u>10,838,567.00</u>	<u>-63,743,917.04</u>	<u>14,625,262.18</u>	<u>3,347,339,249.69</u>
Influence from changes in accounting policies		2,893,507.56		-5,247,196.90					-2,353,689.34
II. Items attribute to parent company on 30 June 2019	-3,383,068.74	781,079.71	-10,975,889.29	1,899,453,723.53	22,358,956.16	540,273.18	2,743,530.64		1,911,518,605.19
III. The balance on 30 June, 2019	<u>-884,812.37</u>	<u>11,968,860.20</u>	<u>-35,798,092.08</u>	<u>5,270,126,195.49</u>	<u>46,088,298.34</u>	<u>11,378,840.18</u>	<u>-61,000,386.40</u>	<u>14,625,262.18</u>	<u>5,256,504,165.54</u>

72 Debt restructuring

No material debt restructuring incurred in this period.

73 Gain or losses on foreign exchange

Gain or Loss on foreign currency exchange of CNY 31,806,837.38 is recognized into current profit or loss

74 Lease

74.1 Details on lessor under finance lease

Remaining lease term	Minimum lease receivable
Within 1 year (Including 1 year)	4,759,412,000
1-2 years (Including 2 years)	3,038,114,000
2-3 years (Including 3 years)	1,736,961,000
More than 3 years	2,187,308,000
Total	<u>11,721,795,000</u>

Note: The balance of unearned finance income is CNY 1,341,206,000.00.

74.2 Significant business information of operating lease

Remaining lease term	Minimum lease payment
Within 1 year (Including 1 year)	13,404,591.32
1-2 years (Including 2 years)	6,709,641.80
2-3 years (Including 3 years)	5,878,926.77
More than 3 years	4,705,059.20
Total	<u>30,698,219.09</u>

75 Segment reporting

75.1 Segment reporting financial information

Items	New Energy and Environmental Protection		Efficient and Clean Energy		Industrial equipment	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
I. Operating income	<u>7,862,803,301.23</u>	<u>6,778,707,929.42</u>	<u>14,636,859,313.56</u>	<u>16,507,712,169.54</u>	<u>26,016,592,615.05</u>	<u>23,547,437,620.66</u>
Including: Revenue from external customers	7,412,218,301.23	6,544,255,856.82	12,837,630,313.56	15,086,326,846.91	24,310,400,624.05	22,886,212,476.81
Inter-segment trading income	450,585,000.00	234,452,072.60	1,799,229,000.00	1,421,385,322.63	1,706,191,991.00	661,225,143.85
II. Associates and joint venture investment income			97,007,000.00	99,615,964.91	329,796,873.74	313,547,210.41
III. Impairment losses	50,760,000.00	37,782,721.08	524,566,664.62	515,336,995.51	125,360,454.78	89,104,314.46
IV. Depreciation and amortization expenses	223,263,117.83	130,543,435.73	297,454,648.97	275,636,614.45	741,113,642.77	645,885,965.37
V. The total profit	141,696,693.38	94,892,159.28	188,894,253.08	750,375,987.05	1,947,361,567.13	1,931,965,100.75
VI. Income tax expense	-7,011,511.23	2,958,705.21	65,568,868.39	44,992,955.79	249,837,778.12	154,861,396.23
VII. Net profit	147,836,330.03	91,933,454.07	155,736,121.83	705,383,031.26	1,686,813,869.64	1,777,103,704.52
VIII. Total assets	40,151,999,269.24	28,168,119,027.74	60,730,594,449.38	60,836,714,438.87	75,898,134,176.11	66,115,728,180.06
IX. Total liabilities	20,261,735,638.08	16,139,203,266.84	41,581,390,222.21	43,501,515,280.86	42,129,218,079.67	42,024,483,581.83
X. Other significant non-cash items	<u>-235,097,000.00</u>	<u>404,628,000.00</u>	<u>741,432,000.00</u>	<u>381,624,500.00</u>	<u>-4,186,000.00</u>	<u>70,532,500.00</u>
Including: Other non-cash expenses other than depreciation and amortization charges	-235,097,000.00	404,628,000.00	741,432,000.00	381,624,500.00	-4,186,000.00	70,532,500.00
Increase from associates and joint ventures						

Items	New Energy and Environmental Protection		Efficient and Clean Energy		Industrial equipment	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
long-term equity investment under equity method						

(Continued):

Items	Modern service		Head office and others		Net off		Total	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
I. Operating income	<u>16,852,294,731.63</u>	<u>14,837,329,562.24</u>	<u>249,328,752.28</u>	<u>329,655,785.39</u>	<u>5,239,018,801.25</u>	<u>2,892,612,636.53</u>	<u>60,378,859,912.50</u>	<u>59,108,230,430.72</u>
Including: Revenue from external customers	15,680,668,921.38	14,359,625,464.79	137,941,752.28	231,809,785.39			60,378,859,912.50	59,108,230,430.72
Inter-segment trading income	1,171,625,810.25	477,704,097.45	111,387,000.00	97,846,000.00	5,239,018,801.25	2,892,612,636.53		
II. Associates and joint venture investment income	-57,690,000.00	-81,261,968.62	30,073,238.13	2,401,860.55			399,187,111.87	334,303,067.25
III. Impairment losses	245,237,120.63	400,164,582.00	-14,070,541.96	-5,559,613.28	-156,901,670.76	-53,686,306.16	1,088,755,368.83	1,090,515,305.93
IV. Depreciation and amortization expenses	137,544,749.00	26,076,086.86	244,020,966.42	301,199,673.43	39,435,528.43	39,435,528.43	1,603,961,596.56	1,339,906,247.41
V. The total profit	2,378,876,909.31	1,357,043,828.15	-385,945,945.06	-240,809,353.19	685,302,680.57	783,349,018.38	3,585,580,797.27	3,110,118,703.66
VI. Income tax expense	490,376,872.16	77,423,523.46	-16,585,898.89	109,096,754.71	30,400,564.08	34,516,231.08	751,785,544.47	354,817,104.32
VII. Net profit	1,963,297,988.80	1,279,620,304.69	-400,165,466.73	-349,906,107.90	719,723,590.77	748,832,787.30	2,833,795,252.80	2,755,301,599.34
VIII. Total assets	125,903,479,255.04	97,350,327,291.56	104,151,101,689.71	94,135,092,321.86	117,649,074,819.74	107,307,034,541.27	289,186,234,019.74	239,298,946,718.82
IX. Total liabilities	92,980,053,686.55	78,005,692,645.99	75,620,509,895.43	55,053,298,976.39	74,038,661,689.57	68,172,801,846.90	198,534,245,832.37	166,551,391,905.01
X. Other significant non-cash items	<u>72,683,000.00</u>	<u>134,721,000.00</u>		<u>7,034,500.00</u>			<u>574,832,000.00</u>	<u>998,540,500.00</u>
Including: other non-cash expenses other than depreciation and amortization charges	72,683,000.00	134,721,000.00		7,034,500.00			574,832,000.00	998,540,500.00
Increase from associates and joint ventures long-term equity investment under equity method								

75.2 External revenue by geographical area

Items	Amount for the current period	Amount for the prior period
Sources of income		
In which: Mainland of China	51,609,062,791.25	52,552,682,504.53
Other countries and regions	8,769,797,121.25	6,555,547,926.19
Total	<u>60,378,859,912.50</u>	<u>59,108,230,430.72</u>

75.3 Non-current assets by geographical location

Items	Amount for the current period	Amount for the prior period
Non-current assets (not including financial assets, segregated account assets and deferred income taxes)		
In which: Located in mainland of China	54,939,698,368.53	49,256,512,150.71
Located in other countries and regions	7,535,433,025.95	6,584,294,053.83
Total	<u>62,475,131,394.48</u>	<u>55,840,806,204.54</u>

76 Consolidated cash flow

76.1 Reconciliation of net profit to cash flow from operating activities by indirect method:

Supplementary information	Amount for current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,833,795,252.80	2,755,301,599.34
Add: Provision for impairment losses of assets	659,700,368.83	1,090,515,305.93
Impairment losses on credit assets	429,055,000.00	
Depreciation of Investment property	73,510,527.26	63,014,931.37
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	1,302,994,515.42	1,256,181,289.95
Depreciation of the right to use assets	99,163,000.00	
Amortization of intangible assets	214,886,178.72	162,463,499.45
Amortization of long-term prepaid expenses	86,296,364.37	76,463,247.87
Losses on disposal of fixed assets, intangible assets and other long-term asset (gains are indicated by "-")	-424,515,104.53	-50,628,000.00
Losses on write-off of fixed assets (gains are	-9,729,395.22	-1,724,528.73

Supplementary information	Amount for current period	Amount for the prior period
indicated by "-")		
Losses on changes in fair values (gains are indicated by "-")	37,539,767.89	60,324,940.00
Financial expenses (income is indicated by "-")	1,296,232,662.43	449,945,943.14
Interest income of financial companies and rental income of leasing companies	-798,983,000.00	-879,372,000.00
Losses arising from investments (gains are indicated by "-")	-902,034,474.28	-691,477,669.38
Decrease in deferred tax assets (increase is indicated by "-")	-539,028,383.66	-455,778,337.27
Increase in deferred tax liabilities (decrease is indicated by "-")	812,317,782.19	-338,451,271.31
Amortization of deferred revenue	377,437,056.43	585,273,780.00
Decrease in inventories (increase is indicated by "-")	-2,632,303,795.44	6,398,471,923.45
Change in contract assets	-5,359,190,000.00	-20,936,508,000.00
Change in contract liabilities	-560,819,000.00	
Decrease in receivables from operating activities (increase is indicated by "-")	-9,105,543,351.03	-734,718,525.46
Increase in payables from operating activities (decrease is indicated by "-")	1,306,857,717.43	-1,453,935,076.27
Increase in special reserves	7,152,692.81	6,475,599.43
Others		
Net cash flow from operating activities	<u>-10,795,207,617.58</u>	<u>-12,638,161,348.49</u>
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	29,714,270,919.87	36,965,238,141.82
Less: Opening balance of cash	36,965,238,141.82	23,898,090,296.20
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	<u>-7,250,967,221.95</u>	<u>13,067,147,845.62</u>

76.2 Acquisition or disposal of subsidiaries or businesses during the period

Items	Amount
I. Company merger in the current period of cash or cash equivalents paid for the period	
Less: Cash and cash equivalents held by the Company on the date of acquisition	
Plus: an enterprise incorporated during the previous period Payment of cash or cash equivalents	
Net cash paid to acquire subsidiaries	
II. Cash or cash equivalents received by disposal of subsidiaries in the current period	
Less: Cash and cash equivalents held by the Company on the day of loss of control	
Plus: cash or cash equivalents received from disposal of subsidiaries in the period prior periods	7,930,000.00
Net cash received from disposal of subsidiaries	<u>7,930,000.00</u>

76.3 Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	<u>29,714,270,919.87</u>	<u>36,965,238,141.82</u>
Including: 1. Cash	14,104,578.63	3,772,458.12
2. Bank deposit for payment at any time	28,174,667,556.45	36,221,104,052.20
3. Other monetary funds for payment at any time	1,525,498,784.79	740,361,631.50
4. Due from banks		
5. Placements with banks money		
6. Interbank dismantlement		
II. Cash equivalents		
Including: bond investment due within three months		
III. End of the period Cash and cash equivalents	<u>29,714,270,919.87</u>	<u>36,965,238,141.82</u>
Including: cash and cash equivalents restricted by the parent company or its subsidiaries within the Group		

77 Foreign currency monetary items

Items	Closing balance of foreign currency	Exchange rate	Closing balance of CNY conversion
Currency fund			<u>3,823,738,561.60</u>
In which: US dollar	414,603,450.94	6.8747	2,850,274,344.18
Euro	19,914,161.06	7.817	155,668,997.01

Items	Closing balance of foreign currency	Exchange rate	Closing balance of CNY conversion
Hong Kong dollar	513,144,080.52	0.8797	451,412,847.63
Japanese yen	164,591,405.00	0.0638	10,500,931.64
India Rupee	692,416,224.82	0.0982	67,995,273.28
Indonesian rupiah	23,982,000,000.00	0.0005	11,991,000.00
Malaysian Ringgit	127,530,000.00	1.6593	211,610,529.00
Vietnamese Dong	8,273,333,000.00	0.0003	2,481,999.90
British Pound	7,091,000.00	8.7113	61,771,828.30
Swiss franc	1,177.79	7.0388	8,290.23
Won	3,817,021.20	0.0059	22,520.43
Accounts Receivable			<u>4,579,927,186.61</u>
In which: US dollar	608,698,477.62	6.8747	4,184,619,424.09
Euro	25,746,546.48	7.817	201,260,753.83
British Pound	2,159,000.00	8.7113	18,807,696.70
Japanese yen	549,970,999.60	0.0638	35,088,149.77
India Rupee	1,427,201,244.60	0.0982	140,151,162.22
Other receivables			<u>10,397,935.88</u>
In which: US dollar	5,196.10	6.8747	35,721.63
Japanese yen	458,000.00	0.0638	29,220.40
India Rupee	105,223,969.92	0.0982	10,332,993.85
Long-term loan			<u>773,030,947.00</u>
In which: Euro	98,891,000.00	7.817	773,030,947.00
Withdrawal of funds			<u>1,365,382,390.80</u>
In which: Euro	6,108,000.00	7.817	47,746,236.00
US dollar	190,029,000.00	6.8747	1,306,392,366.30
Japanese yen	146,907,000.00	0.0638	9,372,666.60
Hong Kong dollar	2,127,000.00	0.8797	1,871,121.90
Short-term loan			<u>1,035,599,560.00</u>
In which: US dollar	146,000,000.00	6.8747	1,003,706,200.00
Euro	4,080,000.00	7.817	31,893,360.00
Accounts Payable			<u>706,022,392.24</u>
In which: US dollar	73,322,399.81	6.8747	504,069,501.97
Euro	3,131,427.72	7.817	24,478,370.49
British pound	416,000.00	8.7113	3,623,900.80

Items	Closing balance of foreign currency	Exchange rate	Closing balance of CNY conversion
India Rupee	169,635,636.98	0.0982	16,658,219.55
Japanese yen	315,673,845.25	0.0638	20,139,991.33
Malaysian ringgit	29,936,000.00	1.6593	49,672,804.80
Pakistan rupee	759,292,000.00	0.0424	32,193,980.80
Kuwaiti Dinar	2,435,000.00	22.6635	55,185,622.50
Other payables			<u>73,182,461.90</u>
In which: USD	7,672,043.87	6.8747	52,742,999.99
Euro	1,261,000.00	7.817	9,857,237.00
Japanese Yen	37,402,165.51	0.0638	2,386,258.16
Hong Kong dollar	3,623,678.81	0.8797	3,187,750.25
British pound	564,000.00	8.7113	4,913,173.20
India Rupee	967,854.42	0.0982	95,043.30
Long-term loan due within one year			<u>101,271,631.40</u>
In which: US dollar	4,502,000.00	6.8747	30,949,899.40
Euro	8,996,000.00	7.817	70,321,732.00
Bond payables			<u>8,124,714,193.23</u>
In which: US dollar	499,972,967.00	6.8747	3,437,164,156.23
Euro	599,661,000.00	7.817	4,687,550,037.00

78 Assets with restricted ownership and use right

Items	Term-end book value	The reason for restriction
Cash and cash equivalents-collateral	1,683,895,638.56	Guarantee (note 1)
Cash and cash equivalents - central bank reserves	2,006,029,800.02	Guarantee (note 2)
Notes receivable	169,498,000.00	Pledge (note 3)
Finance receivable	234,140,000.00	Pledge (note 3)
Cash and cash equivalents	33,680,666.16	Other reason (note 4)
Intangible assets	131,249,632.12	Pledge (note 5)
Inventory	1,368,916,526.28	Pledge (note 6)
Accounts receivable	98,679,370.21	Pledge (note 7)
Receivable financing	297,457,272.51	Pledge (note 8)
Long-term receivables	652,148,275.00	Pledge (note 9)
Investment real estate	212,163,935.91	Mortgage (note 10)
Fixed assets	956,146,577.71	Mortgage (note 11)

Note 1: On June 30, 2019, the restricted cash and cash equivalents of CNY 1,683,895,638.56 was used for guarantees, banking acceptance bill, letters of credit margin and security clearing margin.

Note 2: Shanghai Electric Group Finance Co., Ltd., a subsidiary of the Group, made a deposit for statutory reserve, which is not available for daily operations according to the provisions of the People's Bank of China.

Note 3: On June 30, 2019, the group's subsidiary Electric Co., Ltd. pledged bills receivable of CNY 115,022,000.00 for issuing bank acceptance bills, bills receivable of CNY 54,476,000.00 for commercial acceptance bills, and notes receivable of CNY 234,140,000.00 from finance receivable for issuing bank acceptance bills.

Note 4: On June 30, 2019, the group's frozen cash and cash equivalents due to litigation were CNY 6,929,312.04. The restricted cash and cash equivalents of CNY 1,178,429.47 were caused by other reasons. Another cash and cash equivalents of CNY 25,572,924.65 are restricted due to pledge of short-term loans.

Note 5: On June 30, 2019, the Group's subsidiary Electric Shares pledged the land use rights with a book value of CNY 131,249,632.12, to obtain a long-term loan of CNY 784,000,000.00, and a short-term loans of CNY 108,000,000.00 (of which CNY 47,000,000.00 was borrowed from fixed assets).

Note 6: On June 30, 2019, the Group's subsidiary Electric Shares pledged the inventories with a book value of CNY 1,368,916,526.28, to obtain a short-term loan of CNY 217,000,000.00, and a long-term loan of CNY 119,042,817.68.

Note 7: On June 30, 2019, the Group's subsidiary Electric Shares pledged the accounts receivable with a book value of CNY 98,679,370.21 to obtain a short-term loan of CNY 38,000,000.

Note 8: On June 30, 2019, the Group's subsidiary, Highly Co., Ltd., pledges receivables financing of CNY 297,457,272.51 to obtain a short-term loan of CNY 297,457,272.51.

Note 9: On June 30, 2019, the Group's subsidiary Electric Shares pledged long-term accounts receivable with a book value of CNY 652,148,275.00 to obtain a long-term loan of CNY 379,662,738.50.

Note 10: On June 30, 2019, the Group's subsidiary Electric Shares secured the investment property with a book value of CNY 212,163,935.91 to obtain a short-term loan of CNY 70,000,000 and a bank acceptance draft of CNY 146,310,000.00.

Note 11: On June 30, 2019, the Group's subsidiary Electric Shares used fixed assets with a book value of CNY 956,146,577.71 for mortgage to obtain a short-term loan of CNY 174,820,071.17 and a long-term loan of CNY 413,093,490.18.

IX. CONTINGENCIES

1. Guarantee

Guarantors	Vouchee	Nature of vouchee	Total amount of guarantee	Amount overdue	Nature of guarantee	Status of vouchee
I. Inside Group						
Shanghai Electric (Group) Corporation	Shanghai Heavy Machinery Factory Co., Ltd.	State Holding	2,600,000,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai electric valve Co., Ltd.	State Holding	54,500,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Highly (Group) Co. Ltd.	Listed company	100,000,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Highly (Group) Co. Ltd.	Listed company	100,000,000.00		Bank guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Highly (Group) Co. Ltd.	Listed company	1,000,000,000.00		Bond guarante	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Electric Widespread Portfolios Co., Ltd.	State Holding	USD500,000,000.00		Bond guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Highly Electrical Appliance Co. Ltd.	State Holding	107,602,000.00		Loan and bank Guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd	Nanchang Highly Electrical Appliances Co., Ltd.	State Holding	15,649,000.00		Loan Guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd	Anhui Highly Precision Casting Co., Ltd.	State Holding	3,950,000.00		Bank guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd	Shanghai Highly Special Refrigeration Equipment Co., Ltd.	State Holding	485,000.00		Bank guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd	Hangzhou Fusheng electrical Co. Ltd	State Holding	23,048,000.00		Loan and bank Guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd	Shanghai Highly New Energy Technology Co., Ltd.	State Holding	7,876,000.00		Loan and bank Guarantee	Continuous operation
II. Outside groups						
Shanghai Electric (Group) Corporation	Shanghai Shenxin Wind Power Co., Ltd.	State Holding	20,000,000.00		Loan Guarantee	Continuous Operation
Shanghai Electric (Group) Corporation	Shanghai Dianji University	Institution	15,000,000.00		Loan Guarantee	Continuous Operation
Shanghai Electric Group Co., Ltd.	Nabotsk Precision Machinery (China) Co., Ltd.	Joint Venture	JPY297,000,000.00		Loan Guarantee	Continuous Operation
Shanghai Electric Group Co., Ltd.	Nabotsk Precision Machinery (China) Co., Ltd.	Joint Venture	16,500,000.00		Loan Guarantee	Continuous Operation

Guarantors	Vouchee	Nature of vouchee	Total amount of guarantee	Amount overdue	Nature of guarantee	Status of vouchee
Shanghai Electric Group Co., Ltd.	Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.	State Holding	210,110,000.00		Guarantee	Continuous Operation
Shanghai Gongxin Investment Management Co., Ltd.	Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.	State Holding	92,120,000.00		Loan Guarantee	Continuous Operation
Shanghai Gongxin Investment Management Co., Ltd.	Xinxing Fang Shang Ying Company	State Holding	87,500,000.00		Loan Guarantee	Continuous Operation

Note 1: The guarantee amounts listed above table are the ceiling amounts of guarantee to the units guaranteed by June 30, 2019.

Note 2: On 3 December, 2018, Shanghai Highly (Group) Co. Ltd. the Company's subsidiary issued a short-term coupon with a maturity of 270 days, interest rate of 3.9%, and face value of CNY 1 billion. The Company provided full, unconditional, and irrevocable guarantee of joint and several liabilities for the short-term coupon.

Note 3: On August 14, 2014, Shanghai Electric Widespread Portfolios Co., Ltd., the Company's subsidiary issued corporate bond, i.e. Morning star, with a 5 year fixed coupon rate of 3% at par value of USD 0.5 billion. The Group provides full amount unconditional and irrevocable joint and several liability guarantees for the bond.

2. Current significant litigation cases involved

2.1 Disputes over construction project contract between our Company and Inner Mongolia Shanlu Energy Group (hereinafter referred as to "Shanlu Company").

Shanghai Electric (Group) Changjiang Company (hereinafter referred as to "Changjiang Company"), a subsidiary of the Company, applied to the Shanghai Arbitration Commission for arbitration due to the failure of the Company to pay the project arrears. On March 31, 2014, the committee ruled that Shanlu Company shall pay CNY 46.87 million and interest of CNY 22.09 million. Shanlu Company not only refused to pay the arrears, but also applied the quality defects of the project based on the original project contract in 2007, 2009 and 10 years to the China International Economic and Trade Arbitration Commission Beijing Branch in March 2014, requesting a compensation of CNY 538.934 million by Changjiang Company for the loss caused by engineering defects. As of June 30, 2019, the case is still in progress.

2.2 Sales contract dispute: Handan Hongda Chemical Fiber Machinery Co., Ltd. vs the Company

In September 2011, Shanghai Pacific Textile Machinery Complete Equipment Co., Ltd (hereinafter referred to as "Complete Company"), a subsidiary of the Company, purchased an equipment at amount of CNY 6.6 million from Handan Hongda Chemical Fiber Machinery Co., Ltd. (hereinafter referred to as "Yan Hongda"), This equipment was purchased as accessory or part for another equipment. However, due to litigation disputes occurred for other equipment, it affected the fulfillment of the contract between the Complete Company and Yan Hongda objectively. Since the case is still in the process of trial, Complete Company does not have the conditions to accept the delivery term according to the contract. After Complete Company

has paid the advance payment of CNY 3.3 million, it has not fulfilled the remaining payment. Yan Hongda has applied the remaining several times, and appealed to the local people's court. On December 24, 2018, the first instance judged that the Complete Company shall make a remaining payment and paid the corresponding interest and storage fee. Within ten days after the payment, Yan Hongda shall delivery the subject matter of the contract. The Complete Company refused to accept the judgment and filed an appeal. On May 31, 2019, the second instance ruling of Handan Intermediate People's Court was sent back for retrial. As of June 30, 2019, the case is still in progress.

3. Contingent liabilities

On June 30, 2019, due to pending litigation and arbitration, the contingent liabilities of the Group's subsidiaries' Electrical shares were CNY 240,979,000.00. There were no contingent liabilities caused by external guarantee. . The contingent liability arising from guarantee letter issued by Shanghai Electric Group Finance Co., Ltd. was CNY 1,354,000.00, and the Group did not recognize the estimated liabilities related to the above matters.

4. Contingent asset

None

X. EVENTS AFTER BALANCE SHEET DATE

Up to the date of the approval of the issuance of financial statements, there is no significant events have occurred in the Company's subsequent balance sheet which affecting the reading and understanding of the financial statements.

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Information on the parent company

Name of the parent	Registered capital	Proportion (%)
The State-Owned Assets Supervision And Administration Commission Of Shanghai Municipal Government	9,080,366,283.42	100

2. Information on the subsidiaries

Please refer to "Note 7.1 Information of subsidiaries".

3. Details of the Company's joint operations and associated enterprise

Please refer to "Note 8, 18 Long-term Equity Investments".

4. Other related parties

Other related parties	Relationships
Yangxi Coastal Electric Power Development Co Ltd	Other related party
Spike Air Cooling Technology (Beijing) Co., Ltd.	Other related party
Shanghai Road and Bridge Construction Machinery Co., Ltd.	Other related party
German Siemens	Other related party
Schneider Electric (China) Co., Ltd.	Other related party
Shanghai Electric Power Company	Other related party
Morgan New Materials (Shanghai) Co., Ltd.	Other related party
Japan MITSUBISHI Elevator Corporation	Other related party
Shengyi Equity Investment Co., Ltd.	Other related party
Kesby Germany Co., Ltd.	Other related party
Huaibei Water Investment Development Co., Ltd.	Other related party
Fu Sheng Holdings Limited	Other related party
Zhuhai Gree Electrical Appliance Co., Ltd.	Other related party
Ge Ming	Other related party

5. Related party transactions

5.1. Related party transactions

Related parties	Transaction Types	Current period	Prior period
I. Purchase of goods/ receipt of services			
Associates	Purchase of goods/ receipt of services	1,434,184,000.00	1,782,447,000.00
Other affiliates	Purchase of goods/ receipt of services	1,219,288,891.59	2,637,200,326.45
II. Sales of goods/ rendering of services			
Joint ventures	Sales of goods/ rendering of services		10,109,000.00
Associates	Sales of goods/ rendering of services	89,030,000.00	77,624,000.00
Other affiliates	Sales of goods/ rendering of services	3,294,786,202.77	4,140,958,834.69
Other affiliates	Project construction income	502,777,000.00	1,762,517,000.00

5.2. Receivables from related party transactions

Items	Related parties	Closing balance	Opening balance
Accounts receivable	Joint venture		1,544,000.00
Accounts receivable	Associated company	48,748,000.00	81,557,000.00
Accounts receivable	Other related company	1,935,586,226.56	1,493,323,589.74
Notes receivables	Joint venture		428,000.00
Notes receivables	Associated company	9,820,000.00	12,320,000.00
Notes receivables	Other related company	217,449,889.10	814,006,954.11
Other receivables	Joint venture	1,473,000.00	1,103,000.00
Other receivables	Associated company	3,818,000.00	2,001,342,000.00
Other receivables	Other related company	19,000.00	438,868,000.00
Contract assets	Joint venture	1,560,000.00	
Contract assets	Associated company	1,775,000.00	3,617,000.00
Prepayments	Joint venture	290,553,000.00	74,092,000.00
Prepayments	Associated company	256,705,000.00	312,626,000.00
Prepayments	Other related company	56,547,000.00	80,543,000.00
Dividends receivable	Associated company	73,007,000.00	247,209,000.00

5.3. Payables from related party transactions

Items	Related parties	Closing balance	Opening balance
Accounts payable	Joint venture	35,912,000.00	52,302,000.00
Accounts payable	Associated company	403,663,000.00	265,451,000.00
Accounts payable	Other related company	789,036,126.65	566,823,824.17
Notes payable	Joint venture		59,000.00
Notes payable	Associated company	55,750,000.00	80,620,000.00
Notes payable	Other related company		401,435,410.08
Advance payment	Other related company		709,000.00
Contract liabilities	Joint venture	1,413,000.00	1,621,000.00
Contract liabilities	Other related company	28,569,000.00	414,805,000.00
Other payables	Joint venture	5,097,000.00	10,042,000.00
Other payables	Associated company	28,000.00	
Other payables	Other related company	78,488,000.00	110,004,000.00
Dividends payable	The company under the Parent company control	13,784,000.00	21,000.00

Items	Related parties	Closing balance	Opening balance
Dividends payable	Other related company	55,747,000.00	
Long-term payables due within one year	Associated company	36,091,000.00	36,938,000.00

XII. INFORMATION THAT HELPS USERS OF FINANCIAL STATEMENTS EVALUATE THE OBJECTIVES, POLICIES AND PROCEDURES OF ENTERPRISE MANAGEMENT CAPITAL

None.

XIII. NOTES TO THE MAIN ITEM IN THE PARENT COMPANY'S FINANCIAL STATEMENT

1. Accounts receivable

Items	Closing balance			
	Carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually	137,280,533.68	97.11	137,280,533.68	100.00
Accounts receivable for which bad debt provision has been assessed by aging analysis	1,929,000.11	1.36	1,929,000.11	100.00
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	2,157,101.38	1.53	579,901.12	26.88
Total	<u>141,366,635.17</u>	<u>100</u>	<u>139,789,434.91</u>	

(Continued)

Items	Opening balance			
	Carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually	137,280,533.68	98.06	137,280,533.68	100.00
Accounts receivable for which bad debt provision has been assessed by aging analysis	1,929,000.11	1.38	1,929,000.11	100.00

Items	Opening balance			
	Carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	789,451.38	0.56	579,901.12	73.46
Total	<u>139,998,985.17</u>	<u>100</u>	<u>139,789,434.91</u>	

1.1. Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Reliance Energy Ltd.	100,599,159.78	100,599,159.78	More than 5 years	100.00	Withdraw full amount of overdue quality guarantee deposit
Donglin Power Plant	15,508,900.00	15,508,900.00	More than 5 years	100.00	Predicted to be uncollectible
Qinyang Power Plant	21,172,473.90	21,172,473.90	More than 5 years	100.00	Predicted to be uncollectible
Total	<u>137,280,533.68</u>	<u>137,280,533.68</u>			

1.2. Aging analysis method is used to withdraw the receivables of bad-debt provision

Aging	Closing balance			Opening balance		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
More than 3 years	1,929,000.11	100.00	1,929,000.11	1,929,000.11	100.00	1,929,000.11
Total	<u>1,929,000.11</u>	<u>100</u>	<u>1,929,000.11</u>	<u>1,929,000.11</u>	<u>100</u>	<u>1,929,000.11</u>

1.3. Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually

Debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai Huatong Switch Factory Co., Ltd.	97,820.00	97,820.00	More than 5 years	100.00	Predicted to be uncollectible
Shenzhen Lideng Automobile Trade Co., Ltd.	404,402.60	404,402.60	More than 5 years	100.00	Predicted to be uncollectible
Others	1,654,878.78	77,678.52	Within 1 year, more than	4.69	Expected to be partially recoverable

Debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
			5 years		
Total	<u>2,157,101.38</u>	<u>579,901.12</u>			

1.4. Top five ending balance of accounts receivable by debtor

Names of the debtors	Closing balance	Percentage in total receivables (%)	Bad debt provision
Reliance Energy Ltd.	100,599,159.78	71.16	100,599,159.78
Qinyang Power Plant	21,172,473.90	14.98	21,172,473.90
Donglin Power Plant	15,508,900.00	10.97	15,508,900.00
Nan'ao wind energy development company	1,513,000.11	1.07	1,513,000.11
Shenzhen Lideng Automobile Trade Co., Ltd.	404,402.60	0.29	404,402.60
Total	<u>139,197,936.39</u>	<u>98.47</u>	<u>139,197,936.39</u>

2. Other Receivable

Items	Closing balance	Opening balance
Accrued interest receivable		
Dividend receivable		
Other receivable	2,740,852,577.24	2,666,973,333.07
Total	<u>2,740,852,577.24</u>	<u>2,666,973,333.07</u>

2.1. Other receivable

Items	Closing balance			
	Carrying amount	Provision for bad debt		
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually	4,111,166,879.83	97.66	1,421,237,892.61	34.57
Accounts receivable for which bad debt provision has been assessed by aging analysis	29,817,517.34	0.71	6,778,517.34	22.73
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	68,729,859.49	1.63	40,845,269.47	59.43
Total	<u>4,209,714,256.66</u>	<u>100</u>	<u>1,468,861,679.42</u>	

(Continued)

Items	Opening balance			
	Carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually	4,061,000,870.09	98.19	1,421,237,892.61	35.00
Accounts receivable for which bad debt provision has been assessed by aging analysis	6,778,517.34	0.16	6,778,517.34	100.00
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	68,055,625.06	1.65	40,845,269.47	60.02
Total	<u>4,135,835,012.49</u>	<u>100</u>	<u>1,468,861,679.42</u>	

2.1.1. Other receivables that are individually significant at the end of the period and for which bad debt provision has been assessed individually

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai SVA (Group) Co., Ltd.	776,250,000.00	776,250,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Heavy machinery Co., Ltd.	1,010,156,500.00		Within 1 year, 1-2 years, 2-3 years		Expected to be fully recoverable
Shanghai Lianhe Instrumentation Co., Ltd	873,093,086.53		Within 1 year, 1-2 years		Expected to be fully recoverable
Shanghai Machine Tool (Group) Co. Ltd.	581,088,783.22	581,088,783.22	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric Enterprise Development Co. Ltd.	186,220,334.51		3-4 years		Expected to be fully recoverable
Shanghai Gongxin Investment Management Co., Ltd.	199,880,000.00		1-2 years, 2-3 years		Expected to be fully recoverable
Shanghai Nanyang Motor Co., Ltd	68,844,157.77		3-4 years, 4-5 years		Expected to be fully recoverable
Shanghai Electric Power Clean Energy Technology Co., Ltd.	51,550,000.00		1-2 years		Expected to be fully recoverable
Shanghai Electric Light Industry AMC	50,784,913.46		More than 5 years		Expected to be fully recoverable
Shanghai Union Timber Industry Co., Ltd.	69,699,993.00		More than 5 years		Expected to be fully recoverable
Shanghai Automation Instrumentation Co., Ltd.			1-2 years, 2-3 years, More than 5		Expected to be fully recoverable

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
			years		
Shanghai Hero Industrial Co. Ltd.	46,312,187.03		More than 5 years		Expected to be fully recoverable
Shanghai Dalong Machinery Factory Co., Ltd.	24,500,000.00		1-2 years, 2-3 years, 3-4 years		Expected to be fully recoverable
Shanghai Shenhua SVA SMEG Football Club Inc.	27,500,000.00	27,500,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Motor Co., Ltd.	23,926,436.54	23,926,436.54	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric (Group) Hongkong Company	26,259,063.10		More than 5 years		Expected to be fully recoverable
Shanghai Electric (Group) Changjiang Company	16,000,000.00		More than 5 years		Expected to be fully recoverable
Shanghai Enamel Stainless Steel Product Joint Company	15,390,000.00		More than 5 years		Expected to be fully recoverable
Shanghai Long Electric Tool Co., Ltd.	12,472,672.85	12,472,672.85	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Air Blower Co., Ltd.	10,850,599.00		3-4 years		Expected to be fully recoverable
Shanghai Electric Valve Co., Ltd.	40,388,152.82		1-2 years		Expected to be fully recoverable
Total	<u>4,111,166,879.83</u>	<u>1,421,237,892.61</u>			

2.1.2. Other receivables for which bad debt provision has been assessed by aging analysis

Aging	Closing balance			Opening balance		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
More than 3 years	23,039,000.00	77.27				
More than 3 years	6,778,517.34	22.73	6,778,517.34	6,778,517.34	100.00	6,778,517.34
Total	<u>6,778,517.34</u>	<u>100</u>	<u>6,778,517.34</u>	<u>6,778,517.34</u>	<u>100</u>	<u>6,778,517.34</u>

2.1.3. Other receivables that are not individually significant at the end of the period but for which bad debt provision has been assessed individually

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai SVA (Group) Co., Ltd.	9,808,074.70	9,808,074.70	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Heavy machinery Co., Ltd.	9,000,000.00		More than 5 years		Expected to be fully recoverable
Fuxi Investment Holding Co., Ltd.	8,441,382.79	8,441,382.79	More than 5 years	100.00	Expected to be

Names of debtors			Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
							irrecoverable
Shanghai Xinguo Instrument Company			8,379,778.77	8,379,778.77	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Reduction Box Company			8,127,831.15	8,127,831.15	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric (Group) Motor Co., Ltd.			4,448,082.28		Within one year		Expected to be fully recoverable
Cadre Personnel Department (Management Company)			2,917,046.18		More than 5 years		Expected to be fully recoverable
Shanghai Electric Heavy Milling Equipment Co., Ltd.			2,760,700.00		Within one year		Expected to be fully recoverable
Shanghai electric power station equipment Co., Ltd.			1,161,600.83		Within one year		Expected to be fully recoverable
Shanghai Jingdiao Hoisting Equipment Plant			1,040,364.16		More than 5 years		Expected to be fully recoverable
Off-line Bond Transfer			1,000,000.00	1,000,000.00	Within one year	100	Expected to be irrecoverable
Shanghai Auxiliary Power Plant Co., Ltd			470,807.40		More than 5 years		Expected to be fully recoverable
Housing fund			415,641.55		Within one year		Expected to be fully recoverable
Petty cash			264,431.93		Within one year		Expected to be fully recoverable
Shanghai Shenhua SVA Kangqiao Football Co., Ltd			238,500.00		1-2 years, 2-3 years		Expected to be fully recoverable
Qinyang Power Plant			3,116,600.18	3,116,600.18	More than 5 years	100	Expected to be irrecoverable
Other Several Companies			7,139,017.57	1,971,601.88	Within one year	27.62	Expected to be fully recoverable
Total			<u>68,729,859.49</u>	<u>40,845,269.47</u>			

2.1.4. Top five ending balance of other receivables by debtor

Names of debtors	Nature	Closing balance	Aging	Accounts for proportion of total other receivables (%)	Provision for bad debt
Shanghai Heavy Machinery Works Co., Ltd	Fund lending	1,010,156,500.00	Within 1 year, 1-2 years, 2-3 years	24.00	
Shanghai Lianhe Instrument Co., Ltd.	Fund lending	873,093,086.53	Within 1 year, 1-2 years	20.74	
Shanghai SVA (Group) Co., Ltd.	Current account	776,250,000.00	More than 5 years	18.44	776,250,000.00
Shanghai Machine Tool	Current account	581,088,783.22	4-5 years, more	13.80	581,088,783.22

Names of debtors	Nature	Closing balance	Aging	Accounts for proportion of total other receivables (%)	Provision for bad debt
(Group) Co., Ltd			than 5 years		
Shanghai Electric Corporation Development Co., Ltd.	Current account	186,220,334.51	2-3 years	4.42	
Total		<u>3,426,808,704.26</u>		<u>79.43</u>	<u>1,357,338,783.22</u>

3. Long-term equity investment

3.1. Details of investments

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Investment to subsidiaries	27,711,796,986.24	20,000,000.00	324,823,106.79	27,406,973,879.45
Investment in joint ventures				
Investment in associated enterprises	696,241,505.59			696,241,505.59
Subtotal	<u>28,408,038,491.83</u>	<u>20,000,000.00</u>	<u>324,823,106.79</u>	<u>28,103,215,385.04</u>
Less: provision for impairment loss	579,758,112.54			579,758,112.54
Total	<u>27,828,280,379.29</u>	<u>20,000,000.00</u>	<u>324,823,106.79</u>	<u>27,523,457,272.50</u>

3.2. Details of Long-term Equity Investment

	Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
				Increase	Decrease	Investment losses confirmed based on equity method	
	Total	<u>28,173,098,399.87</u>	<u>27,828,280,379.29</u>	<u>20,000,000.00</u>	<u>324,823,106.79</u>		
I. Subsidiaries		<u>27,731,796,986.24</u>	<u>27,132,038,873.70</u>	<u>20,000,000.00</u>	<u>324,823,106.79</u>		
	Shanghai Highly (Group) Co. Ltd.	1,041,836,529.58	1,041,836,529.58				
	Shanghai No.3 Machine Tool Plant	118,345,894.57	118,345,894.57				
	Shanghai Electric Machine Tool Complete Engineering Co. Ltd.	55,138,493.09	55,138,493.09				
	Shanghai Electric Group Co., Ltd	22,953,212,894.38	22,953,212,894.38				
	Shanghai Electric Group Hong Kong Co., Ltd.	656,464,886.24	656,464,886.24				
	Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.	240,000,000.00	240,000,000.00				
	Shanghai Electric Enterprise Development Co. Ltd.	619,503,949.81	571,211,303.34				
	Shanghai Electric Light Industry Asset Management Co., Ltd.	10,625,000.00	10,625,000.00				
	Shanghai Electric Human Resource Co. Ltd.	1,373,586.61	1,373,586.61				
	Shanghai Machine Tool (Group) Co. Ltd.	289,631,534.48	1,000,000.00				
	Shanghai Union Timber Industry Co., Ltd.	36,695,636.25	35,251,908.69				
	Shanghai Hoisting and Conveying Machinery Factory Co., Ltd.	324,823,106.79	324,823,106.79		324,823,106.79		

Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
			Increase	Decrease	Investment losses confirmed based on equity method	
Shanghai Schiack Testing Machine Co., Ltd.	69,000,000.00	180,432.76				
Shanghai Hydraulic Pneumatic Limited Company	140,473,847.86	140,473,847.86				
Shanghai Hero Industrial Co. Ltd.	22,570,636.79					
Shanghai Automation Instrumentation Co., Ltd.	94,677,638.45	94,677,638.45				
Shanghai Lianhe Instrumentation Co., Ltd	70,241,301.20	70,241,301.20				
Pacific Mechatronic (Group) Co. Ltd.	704,140,000.00	554,140,000.00				
Shanghai Electric (Group) Changjiang Company						
Shanghai Electric Light Tool Co., Ltd.						
Shanghai Gongxin Investment Management Co., Ltd.	21,388,486.45	21,388,486.45				
Shanghai Heavy Machinery Co., Ltd.	1.00	1.00				
Shanghai Electric Bearing Co., Ltd.(Note 6)	58,848,620.03	58,848,620.03				
Shanghai Electric Intelligent Rehabilitation Medical Technology Co., Ltd.	3,500,000.00	3,500,000.00				
Shanghai Electric Valve Co., Ltd.	179,304,942.66	179,304,942.66				
Shanghai Haiya Industrial Co., Ltd.	20,000,000.00		20,000,000.00			
II. Associated enterprises	<u>441,301,413.63</u>	<u>696,241,505.59</u>				
Shanghai Cable 10th Factory	16,271,937.13	4,808,109.27				
Shanghai Electric Group Henglian Enterprise Development Co., Ltd.	7,000,000.00	45,873,433.61				

Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
			Increase	Decrease	Investment losses confirmed based on equity method	
Shanghai Hino Engine Co., Ltd.	21,406,679.32	85,573,869.84				
Shanghai Pu Qing gas turbine Co., Ltd.	9,800,000.00	10,130,805.62				
Shanghai Proton Heavy Ion Hospital Co., Ltd.	100,000,000.00	63,052,558.16				
Shanghai Dalong Machinery Co., Ltd.	21,776,669.74	14,597,143.27				
Shanghai Shenxin Wind Power Co., Ltd.	11,700,000.00	12,444,040.32				
Shanghai Microelectronics Equipment Co., Ltd.	253,346,127.44	459,761,545.50				

(Continued)

Investees	Changes in current period			Closing balance	Provision for impairment balance
	Other changes in equity	Declared cash dividends or interest	Provision for impairment		
Total				<u>27,523,457,272.50</u>	<u>579,758,112.54</u>
I. Subsidiaries					
Shanghai Highly (Group) Co. Ltd.(Note 1)				<u>26,827,215,766.91</u>	<u>579,758,112.54</u>
Shanghai No.3 Machine Tool Plant				1,041,836,529.58	
Shanghai Electric Machine Tool Complete Engineering Co. Ltd.				118,345,894.57	
				55,138,493.09	
Shanghai Electric Group Co., Ltd				22,953,212,894.38	
Shanghai Electric Group Hong Kong Co., Ltd.(Note 2)				656,464,886.24	
Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.				240,000,000.00	
Shanghai Electric Enterprise Development Co. Ltd.				571,211,303.34	48,292,646.47
Shanghai Electric Light Industry Asset Management Co., Ltd.				10,625,000.00	
Shanghai Electric Human Resource Co. Ltd.				1,373,586.61	
Shanghai Machine Tool (Group) Co. Ltd.				1,000,000.00	288,631,534.48
Shanghai Union Timber Industry Co., Ltd.				35,251,908.69	1,443,727.56
Shanghai Hoisting and Conveying Machinery Factory Co., Ltd.					
Shanghai Schiack Testing Machine Co., Ltd.(Note 3)				180,432.76	68,819,567.24
Shanghai Hydraulic Pneumatic Limited Company				140,473,847.86	

Investees	Changes in current period			Closing balance	Provision for impairment balance
	Other changes in equity	Declared cash dividends or interest	Provision for impairment		
Shanghai Hero Industrial Co. Ltd.					22,570,636.79
Shanghai Automation Instrumentation Co., Ltd.				94,677,638.45	
Shanghai Lianhe Instrumentation Co., Ltd				70,241,301.20	
Pacific Mechatronic (Group) Co. Ltd.				554,140,000.00	150,000,000.00
Shanghai Electric (Group) Changjiang Company					
Shanghai Electric Light Tool Co., Ltd.					
Shanghai Gongxin Investment Management Co., Ltd.				21,388,486.45	
Shanghai Heavy Machinery Co., Ltd.				1.00	
Shanghai Electric Bearing Co., Ltd.(Note 6)				58,848,620.03	
Shanghai Electric Intelligent Rehabilitation Medical Technology Co., Ltd.				3,500,000.00	
Shanghai Electric Valve Co., Ltd.				179,304,942.66	
Shanghai Haiya Industrial Co., Ltd.				20,000,000.00	
II. Associated enterprises				<u>696,241,505.59</u>	
Shanghai Cable 10th Factory				4,808,109.27	
Shanghai Electric Group Henglian Enterprise Development Co., Ltd.				45,873,433.61	
Shanghai Hino Engine Co., Ltd.				85,573,869.84	
Shanghai Pu Qing gas turbine Co., Ltd.				10,130,805.62	
Shanghai Proton Heavy Ion Hospital Co., Ltd.				63,052,558.16	

Investees	Changes in current period			Closing balance	Provision for impairment balance
	Other changes in equity	Declared cash dividends or interest	Provision for impairment		
Shanghai Dalong Machinery Co., Ltd.				14,597,143.27	
Shanghai Shenxin Wind Power Co., Ltd.				12,444,040.32	
Shanghai Microelectronics Equipment Co., Ltd.				459,761,545.50	

3.3. The main financial information of the important associate enterprises

Items	Amount in current period		
	Shanghai Micro Electronics Equipment (Group) Co., Ltd. (SMEE)	Shanghai Proton Heavy Ion Hospital Co., Ltd.	Shanghai Electric Group Henglian Enterprise Development Co., Ltd.
Current assets	2,286,072,594.34	328,226,733.00	135,970,070.07
Non-current assets	1,442,089,701.66	18,238,396.08	110,438,338.57
Total assets	<u>3,728,162,296.00</u>	<u>346,465,129.08</u>	<u>246,408,408.64</u>
Current liabilities	2,007,371,671.49	34,914,057.11	113,386,202.90
Non-current liabilities	206,552,000.00	5,616,486.01	
Total liabilities	<u>2,213,923,671.49</u>	<u>40,530,543.12</u>	<u>113,386,202.90</u>
Net assets	1,514,238,624.51	305,934,585.96	133,022,205.74
Net assets calculated by shares	485,863,147.78	61,186,917.19	46,557,772.01
Adjusting events			
The book value of equity investments in associated enterprises	<u>459,761,545.50</u>	<u>63,052,558.16</u>	<u>45,873,433.61</u>
The fair value of publicly quoted equity investments			
Revenue	163,917,830.26	173,520,342.02	28,474,726.70
Net profit	-7,012,253.12	-9,328,204.83	2,035,141.07
Other comprehensive income			
Total comprehensive income	<u>-7,012,253.12</u>	<u>-9,328,204.83</u>	<u>2,035,141.07</u>
Dividends received from associated enterprises			

(Continued)

Items	Amount in prior period		
	Shanghai Micro Electronics Equipment (Group) Co., Ltd. (SMEE)	Shanghai Proton Heavy Ion Hospital Co., Ltd.	Shanghai Electric Group Henglian Enterprise Development Co., Ltd.
Current assets	2,663,647,036.86	335,654,742.07	134,277,747.22
Non-current assets	1,550,727,104.09	17,676,015.11	110,479,589.89
Total assets	<u>4,214,374,140.95</u>	<u>353,330,757.18</u>	<u>244,757,337.11</u>
Current liabilities	752,219,276.84	32,748,042.94	113,690,383.94
Non-current liabilities	2,029,264,360.99	5,319,923.45	
Total liabilities	<u>2,781,483,637.83</u>	<u>38,067,966.39</u>	<u>113,690,383.94</u>
Net assets	1,432,890,503.12	315,262,790.79	131,066,953.17
Net assets calculated by shares	459,761,545.50	63,052,558.16	45,873,433.61
Adjusting events			
The book value of equity investments in associated enterprises	<u>459,761,545.50</u>	<u>63,052,558.16</u>	<u>45,873,433.61</u>
The fair value of publicly quoted equity investments			
Revenue	554,549,099.65	323,503,770.36	142,808,398.43
Net profit	27,613,438.73	-18,299,156.45	2,272,512.19
Other comprehensive income			
Total comprehensive income	<u>27,613,438.73</u>	<u>-18,299,156.45</u>	<u>2,272,512.19</u>
Dividend received from associated enterprises			8,050,000.00

3.4. The collected information about unimportant joint ventures and associated enterprises

Items	Amount for current period	Amount for prior period
Associated enterprises:		
Total book value of investment	127,553,968.32	127,553,968.32
The following items are calculated according to holding proportion.		
Net profit	790,488.52	20,997,930.14
Other comprehensive income		
Total comprehensive income	790,488.52	20,997,930.14

4. Revenue and cost

Items	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
Subtotal of other business	<u>69,377,038.36</u>	<u>649,077.02</u>	<u>74,737,872.97</u>	<u>466,506.40</u>
Including: Rental income	67,474,631.42		74,094,078.77	
Others	1,902,406.94	649,077.02	643,794.20	466,506.40
Total	<u>69,377,038.36</u>	<u>649,077.02</u>	<u>74,737,872.97</u>	<u>466,506.40</u>

5. Income on investment

5.1. Details of income on investment

The sources of income on investment	Amount for current period	Amount for prior period
Income of long-term equity investment calculated by cost method	94,400,084.62	36,036,302.85
Investment income from treating long-term equity investment (Note 1)	-251,183,689.23	
The investment income got during the period of holding available-to-sale financial assets	16,360,148.90	3,043,122.84
The investment income got from disposal of available for sale financial assets	245,008,277.98	8,001,091.80
Others (Note 2)	11,593,556.80	945,202.81
Total	<u>116,178,379.07</u>	<u>48,025,720.30</u>

Note 1: The Company transferred 100% of the share of Shanghai Hoisting and Conveying Machinery Factory Co., Ltd. and suffered an investment loss of CNY 251,183,689.23

Note 2: Other investment income were generated from the interest of entrusted loan and the investment income from securities loan business.

XIV. OTHER DISCLOSURES ACCORDING TO FINANCIAL AND ACCOUNTING SYSTEM

1. Commitments

1.1. Capital commitment

Categories	Amount for current period	Amount for prior period
Signed but unperformed	959,821,139.67	1,721,841,903.51
Approved by board of director but unsigned	81,234,000.00	122,920,000.00
Total	<u>1,041,055,139.67</u>	<u>1,844,761,903.51</u>

1.2. Lease commitment

Details refer to "Note VIII and 74. Leasing"

1.3. Other Commitments

Details refer to "Note VIII and 78. Assets with restricted ownership and use rights".

XV. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and notes to the financial statements for the period from January 2019 to June 2019 have been approved by the Board of Directors and authorized to issue.

Company Name: Shanghai Electric (Group) Corporation

Person in charge of Company: Jianhua Zheng

Person in charge of finance: Jianguo Xu

Date: September 20, 2019

Date: September 20, 2019



姓名 王兴华
Full name
性别 男
Sex
出生日期 1976-01-30
Date of birth
工作单位 天职国际会计师事务所(特殊普通合伙)上海分所
Working unit
身份证号码 320106760130321
Identity card No.



年度检验登记 Annual Renewal Registration

本证书经检验合格, 继续有效一年。
This certificate is valid for another year after this renewal.



2017年4月30日

年度检验登记 Annual Renewal Registration

本证书经检验合格, 继续有效一年。
This certificate is valid for another year after this renewal.



王兴华(310000422265)
您已通过2018年年检
上海市注册会计师协会
2018年04月30日



王兴华(310000422265)
您已通过2019年年检
上海市注册会计师协会
2019年05月31日



姓 名 马 昱
Full name
性 别 男
Sex
出 生 日 期 1977-11-27
Date of birth
工 作 单 位 天职国际会计师事务所(特殊普
Working unit 通合伙) 上海分所
身 份 证 号 码 342201197711271253
Identity card No.



年度检验登记 Annual Renewal Registration

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This certificate is valid for another year after
this renewal.



2017年 04月 30日

年度检验登记 Annual Renewal Registration

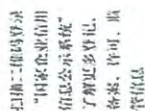
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This certificate is valid for another year after
this renewal.



马昱(110101504923)
您已通过2018年年检
上海市注册会计师协会
2018年04月30日



马昱(110101504923)
您已通过2019年年检
上海市注册会计师协会
2019年05月31日



照拔業基

(副本)

统一社会信用代码

911101085923425568

名称 天联国际会计师事务所 (特殊普通合伙)

成立日期 2012年03月05日

米 刊 特殊普通合伙企业

合伙期限 2012年03月05日至长期

执行事务合伙人 邱靖之

主要经营场所 北京市海淀区车公庄西路19号68号楼A-1和A-5区域

审计报告、出具审计报告、验证企业资本、清算事宜中的审计业务、分立、建设年度财务决算审计、代理记账、合并、管理咨询、会计培训、法律、税务咨询、基本财务、技术咨询、技术服务、其他业务、软件开发、计算机系统服务、数据处理中的银行、应用软件开发、软件服务、数据处理的银行、产品设计与开发、数据处理的银行、企业、卡中心、PUF值在1.4以上的云计算数据中心除外）、企、管理咨询、销售及辅助设备。（下期出资时间为2019年06月30日，依法须经批准的项目，经相关部门批准后方可开展经营活动。）



登记机关

国家企业信用信息公示系统网址:

<http://www.gax.gov.cn>

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

证书序号:0000175

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



发证机关:

二〇一八年七月二十六日

中华人民共和国财政部制

会计师事务所

执业证书

天职国际会计师事务所（特殊普通合伙）

名称:

邱靖之

首席合伙人:

主任会计师:

经营场所:

北京市海淀区车公庄西路19号68号楼A-1和A-5区域

特殊普通合伙

组织形式:

11010150

执业证书编号:

京财会许可[2011]0105号

批准执业文号:

2011年11月14日

批准执业日期:

天职国际会计师事务所(特殊普通合伙)
与原件核对一致
(11)



证书序号: 000406

会计师事务所 证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查, 批准
天职国际会计师事务所(特殊普通合伙) 执行证券、期货相关业务。

首席合伙人: 邱靖之



证书号: 08 发证时间: 二〇一〇年五月二十六日

证书有效期至: 二〇一〇年五月二十六日

Shanghai Electric (Group) Corporation

Auditor's Report

Baker Tilly China [2019] No.20880

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AUDITOR'S REPORT

(English version for reference only)

Baker Tilly China [2019] No. 20880

State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government:

1. Opinion

We have audited the accompanying financial statements of Shanghai Electric (Group) Corporation ("the Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2018, and the Company's and consolidated income statements, the Company's and consolidated cash flow statements and the Company's and statements of changes in owners' equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2018, and the consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (the "ASBE").

2. Basis of opinion

We conducted our audit in accordance with China Standards on Auditing (the "CSA"). 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 are independent of the company in accordance with the CSA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of management and those charged with governance for the financial statements

Management of the Company is responsible for the preparation of financial statements that give a true and fair view in accordance with the ASBE and for design, implement and maintain such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 the management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S REPORT

(English version for reference only)

Baker Tilly China [2019] No. 20880

Those charged with governance are responsible for overseeing the Company's financial reporting process.

4. Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism 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 sufficient 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, but not for expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw users' attention in our auditor's report to the related disclosures in the 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 the company to cease to continue as a going concern.

AUDITOR'S REPORT

(English version for reference only)

Baker Tilly China [2019] No. 20880

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence on financial information of the entities or operating activities of the Company so as to express an audit opinion on the financial statements. We are responsible for guidance, supervision and execution of the group audit, and we assume full responsibility to the audit opinion thereon.

We communicate to those charged with governance, among other matters, on the planned audit scope, timing and significant audit findings, including significant deficiencies in internal controls that we identified during our audit.

We communicate to those charged with governance, among other matters, on the planned audit scope, timing and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.



Chinese Certified Public
Accountant:



Chinese Certified Public
Accountant:



This auditor's report and the accompanying notes to the financial statements are English translation of the Chinese auditor's report. In case any inconsistencies exist between the two reports, the Chinese version shall prevail.

Shanghai state-owned companies consolidated financial statements of Year 2018

Name of the enterprise	Shanghai Electric (Group) Corporation	(official seal)
Head of the enterprise	Zheng Jianhua	(official seal)
Director of finance	Xu Jianguo	(official seal)
The person in charge of the accounting office	Zhou Min	(official seal)
preparer	Zhou Min	

Consolidated Balance Sheet

Prepared by: Shanghai Electric (Group) Corporation

31 December 2018

Monetary unit: CNY

ITEMS	Row	31 December 2018	1 January 2018	31 December 2017
Current Assets:	1			
Cash and cash equivalents	2	47,741,750,988.38	38,769,027,475.02	38,769,027,475.02
△Settlement reserve	3			
△Loans to banks and other financial institutions	4			
☆Financial assets held for trading	5	4,419,450,000.00	1,825,150,000.00	
Financial assets calculated at fair value with their variance recorded into current profits and losses	6			518,550,000.00
Derivative financial assets	7	788,000.00	80,511,295.86	80,511,295.86
Notes receivable and Accounts receivable	8	30,044,734,232.23	34,631,099,878.82	44,026,738,878.82
Prepayments	9	11,976,432,845.17	9,728,404,749.14	9,728,404,749.14
△Premiums receivable	10			
△Reinsurance accounts receivable	11			
△Reinsurance contract reserves receivable	12			
Other receivables	13	5,610,704,829.21	2,208,366,099.85	2,208,366,099.85
△Buying back the sale of financial assets	14			
Inventories	15	30,775,100,403.31	30,837,529,398.28	37,448,107,398.28
Including: Raw materials	16	4,885,411,538.68	4,517,774,421.89	4,517,774,421.89
Finished goods	17	12,898,147,094.61	11,984,970,273.03	11,984,970,273.03
☆Contractual assets	18	12,229,782,000.00	14,883,510,000.00	
Assets classified as held for sale	19			
Non-current assets due within one year	20	4,200,538,638.00	4,815,509,000.00	4,815,509,000.00
Other current assets	21	13,566,212,003.02	3,954,684,989.12	3,237,830,989.12
Total current assets	22	160,565,493,939.32	141,733,792,886.09	140,833,045,886.09
Non-current assets:	23			
△Loans released and money advanced	24			
☆Debt investments	25			
Available-for-sale financial assets	26	12,758,797,478.55	14,860,342,029.20	25,565,149,029.20
☆Other debt investments	27	261,372,000.00	8,178,643,000.00	
Held-to-maturity investments	28			
Long-term receivables	29	5,213,408,997.91	6,809,349,000.00	8,755,971,000.00
Long-term equity investments	30	14,519,244,013.31	11,774,553,801.16	11,774,553,801.16
☆Other equity investments	31			
☆Other non-current financial assets	32	5,360,846,000.00	2,285,230,000.00	
Investment real estate	33	1,112,758,839.09	960,047,973.38	960,047,973.38
Fixed assets	34	20,445,273,877.72	20,366,239,703.89	20,366,239,703.89
Construction in progress	35	2,228,261,004.48	2,953,138,257.95	2,953,138,257.95
Productive biological assets	36			
Oil and gas assets	37			
Intangible assets	38	8,509,746,570.98	7,099,296,213.68	7,099,296,213.68
Development expenditures	39	146,163,114.51	118,602,534.33	118,602,534.33
Goodwill	40	3,723,160,458.44	2,973,115,730.75	2,973,115,730.75
Long-term prepaid expenditures	41	578,561,112.52	630,694,060.28	630,694,060.28
Deferred income tax assets	42	7,157,311,915.01	6,380,971,832.48	6,197,852,832.48
Other non-current assets	43	8,215,890,600.00	3,909,506,500.00	2,014,403,500.00
Including: Special reserve material	44			
Total Non-current Assets	45	90,230,795,982.52	89,299,730,637.10	89,409,064,637.10
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Total Assets	72	250,796,289,921.84	231,033,523,523.19	230,242,110,523.19

Consolidated Balance Sheet (Continued)

Prepared by: Shanghai Electric (Group) Corporation

31 December 2018

Monetary unit: CNY

ITEMS	Row	31 December 2018	1 January 2018	31 December 2017
Current liability:	73			
Short-term loan	74	14,226,849,619.10	4,936,443,068.33	4,936,443,068.33
△ Loans from the Central Bank	75			
△ Deposits from customers and interbank	76			
△ Loans from other banks	77			
☆ Financial liabilities held for trading	78	104,540,000.00		
Financial liabilities measured at fair value with their variance recorded into current profits and losses	79	13,125,682.11		
Derivative financial liabilities	80	5,168,000.00	75,913,625.00	75,913,625.00
Notes payable and Accounts payable	81	51,540,705,705.35	46,879,226,415.17	46,879,226,415.17
Receipts in advance	82	799,444,879.65	951,034,615.59	44,601,116,615.59
☆ Contractual liabilities	83	36,566,071,000.00	43,650,082,000.00	
△ Financial assets sold for repurchase	84			
△ Handling charges and commissions payable	85			
Employee benefits payable	86	3,309,047,158.84	3,236,599,293.37	3,236,599,293.37
Including: wages payable	87	2,251,040,866.76	2,184,718,748.84	2,184,718,748.84
Benefits payable	88	816,336,843.75	821,875,816.75	821,875,816.75
#Including: employee bonus and welfare	89	730,186,000.00	817,759,000.00	817,759,000.00
Taxes and surcharges payable	90	2,950,639,948.62	2,205,929,342.37	2,205,929,342.37
Including: taxes payable	91	2,917,866,331.02	2,104,273,053.42	2,104,273,053.42
Other payables	92	12,634,053,452.76	10,481,487,670.98	10,481,487,670.98
△ Reinsurance accounts payable	93			
△ Reserve fund for insurance contracts	94			
△ Funds from securities trading agency	95			
△ Funds from underwriting securities agency	96			
Liabilities classified as held for sale	97			
Non-current liabilities due within one year	98	5,275,344,681.69	4,221,871,243.00	4,221,871,243.00
Other current liabilities	99	9,172,900,195.12	7,589,364,127.97	7,589,364,127.97
Total Current Liabilities	100	136,597,890,323.24	124,227,951,401.78	124,227,951,401.78
Non-current Liabilities:	101			
Long-term loans	102	11,587,112,955.09	2,644,374,960.35	2,644,374,960.35
Bonds payable	103	18,675,286,880.99	18,311,927,090.18	18,311,927,090.18
Including: Preferred stock	104			
Perpetual debt	105			
Long-term payables	106	2,836,465,530.28	3,836,967,673.48	3,836,967,673.48
Long-term employee benefit payable	107	2,607,264,178.26	2,728,641,760.95	2,728,641,760.95
Estimated liabilities	108	321,669,931.48	347,897,707.83	347,897,707.83
Deferred revenues	109	1,543,902,550.88	1,651,528,472.87	1,651,528,472.87
Deferred tax liabilities	110	2,093,804,859.26	2,812,969,023.46	2,472,434,023.46
Other non-current liabilities	111	406,704,856.11	395,504,844.36	395,504,844.36
Including: Reserve fund under special permission	112			
Total Non-current Liabilities	113	40,072,211,742.35	32,729,811,533.48	32,389,276,533.48
Total Liabilities	114	176,670,102,065.59	156,957,762,935.26	156,617,227,935.26
Owner's equity (or shareholder's equity):	115			
Paid-in capital (share capital)	116	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
State-owned shares	117	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
Including: State-owned legal person capital	118	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
Collectively owned capital	119			
Domestic-owned shares	120			
Including: Shares held by individuals	121			
Foreign-owned shares	122			
#Less: returned investments	123			
Net paid-in capital (share capital)	124	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
Other equity instruments	125			
Including: Preferred stock	126			
Perpetual debt	127			
Capital reserves	128	9,041,682,139.95	9,102,337,499.33	9,102,337,499.33
Less: Treasury shares	129			
Other comprehensive incomes	130	3,347,339,249.69	5,904,446,669.59	5,905,945,123.10
Including: Translation differences arising on translation of financial statements denominated in foreign currencies	131	-63,743,917.04	-74,278,724.38	-74,278,724.38
Special reserves	132	152,057,913.19	141,796,520.61	141,796,520.61
Surplus reserves	133	747,238,034.67	667,532,189.77	667,532,189.77
Including: Statutory surplus reserves	134	747,238,034.67	667,532,189.77	667,532,189.77
Discretionary surplus reserves	135			
#Reserves funds	136			
#Enterprise development funds	137			
#Profit return investment	138			
△ General risk reserve	139			
Retained earnings	140	7,923,315,458.15	7,038,761,344.50	6,735,437,809.50
Total owners' equity attributable to parent	141	30,291,999,079.07	31,635,240,507.22	31,333,415,425.73
*Minority shareholders' interest	142	43,834,188,777.18	42,440,520,080.71	42,291,467,162.20
Total Owners' Equity	143	74,126,187,856.25	74,075,760,587.93	73,624,882,587.93
Total Liabilities and Owners' Equity	144	250,796,289,921.84	231,033,523,523.19	230,242,110,523.19

Consolidated Income Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2018

Monetary unit: CNY

ITEMS	Row	Year 2018	Year 2017
I. Total operating revenue	1	114,527,579,713.53	91,775,834,803.23
Including: operating revenue	2	114,527,579,713.53	91,775,834,803.23
△Interest income	3		
△Earned premium	4		
△Handling charges and commission revenue	5		
II. Total operating costs	6	111,952,985,413.10	91,908,225,940.31
Including: operating costs	7	91,382,699,522.77	71,477,472,508.34
△Interest expenditures	8		
△Handling charges and commission expenses	9		
△Surrender value	10		
△Net amount of compensation expenses	11		
△Net amount of reserves for insurance contract	12		
△Policy dividend expenditures	13		
△Reinsurance expenses	14		
Tax and surcharges	15	741,434,775.45	712,266,854.58
Selling expenses	16	3,956,839,170.95	3,523,628,301.80
Administrative expenses	17	7,761,205,214.95	8,308,017,749.64
Including: Party construction work funds	18		
Research and development expenses	19	4,211,924,398.21	3,406,796,204.79
Financial expenses	20	1,597,260,166.54	1,047,558,963.64
Including: Interest expense	21	1,609,384,658.16	1,070,703,992.11
Interest revenue	22	238,995,727.89	230,405,193.32
Foreign exchange profit	23	139,555,841.75	
Foreign exchange loss	24		63,841,378.05
Impairment losses of assets	25	2,105,936,464.23	3,432,465,357.52
☆Credit impairment loss	26	195,685,700.00	
Others	27		
Add: Other income	28	1,203,105,492.75	571,385,529.96
Investment income (Loss is indicated by "-")	29	1,361,169,504.36	4,234,873,968.82
Including: Income from investments in associates and joint ventures	30	668,606,134.50	1,354,236,729.88
△Foreign exchange gains (Losses are indicated by "-")	31		
☆Net gains from hedging (Losses are indicated by "-")	32		
Gains from changes in fair values (Losses are indicated by "-")	33	82,779,421.36	25,546,611.64
Gains from asset disposal (Losses are indicated by "-")	34	597,593,988.94	438,049,904.83
III. Operating profit (Loss is indicated by "-")	35	5,819,242,707.84	5,137,464,878.17
Add: Non-operating income	36	351,071,578.68	544,159,456.98
Including: Government grants	37	52,976,737.21	89,240,335.24
Gains from debts restructuring	38	7,336,677.58	28,125,650.33
Less: Non-operating expenses	39	113,406,939.83	212,556,333.24
Including: losses from debts restructuring	40	819,318.01	4,554,183.23
IV. Total profit (Total Loss is indicated by "-")	41	6,056,907,346.69	5,469,068,001.91
Less: Income tax expenses	42	817,773,657.28	687,569,312.49
V. Net profit (Net loss is indicated by "-")	43	5,239,133,689.41	4,781,498,689.42
(I) Classified by ownership	44		
Net profits attributable to the parent company owners	45	1,410,136,216.51	1,287,230,468.33
*Minority shareholders' income	46	3,828,997,472.90	3,494,268,221.09
(II) Classified by business continuity	47		
Continuing operating profit and loss	48	5,239,133,689.41	4,781,498,689.42
Terminated operating profit and loss	49		
VI. Net other comprehensive income after tax	50	-2,740,963,703.28	-2,570,201,921.23
After-tax net of other comprehensive income attributable to parent company owners	51	-2,557,107,419.90	-2,172,288,871.17
(I) Other comprehensive income not chargeable to income statement in subsequent periods	52	174,600.06	8,587,516.27
Inc:1.Changes in net liabilities or net assets under defined benefit plans	53	174,600.06	5,039.26
2.Share of other comprehensive income in investee under equity method not chargeable to income statement in subsequent period	54		
☆3.Changes in fair value of other equity investments	55		
☆4.Changes in fair value of the company's own credit risk	56		
5.Others	57		8,582,477.01
(II) Other comprehensive income to be charged to income statement in subsequent periods	58	-2,557,282,019.96	-2,180,876,387.44
Inc:1.Share of other comprehensive income in investee under equity method to be charged to income statement in subsequent period	59		
☆2.Changes in fair value of other debt investments	60	-20,326,316.33	
3.Gain & loss from changes in value of available for sale financial assets	61	-2,516,751,096.70	-2,229,777,948.81
☆4.Amount of financial assets reclassified into other comprehensive income	62		
5.Gain or loss from reassignment of held to maturity investments to available for sale financial assets	63		
☆6.Credit impairment provisions of other debt investments	64	-24,822,202.79	
7.Effective cash flow hedge	65	-5,917,211.48	18,251,477.18
8.Exchange differences in translation of financial statements denominated in foreign currencies	66	10,534,807.34	30,650,084.19
9.Others	67		
*After-tax net of other comprehensive income attributable to minority shareholders	68	-183,856,283.38	-397,913,050.06
VII. Total comprehensive income	69	2,498,169,986.13	2,211,296,768.19
Total comprehensive income attributable to the parent company owners	70	-1,146,971,203.39	-885,058,402.84
*Minority shareholders' Total comprehensive income	71	3,645,141,189.52	3,096,355,171.03
VIII. Earnings per share	72		
Basic earnings per share	73		
Diluted earnings per share	74		

Consolidated Cash Flow Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2018

Monetary unit: CNY

ITEMS	Row	Year 2018	Year 2017
I. Cash flow generated from operating activities:	1		
Cash received from sales of goods or rendering of services	2	119,875,920,881.01	98,738,294,605.30
△Net increase in customer's deposits and interbank placements	3		
△Net increase in loans from the Central Bank	4		
△Net increase in loans from other financial institutions	5		
△Cash received from receiving premium of original insurance contract	6		
△Net cash received from reinsurance business	7		
△Net increase from policyholders' deposits and deposits of investment	8		
△Net increase in disposal of financial assets measured at fair value with their variance recorded into current profits and losses	9		
△Cash received from interests, handling charges and commissions	10		
△Net increase in loans from other banks	11		
△Net increase in repurchase business capital	12		
Receipts of tax refunds	13	315,534,202.22	239,514,562.87
Other cash received related to business activities	14	3,369,951,141.79	4,361,979,207.10
Sub-total of cash inflows from operating activities	15	123,561,406,225.02	103,339,788,375.27
Cash paid to purchase commodities and receive labor services	16	96,876,120,668.22	84,117,400,671.78
△Net increase in loans and advances to customers	17		
△Net increase in balances with the Central Bank and other banks	18		
△Cash paid for compensation under original insurance contract	19		
△Cash paid for interests, handling charges and commissions	20		
△Cash paid for policy dividend	21		
Cash paid to and on behalf of employees	22	10,404,144,212.25	9,724,154,939.01
Payments of taxes and surcharges	23	5,606,248,309.51	5,426,578,657.99
Other cash paid related to business activities	24	8,625,442,071.36	10,854,944,353.37
Sub-total of cash outflows from operating activities	25	121,511,955,261.34	110,123,078,622.15
Net cash flows from operating activities	26	2,049,450,963.68	-6,783,290,246.88
II. Cash Flows from Investing Activities:	27		
Cash received from disposal of investments	28	10,384,091,015.36	5,006,598,117.27
Cash received from returns on investments	29	2,750,362,191.86	2,692,957,449.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	30	807,045,847.67	1,732,266,489.16
Net cash received from disposal of subsidiaries and other business units	31	24,329,459.31	26,959,582.38
Other received cash related to investing activities	32	5,211,370,266.39	5,947,342,433.25
Sub-total of cash inflows from investing activities	33	19,177,198,780.59	15,406,124,071.36
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	4,204,267,340.65	3,823,709,608.12
Cash paid to acquire investments	35	16,562,792,334.69	12,483,063,518.65
△Net increase of pledge loans	36		
Net cash paid for acquisitions of subsidiaries and other business units	37	1,429,533,000.00	77,122,387.60
Other cash paid related to investing activities	38	3,441,775,582.52	594,678,000.00
Sub-total of cash outflows from investing activities	39	25,638,368,257.86	16,978,573,514.37
Net cash flows from investing activities	40	-6,461,169,477.27	-1,572,449,443.01
III. Cash flows from financing activities:	41		
Cash received from investments	42	620,570,760.00	1,736,135,539.09
Including: cash received for subsidiaries' absorbing minority shareholder investment	43	320,570,760.00	1,306,135,539.09
Cash received from loans	44	41,439,436,716.46	9,751,420,407.78
△Cash received from issuing bonds	45		
Other received cash related to financing activities	46	175,179,900.54	44,338,125.67
Sub-total of cash inflows from financing activities	47	42,235,187,377.00	11,531,894,072.54
Cash paid for debt repayment	48	20,804,206,274.78	8,569,950,356.75
Cash for distributing dividends and profits or paying interest	49	3,919,786,554.31	2,396,158,744.18
Including: dividends and profits paid to minority shareholders by subsidiary	50	1,968,085,906.65	1,504,503,392.05
Other paid cash related to financing activities	51	84,401,472.55	280,031,717.28
Sub-total of cash outflows from financing activities	52	24,808,394,301.64	11,246,140,818.21
Net cash flows from financing activities	53	17,426,793,075.36	285,753,254.33
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	54	52,073,283.85	-62,700,429.80
V. Net increase in cash and cash equivalents	55	13,067,147,845.62	-8,132,686,865.36
Plus: Balance of cash and cash equivalents at the beginning of the period	56	23,898,090,296.20	32,030,777,161.56
VI. Balance of cash and cash equivalents at the end of the period	57	36,965,238,141.82	23,898,090,296.20

Prepared by: Shanghai Electric (Group) Corporation

Consolidated Statement of Changes in Owners' Equity

Year 2018

Monetary unit: CNY

Items	Row	Amount for the current period																	Total owners' equity
		Total owners' equity attributable to parent																	
		Other equity instruments				Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△ General risk reserves	Unappropriate profits	Others	Subtotal	Minority stockholder's interest				
		Paid-in capital (or share capital)	Preferred stock	Perpetual debt	Others														
Column	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15				
Closing balance of the preceding year	1	8,780,366,283.42				9,102,337,469.33		5,895,846,123.10	141,796,520.61	667,532,189.77		6,735,437,809.50		31,333,415,425.73	42,291,467,162.20	73,624,882,587.93			
Add: Changes in accounting policies	2							-1,488,453.51				303,323,535.00		301,825,081.49	148,052,918.51	450,878,000.00			
Corrections of prior period errors	3																		
Others	4																		
Operating balance of the current year	5	8,780,366,283.42				9,102,337,469.33	5,904,446,665.59		141,796,520.61	667,532,189.77	7,038,761,344.50		31,635,249,597.22	42,440,520,089.71	74,075,760,587.93				
Changes for the year (Decreases is indicated by "-")	6	300,000,000.00				-40,655,359.38	-2,557,107,419.90		10,261,392.58	79,705,844.90	884,554,113.05		-1,343,241,428.15	1,393,668,696.47	59,427,268.32				
Total comprehensive income	7						-2,557,107,419.90				1,410,198,216.51		-1,146,971,203.39	3,645,141,189.52	2,498,169,986.13				
Owners' contributions and withdrawal in capital	8	300,000,000.00				-40,655,359.38							239,344,640.82	377,121,597.18	616,466,237.80				
Common share contribution from owners	9	300,000,000.00											300,000,000.00	414,310,162.44	714,310,162.44				
Capital contribution from other equity instrument holders	10																		
Share-based payment recognised in owners' equity	11																		
Others	12					-40,655,359.38							-40,655,359.38	-37,188,585.26	-87,843,944.64				
Special reserves	13								10,261,392.58				10,261,392.58	-1,307,000.00	8,954,392.58				
Transfer to special reserves in the period	14								29,889,106.63				29,889,106.63	12,553,000.00	42,452,106.63				
Amount utilized in the period	15								-19,637,714.05				-19,637,714.05	-13,860,000.00	-31,497,714.05				
Profit distribution	16																		
Transfer to surplus reserves	17									79,705,844.90		-357,353,993.05	-277,648,148.15	-2,519,231,200.03	-2,796,881,348.18				
Including: Statutory surplus reserves	18									79,705,844.90		-79,705,844.90							
Discretionary surplus reserves	19									79,705,844.90		-79,705,844.90							
Reserve fund	20																		
Enterprise development fund	21																		
Profit return investment	22																		
General risk preparation	23																		
Distribution to owners (or shareholders)	24																		
Others	25																		
Transfers within owners' equity	26																		
Capital reserve transferred to capital (or share capital)	27																		
Surplus reserves transferred to capital (or share capital)	28																		
Loss offset by surplus reserves	29																		
Carry forward retained earnings from benefit plan selling changes	30																		
Carry forward retained earnings from other comprehensive income	31																		
Others	32																		
Closing balance of the current year	33	9,080,366,283.42				9,041,682,139.95	3,342,339,249.89		152,057,913.19	747,238,034.67	7,923,315,458.15		30,291,999,079.07	43,834,188,777.18	74,126,187,856.25				

Consolidated Statement of Changes in Owners' Equity (Continued)

Items		Row	Amount for the prior period															Total owners' equity
			Total owners' equity attributable to parent															
			Other equity instruments					Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Unappropriate profits	Others	Subtotal		
			Paid-in capital (or share capital)	Preferred stock	Perpetual debt	Others												
Column	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
Closing balance of the preceding year	7,886,366,283.42				10,591,766,504.80		8,078,233,994.27	122,150,419.66	369,792,818.33		5,869,535,203.03		32,927,846,923.51	37,156,222,171.54	70,084,067,195.05			
Add: Changes in accounting policies																		
Corrections of prior period errors																		
Others																		
Opening balance of the current year	7,886,366,283.42				10,591,766,504.80		8,078,233,994.27	122,150,419.66	369,792,818.33		5,869,535,203.03		32,927,846,923.51	37,156,222,171.54	70,084,067,195.05			
Changes for the year (Decrease is indicated by "-")	884,000,000.00				-1,489,429,005.47		-2,172,288,871.17	19,646,100.95	297,739,571.44		865,002,006.47		-1,584,429,597.78	5,135,244,990.66	3,540,815,392.88			
(I) Owners' contributions and withdrawn in capital																		
Common share contribution from owners	884,000,000.00																	
Capital contribution from other equity instruments holders	884,000,000.00																	
Share-based payment recognised in owners' equity					-1,489,429,005.47		-2,172,288,871.17				1,287,230,468.33		-885,058,402.84	3,096,355,171.03	2,211,296,768.19			
Others													-605,429,005.47	3,091,183,274.49	3,085,754,269.02			
Special reserves					-1,489,429,005.47								884,000,000.00	33,500,000.00	917,500,000.00			
Transfer to special reserves in the period																		
Amount utilized in the period								19,646,100.95					-1,489,429,005.47	3,057,983,274.49	2,168,254,269.02			
(II) Profit distribution																		
Transfer to surplus reserves								35,690,994.89					35,690,994.89	5,904,000.00	41,594,994.89			
Including: Statutory surplus reserves								-16,044,893.94						-13,000,000.00	-20,044,893.94			
Discretionary surplus reserves														-13,000,000.00				
Reserves fund																		
Enterprise development fund																		
Profit return investment									297,739,571.44					-1,640,535,803.90	-1,764,124,094.32			
General risk preparation									297,739,571.44									
Distribution to owners (or shareholders)									297,739,571.44									
Others																		
Transfers within owners' equity																		
Capital reserves transferred to capital (or share capital)											-92,954,746.64		-92,954,746.64	-1,496,605,810.40	-1,589,560,551.04			
Surplus reserves transferred to capital (or share capital)											-30,633,540.78		-30,633,540.78	-143,979,993.50	-174,563,543.28			
Loss offset by surplus reserves														-4,661,650.96	-4,661,650.96			
Carry forward retained earnings from benefit plan selling changes																		
Carry forward retained earnings from other comprehensive income																		
Others																		
Closing balance of the current year	8,786,366,283.42				9,102,337,489.33		5,905,945,123.10	141,796,520.61	667,532,489.77		6,735,437,869.90		31,333,415,425.73	42,291,467,162.20	73,624,882,587.93			

Balance Sheet

Prepared by: Shanghai Electric (Group) Corporation

31 December 2018

Monetary unit: CNY

ITEMS	Row	31 December 2018	1 January 2018	31 December 2017
Current Assets:	1			
Cash and cash equivalents	2	4,782,714,642.55	1,164,925,556.57	1,164,925,556.57
△Settlement reserve	3			
△Loans to banks and other financial institutions	4			
☆Financial assets held for trading	5			
Financial assets calculated at fair value with their variance recorded into equity	6			
Derivative financial assets	7			
Notes receivable and Accounts receivable	8	4,336,540.57	2,470,852.26	2,470,852.26
Prepayments	9	70,372,823.06	3,845,633.06	3,845,633.06
△Premiums receivable	10			
△Reinsurance accounts receivable	11			
△Reinsurance contract reserves receivable	12			
Other receivables	13	2,666,973,333.07	1,543,016,909.26	1,543,016,909.26
△Buying back the sale of financial assets	14			
Inventories	15			
Including: Raw materials	16			
Finished goods	17			
☆Contractual assets	18			
Assets classified as held for sale	19			
Non-current assets due within one year	20			
Other current assets	21	30,000,000.00	131,550,000.00	131,550,000.00
Total current assets	22	7,554,397,339.25	2,845,808,951.15	2,845,808,951.15
Non-current assets:	23			
△Loans released and money advanced	24			
☆Debt investments	25			
Available-for-sale financial assets	26	9,970,194,453.61	11,738,903,669.16	11,738,903,669.16
☆Other debt investments	27			
Held-to-maturity investments	28			
Long-term receivables	29			
Long-term equity investments	30	27,828,280,379.29	27,095,121,456.09	27,095,121,456.09
☆Other equity investments	31			
☆Other non-current financial assets	32			
Investment real estate	33			
Fixed assets	34	1,654,746,640.81	1,724,962,681.72	1,724,962,681.72
Construction in progress	35	7,271,950.42	2,594,621.22	2,594,621.22
Productive biological assets	36			
Oil and gas assets	37			
Intangible assets	38	1,716,582,875.96	1,735,590,232.11	1,735,590,232.11
Development expenditures	39			
Goodwill	40			
Long-term prepaid expenditures	41			
Deferred income tax assets	42			
Other non-current assets	43	179,409,983.40	179,409,983.40	179,409,983.40
Including: Special reserve material	44			
Total Non-current Assets	45	41,356,486,283.49	42,476,582,643.70	42,476,582,643.70
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资产总计	72	48,910,883,622.74	45,322,391,594.85	45,322,391,594.85

Balance Sheet (Continued)

Prepared by: Shanghai Electric (Group) Corporation

31 December 2018

Monetary unit: CNY

ITEMS	Row	31 December 2018	1 January 2018	31 December 2017
Current liability:	73			
Short-term loan	74	7,562,200,000.00	3,080,000,000.00	3,080,000,000.00
△Loans from the Central Bank	75			
△Deposits from customers and interbank	76			
△Loans from other banks	77			
☆Financial liabilities held for trading	78			
Financial liabilities measured at fair value with their variance recorded into	79			
Derivative financial liabilities	80			
Notes payable and Accounts payable	81	107,602,991.43	137,372,763.66	137,372,763.66
Receipts in advance	82	67,693,773.96	2,063,533.96	2,063,533.96
☆Contractual liabilities	83			
△Financial assets sold for repurchase	84			
△Handling charges and commissions payable	85			
Employee benefits payable	86	1,542,510.46	1,034,436.00	1,034,436.00
Including: wages payable	87	1,542,510.46	1,034,436.00	1,034,436.00
Benefits payable	88			
#Including: employee bonus and welfare	89			
Taxes and surcharges payable	90	141,030,902.25	52,478,497.22	52,478,497.22
Including: taxes payable	91	134,880,601.57	51,137,529.87	51,137,529.87
Other payables	92	2,477,475,709.21	2,596,332,915.53	2,596,332,915.53
△Reinsurance accounts payable	93			
△Reserve fund for insurance contracts	94			
△Funds from securities trading agency	95			
△Funds from underwriting securities agency	96			
Liabilities classified as held for sale	97			
Non-current liabilities due within one year	98	2,500,000,000.00		
Other current liabilities	99			
Total Current Liabilities	100	12,857,545,887.31	5,869,282,146.37	5,869,282,146.37
Non-current Liabilities:	101			
Long-term loans	102	1,825,310,000.00		
Bonds payable	103	2,500,000,000.00	5,000,000,000.00	5,000,000,000.00
Including: Preferred stock	104			
Perpetual debt	105			
Long-term payables	106	748,429,188.61	1,209,477,073.81	1,209,477,073.81
Long-term employee benefit payable	107	2,120,860,435.57	2,218,664,019.25	2,218,664,019.25
Estimated liabilities	108			
Deferred revenues	109	423,198,561.11	515,568,999.19	515,568,999.19
Deferred tax liabilities	110	982,444,623.33	1,745,455,720.54	1,745,455,720.54
Other non-current liabilities	111			
Including: Reserve fund under special permission	112			
Total Non-current Liabilities	113	8,600,242,808.62	10,689,165,812.79	10,689,165,812.79
Total Liabilities	114	21,457,788,695.93	16,558,447,959.16	16,558,447,959.16
Owner's equity (or shareholder's equity):	115			
Paid-in capital (share capital)	116	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
State-owned shares	117	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
Including: State-owned legal person capital	118	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
Collectively owned capital	119			
Domestic-owned shares	120			
Including: Shares held by individuals	121			
Foreign-owned shares	122			
#Less: returned investment	123			
Net paid-in capital (share capital)	124	9,080,366,283.42	8,780,366,283.42	8,780,366,283.42
Other equity instruments	125			
Including: Preferred stock	126			
Perpetual debt	127			
Capital reserves	128	9,859,443,060.71	9,729,043,706.73	9,729,043,706.73
Less: Treasury shares	129			
Other comprehensive incomes	130	3,070,855,354.62	5,359,888,646.24	5,359,888,646.24
Including: Translation differences arising on translation of financial sta	131			
Special reserves	132			
Surplus reserves	133	747,238,034.67	667,532,189.77	667,532,189.77
Including: Statutory surplus reserves	134	747,238,034.67	667,532,189.77	667,532,189.77
Discretionary surplus reserves	135			
#Reserves funds	136			
#Enterprise development funds	137			
#Profit return investment	138			
△General risk reserve	139			
Retained earnings	140	4,695,192,193.39	4,227,112,809.53	4,227,112,809.53
Total owners' equity attributable to parent	141			
*Minority shareholders' interest	142			
Total Owners' Equity	143	27,453,094,926.81	28,763,943,635.69	28,763,943,635.69
Total Liabilities and Owners' Equity	144	48,910,883,622.74	45,322,391,594.85	45,322,391,594.85

Income Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2018

Monetary unit: CNY

ITEMS	Row	Year 2018	Year 2017
I. Total operating revenue	1	180,401,046.44	181,829,919.46
Including: operating revenue	2	180,401,046.44	181,829,919.46
△Interest income	3		
△Earned premium	4		
△Handling charges and commission revenue	5		
II. Total operating costs	6	949,787,464.77	1,333,604,276.62
Including: operating costs	7	6,921,875.04	14,507,082.42
△Interest expenditures	8		
△Handling charges and commission expenses	9		
△Surrender value	10		
△Net amount of compensation expenses	11		
△Net amount of reserves for insurance contract	12		
△Policy dividend expenditures	13		
△Reinsurance expenses	14		
Tax and surcharges	15	144,288,648.83	75,446,536.97
Selling expenses	16		
Administrative expenses	17	320,739,628.58	865,490,618.21
Including: Party construction work funds	18		
Research and development expenses	19		
Financial expenses	20	404,195,341.01	328,853,444.94
Including: Interest expense	21	375,104,907.61	279,158,524.95
Interest revenue	22	11,300,175.82	6,168,324.53
Foreign exchange profit	23	9,274,168.73	
Foreign exchange loss	24		7,840,198.20
Impairment losses of assets	25	73,641,971.31	49,306,594.08
☆Credit impairment loss	26		
Others	27		
Add: Other income	28		
Investment income (Loss is indicated by "-")	29	1,093,722,598.81	3,444,392,749.99
Including: Income from investments in associates and joint ventures	30	-3,914,200.68	-8,962,424.75
△Foreign exchange gains (Losses are indicated by "-")	31		
☆Net gains from hedging (Losses are indicated by "-")	32		
Gains from changes in fair values (Losses are indicated by "-")	33		
Gains from asset disposal (Losses are indicated by "-")	34	449,578,326.59	1,593,852,354.59
III. Operating profit (Loss is indicated by "-")	35	773,914,507.07	3,886,470,747.42
Add: Non-operating income	36	47,276,261.74	57,689,733.41
Including: Government grants	37	35,098,498.80	45,170,573.83
Gains from debts restructuring	38		
Less: Non-operating expenses	39	13,922,952.30	10,764,870.94
Including: losses from debts restructuring	40	11,518,000.00	
IV. Total profit (Total Loss is indicated by "-")	41	807,267,816.51	3,933,395,609.89
Less: Income tax expenses	42	10,209,367.54	955,999,895.50
V. Net profit (Net loss is indicated by "-")	43	797,058,448.97	2,977,395,714.39
(I) Classified by ownership	44		
Net profits attributable to the parent company owners	45		
*Minority shareholders' income	46		
(II) Classified by business continuity	47		
Continuing operating profit and loss	48	797,058,448.97	2,977,395,714.39
Terminated operating profit and loss	49		
VI. Net other comprehensive income after tax	50	-2,289,033,291.62	-1,533,211,978.84
After-tax net of other comprehensive income attributable to parent company owners	51		
(I) Other comprehensive income not chargeable to income statement in subsequent periods	52		
Inc:1.Changes in net liabilities or net assets under defined benefit plans	53		
2.Share of other comprehensive income in investee under equity method	54		
☆3.Changes in fair value of other equity investments	55		
☆4.Changes in fair value of the company's own credit risk	56		
5.Others	57		
(II) Other comprehensive income to be charged to income statement in subsequent periods	58	-2,289,033,291.62	-1,533,211,978.84
Inc:1.Share of other comprehensive income in investee under equity method	59		
☆2.Changes in fair value of other debt investments	60		
3.Gain & loss from changes in value of available for sale financial assets	61	-2,289,033,291.62	-1,533,211,978.84
☆4.Amount of financial assets reclassified into other comprehensive income	62		
5.Gain or loss from reassignment of held to maturity investments to available for sale	63		
☆6.Credit impairment provisions of other debt investments	64		
7.Effective cash flow hedge	65		
8.Exchange differences in translation of financial statements denominated in foreign currency	66		
9.Others	67		
*After-tax net of other comprehensive income attributable to minority shareholders	68		
VII. Total comprehensive income	69	-1,491,974,842.65	1,444,183,735.55
Total comprehensive income attributable to the parent company owners	70		
*Minority shareholders' Total comprehensive income	71		
VIII. Earnings per share	72		
Basic earnings per share	73		
Diluted earnings per share	74		

Cash Flow Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2018

Monetary unit: CNY

ITEMS	Row	Year 2018	Year 2017
I. Cash flow generated from operating activities:	1		
Cash received from sales of goods or rendering of services	2	71,634,949.30	2,374,298.84
△ Net increase in customer's deposits and interbank placements	3		
△ Net increase in loans from the Central Bank	4		
△ Net increase in loans from other financial institutions	5		
△ Cash received from receiving premium of original insurance contract	6		
△ Net cash received from reinsurance business	7		
△ Net increase from policyholders' deposits and deposits of investment	8		
△ Net increase in disposal of financial assets measured at fair value with their variance recorded	9		
△ Cash received from interests, handling charges and commissions	10		
△ Net increase in loans from other banks	11		
△ Net increase in repurchase business capital	12		
Receipts of tax refunds	13		
Other cash received related to business activities	14	548,863,491.51	875,824,952.48
Sub-total of cash inflows from operating activities	15	620,498,440.81	878,199,251.32
Cash paid to purchase commodities and receive labor services	16	69,611,831.66	5,701,937.00
△ Net increase in loans and advances to customers	17		
△ Net increase in balances with the Central Bank and other banks	18		
△ Cash paid for compensation under original insurance contract	19		
△ Cash paid for interests, handling charges and commissions	20		
△ Cash paid for policy dividend	21		
Cash paid to and on behalf of employees	22	86,834,612.45	83,558,393.06
Payments of taxes and surcharges	23	80,834,507.66	256,996,522.32
Other cash paid related to business activities	24	721,626,005.95	1,018,708,186.60
Sub-total of cash outflows from operating activities	25	958,906,957.72	1,364,965,038.98
Net cash flows from operating activities	26	-338,408,516.91	-486,765,787.66
II. Cash Flows from Investing Activities:	27		
Cash received from disposal of investments	28	159,707,813.58	707,475,889.58
Cash received from returns on investments	29	1,033,894,398.69	260,125,884.73
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	30	37,030,596.80	639,063,328.70
Net cash received from disposal of subsidiaries and other business units	31		
Other received cash related to investing activities	32	227,610,447.29	5,034,356,896.75
Sub-total of cash inflows from investing activities	33	1,458,243,256.36	6,641,021,999.76
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	36,292,176.69	583,265,339.13
Cash paid to acquire investments	35	2,136,025,427.23	2,002,802,128.74
△ Net increase of pledge loans	36		
Net cash paid for acquisitions of subsidiaries and other business units	37		
Other cash paid related to investing activities	38	1,292,748,676.01	3,795,700,000.00
Sub-total of cash outflows from investing activities	39	3,465,066,279.93	6,381,767,467.87
Net cash flows from investing activities	40	-2,006,823,023.57	259,254,531.89
III. Cash flows from financing activities:	41		
Cash received from investments	42	300,000,000.00	430,000,000.00
Including: cash received for subsidiaries' absorbing minority shareholder investment	43		
Cash received from loans	44	20,262,200,000.00	9,890,000,000.00
△ Cash received from issuing bonds	45		
Other received cash related to financing activities	46		
Sub-total of cash inflows from financing activities	47	20,562,200,000.00	10,320,000,000.00
Cash paid for debt repayment	48	13,954,690,000.00	8,860,000,000.00
Cash for distributing dividends and profits or paying interest	49	644,113,523.67	411,929,274.00
Including: dividends and profits paid to minority shareholders by subsidiary	50		
Other paid cash related to financing activities	51		
Sub-total of cash outflows from financing activities	52	14,598,803,523.67	9,271,929,274.00
Net cash flows from financing activities	53	5,963,396,476.33	1,048,070,726.00
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	54	624,150.13	-1,936,051.22
V. Net increase in cash and cash equivalents	55	3,618,789,085.98	818,623,419.01
Plus: Balance of cash and cash equivalents at the beginning of the period	56	1,162,925,556.57	344,302,137.56
VI. Balance of cash and cash equivalents at the end of the period	57	4,781,714,642.55	1,162,925,556.57

Statement of Changes in Owners' Equity

Prepared by: Shanghai Electric (Group) Corporation

Year 2018

Monetary unit: CNY

Items	Row	Amount for the current period												Others	Subtotal
		Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△ General risk reserves	Unappropriate profits			
			Preferred stock	Perpetual debt	Others										
Column	—	1	2	3	4	5	6	7	8	9	10	11	12	13	
I. Closing balance of the preceding year	1	8,780,366,283.42				9,729,043,706.73		5,359,888,646.24		667,532,189.77		4,227,112,809.53		28,763,943,635.69	
Add: Changes in accounting policies	2														
Corrections of prior period errors	3														
Others	4														
II. Opening balance of the current year	5	8,780,366,283.42				9,729,043,706.73		5,359,888,646.24		667,532,189.77		4,227,112,809.53		28,763,943,635.69	
III. Changes for the year (Decrease is indicated by "-")	6	300,000,000.00				130,399,353.88		-2,289,033,291.62		79,705,844.90		468,079,383.86		-1,310,648,708.88	
(I) Total comprehensive income	7							-2,289,033,291.62				797,058,448.97		-1,491,974,842.65	
(II) Owners' contributions and withdrawal in capital	8	300,000,000.00				130,399,353.88								430,399,353.88	
1. Common share contribution from owners	9	300,000,000.00												300,000,000.00	
2. Capital contribution from other equity instruments holders	10														
3. Share-based payment recognized in owners' equity	11														
4. Others	12					130,399,353.88								130,399,353.88	
(III) Special reserves	13														
1. Transfer to special reserves in the period	14														
2. Amount utilized in the period	15														
(IV) Profit distribution	16									79,705,844.90		-328,979,065.11		-249,273,220.21	
1. Transfer to surplus reserves	17									79,705,844.90		-79,705,844.90			
Including: Statutory surplus reserves	18									79,705,844.90		-79,705,844.90			
Discretionary surplus reserves	19														
Reserves fund	20														
Enterprise development fund	21														
Profit return investment	22														
2. General risk preparation	23														
Distribution to owners (or shareholders)	24											-249,273,220.21		-249,273,220.21	
Others	25														
(V) Transfers within owners' equity	26														
1. Capital reserve transferred to capital (or share capital)	27														
2. Surplus reserves transferred to capital (or share capital)	28														
3. Loss offset by surplus reserves	29														
4. Carry forward retained earnings from benefit plan selling change	30														
5. Carry forward retained earnings from other comprehensive income	31														
Others	32														
IV. Closing balance of the current year	33	9,080,366,283.42				9,859,443,060.71		3,070,855,354.62		747,238,034.67		4,895,192,193.39		27,453,094,826.81	

Statement of Changes in Owners' Equity (Continued)

Monetary unit: CNY

Prepared by: Shanghai Electric (Group) Corporation

Year 2018

Items	Row	Amount for the prior period													
		Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	△ General risk reserves	Unappropriate profits	Others	Subtotal	
			Preferred stock	Perpetual debt	Others										
Column	—	14	15	16	17	18	19	20	21	22	23	24	25	26	
Closing balance of the preceding year	1	7,899,366,283.42				8,812,498,879.83		6,893,100,625.08		369,739,618.33		1,640,411,407.22		25,612,169,813.88	
Add: Changes in accounting policies	2														
Corrections of prior period errors	3														
Others	4														
Opening balance of the current year	5	7,899,366,283.42				8,812,498,879.83		6,893,100,625.08		369,739,618.33		1,640,411,407.22		25,612,169,813.88	
Changes for the year (Decrease is indicated by "-")	6	884,000,000.00				916,544,826.90		-1,533,211,978.84		297,739,571.44		2,566,701,402.31		3,151,773,821.81	
Total comprehensive income	7							-1,533,211,978.84				2,977,395,714.39		1,444,183,735.55	
Owners' contributions and withdrawal in capital	8	884,000,000.00				916,544,826.90								1,800,544,826.90	
Common share contribution from owners	9	884,000,000.00												884,000,000.00	
Capital contribution from other equity instruments holders	10														
Share-based payment recognized in owners' equity	11														
Others	12					916,544,826.90								916,544,826.90	
Special reserves	13														
Transfer to special reserves in the period	14														
Amount utilized in the period	15														
Profit distribution	16									297,739,571.44		-309,894,312.08		-92,954,740.64	
Transfer to surplus reserves	17									297,739,571.44		-297,739,571.44			
Including: Statutory surplus reserves	18									297,739,571.44		-297,739,571.44			
Discretionary surplus reserves	19														
Reserves fund	20														
Enterprise development fund	21														
Profit return investment	22														
General risk preparation	23														
Distribution to owners (or shareholders)	24											-92,954,740.64		-92,954,740.64	
Others	25														
Transfers within owners' equity	26														
Capital reserve transferred to capital (or share capital)	27														
Surplus reserves transferred to capital (or share capital)	28														
Loss offset by surplus reserves	29														
Carry forward retained earnings from benefit plan selling change	30														
Carry forward retained earnings from other comprehensive income	31														
Others	32														
Closing balance of the current year	33	8,780,366,283.42				9,729,043,706.73		5,359,888,646.24		667,532,189.77		227,112,809.53		28,783,943,635.69	

SHANGHAI ELECTRIC (GROUP) CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2018

(Amounts are denominated in CNY unless otherwise stated)

I. BASIC INFORMATION ABOUT THE COMPANY

Shanghai Electric (Group) Corporation (referred to as “the Company”, “Company”, “the Group”, or “Group”) is a state-owned asset approved by Shanghai Municipal People’s Government and licensed to operate and manage by Shanghai Municipal State-owned Assets Supervision and Administration Commission on behalf of the nation. The Company is a state-owned company, established on January 14, 1985.

In February 2009, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 30 million. In June 2010, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 90 million.

In October 2010, according to Shanghai Municipal State-owned Assets Supervision and Administration Commission (referred to as “SASAC”) issued Shanghai SASAC property [2010] No.423 *“About the reply of Shanghai Electric Group Co. Ltd and China National Electric Engineering Corporation based on the capital consultative solution of loaning instead of allocating on the central level”*, the Company returned the investment of China National Electric Engineering Corporation and recorded a decrease in paid-in capital of CNY 54.0499 million. As a result, the shareholding of Shanghai Municipal State-owned Assets Supervision and Administration Commission holds was changed to 100%.

In year 2011, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 240 million. In year 2013, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 165 million. In year 2014, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 195 million. In year 2015, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 300 million.

In July 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 300 million; in October 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 200 million; In December 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 71.6 million.

In August 2017, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 400 million; in September 2017, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 454 million; In December 2017, Shanghai State Owned Assets

Supervision and Administration Commission increased the capital of CNY 30 million. As of December 31, 2017, the Company has only completed the capital injection in business registration of CNY 454 million. The registered capital was changed to CNY 8,350,366,000.00.

In July 2018, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 300 million; As of December 31, 2018, the Company has completed the capital injection in business registration of CNY 430 million. The registered capital was changed to CNY 8,780,366,000.00.

The Company obtained the business license with registration No.913100001322128733, issued by Shanghai Administration for Industry and Commerce on November 8, 2018. Registered capital was changed to CNY 8,780,366,000.00. The nature of the Company is state-owned enterprise; Legal representative is Zheng Jianhua; Company address is No.110 Middle Sichuan Road; Operation period is from May 28, 1998 to no agreed period.

As of December 31, 2018 each shareholder subscribed registered capital of the Company and the investment ratio is:

Investor	Registered capital (in ten thousands)	Proportion of funding (%)
Shanghai Municipal State-owned Assets Supervision and Administration Commission	878,036.60	100.00
Total	<u>878,036.60</u>	<u>100.00</u>

Governance structure: The Company is under the governance of Board of Directors, which is the decision-maker of the Company. The Company shall have one president, one legal representative and several vice presidents.

Organizational structure: A total of 24 second-level subsidiaries, including 20 wholly owned subsidiaries within the scope of consolidation and 4 holding subsidiaries.

Business scope: Electric power engineering supply project, equipment package or split, foreign contracted projects and labor service, industrial investment, mechanical and electrical products and related equipment manufacturing and sales, providing relevant technical advice and training for the domestic and export projects, managing and administrating of state owned assets within SASAC authorized scope, domestic trade (except specifically regulated), design, production, and distribution of various types of advertisements. (Activities require prior approval are carried out with approvals from relevant authorities)

The Company's financial statements have been approved by the management on April 15, 2019.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group have been prepared on going concern basis, in accordance with Accounting Standards for Business Enterprises ("ASBE") and the significant accounting policies and accounting estimates as follows.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The Group has adopted the new version of Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MOF"). The financial statements truly and completely present the Group's financial position, the results of operations and cash flows.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Group adopts the calendar year as its accounting year, i.e. from January 1 to December 31.

2. Functional currency

The Group's functional currency is Chinese Yuan ("CNY").

3. Basis of accounting and Principle of measurement

The principles of measurement adopted by the Group include historical cost, replacement cost, net realizable value, present value and fair value.

4. Business combinations

4.1 The accounting treatment of business combinations on the combination date involving enterprises under common control

For a business combination that involves one single exchange transaction or achieved in stages that involve multiple exchange transactions, assets and liabilities that are obtained in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed in the consolidated financial statement of ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

4.2 The accounting treatment of business combinations under non-common control

Where the cost of combination exceeds the investor's interest in the fair value of the investee's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the investor's interest in the fair value of the investee's identifiable net assets, the investor firstly reassesses the measurement of the fair values of the investee's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the investor's interest in the fair value of the investee's identifiable net assets, the investor recognizes the remaining difference immediately in profit or loss for the

current period.

Accounting treatment for business combinations under non-common control and achieved in stages shall be as following orders:

(1) The carrying value of long-term equity investment shall be adjusted. The summation of the carrying value (prior to the date of purchase) of equity investment held by investor in investee and increased investment cost (at the purchase date) shall be recognized as the initial investment cost; when disposal investee's equity held by investor (prior to purchase date) involving other comprehensive income, related other comprehensive income shall be adjusted into current investment income.

(2) Confirmation of goodwill (or the amounts recognized in profit or loss). The initial investment cost of the long-term equity investment after the adjustment of the first step is compared with the fair value of the identifiable net assets of the subsidiary at the date of purchase. If the former amount is greater than the latter amount, the difference is recognized as goodwill; if the former amount is smaller than the latter amount, the difference is included in current profit and loss.

Multiple transactions that are part of a bundled transaction which eventually results in loss of control

(1) In determining whether to account for the multiple transactions as a single transaction

The Group shall consider all the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the Group should account for the multiple arrangements as a single transaction:

- a) Arrangements are entered into at the same time or in contemplation of each other;
- b) Arrangements work together to achieve an overall commercial effect;
- c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

(2) Accounting treatment of multiple transactions that are part of a bundled transaction which eventually results in loss of control

If each of the multiple transactions forms part of a bundled transactions which eventually results in loss of control the subsidiary, these multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

The remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share

of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

(3) Accounting treatment of various transactions that are not part of the bundled transaction which eventually results in loss of control

If the Group does not lose control of investee, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary shall be adjusted to the capital reserve (capital premium or share premium) in the consolidated financial statements.

If the Group loses control of investee, the remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

5. Preparation of consolidated financial statements

All subsidiaries of the Group are included in consolidated financial statements. Consolidated financial statements are prepared in accordance with "Accounting Standard for Business Enterprise No. 33-Consolidated Financial Statements and based on financial statements of parent company and its subsidiaries and other related information."

6. Joint arrangement

6.1 Identification and classification of joint arrangements

Joint arrangement refers to an arrangement that is jointly controlled by two or more participants. Joint arrangements have the following characteristics: 1) Each participant is bound by the arrangement; 2) Two or more participants implement joint control of the arrangement. Neither party can control the arrangement alone, and any one party that has joint control of the arrangement can prevent other parties or groups of parties from controlling the arrangement alone.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

Joint arrangements include joint operation and joint venture. A joint operation means the operator have

rights to the assets, and obligations for the liabilities, in relation to the arrangement. A joint venture means the operator have rights to the net assets of the arrangement.

6.2 Accounting arrangements for joint arrangements

A joint operator shall recognize the following items in relation to its interest in a joint operation and conduct accounting treatment in accordance with the relevant provisions of the accounting standards of the Group: 1) its solely-held assets, and its share of any jointly held assets; 2) its solely-obligated liabilities, and its share of any jointly incurred liabilities; 3) its revenue from the sale of its share of the output arising from the joint operation; 4) its share of the revenue from the sale of the output by the joint operation; 5) and its solely-incurred expenses, and its share of any expenses incurred jointly.

The parties to a joint venture shall account for the investment in the joint venture in accordance with the provisions of the "Accounting Standards for Business Enterprises No. 2 - Long-term equity investment."

7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Company's short-term(usually due within 3 months from the acquisition date), 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. Translation of foreign currencies

8.1 Transactions denominated in foreign currencies

On initial recognition, a foreign currency transaction is translated into functional currency by applying the spot exchange rate on the date of the transaction announced by People's Bank of China. At the balance sheet date, monetary assets denominated in foreign currencies are translated into CNY. The difference between the initial exchange rate and the spot exchange rate of foreign currency balance (except for specific-purpose borrowing and interest for constructing an asset that qualifies for capitalization), shall be recognized into profit and loss for the period. Non-monetary items which are stated at cost denominated in foreign currencies are translated into CNY at the exchange rate ruling at the transaction dates. Currency exchange rate differences arising from fair value translations are included in profit or loss of the current accounting period or other comprehensive income.

8.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into CNY using the following method: assets and liabilities In the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owners' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement are translated at the spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and owners' equity items is separately presented as the exchange differences on translation of financial statements denominated in

foreign currencies under the owners' equity as other comprehensive income in the balance sheet.

9. Financial Instruments

The Group and its other subsidiaries implement the original financial instrument principles, except for the important subsidiary of the Group, Shanghai Electric Group Co., Ltd. (hereinafter referred to as "Electric Shares"), implements "Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments" (Finance and Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets" (Finance and Accounting [2017] No. 8) and "Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments" (Finance and Accounting [2017] No. 14) since January 1, 2018.

9.1 The principles for financial instruments of the Group and other subsidiaries are as follows:

9.1.1 Categories of financial assets and financial liabilities

Financial assets shall be classified into the following four categories based on initial purpose when acquisition: financial assets at fair value through profit or loss, including financial assets held for trading and those designated as at fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets.

Financial liabilities shall be classified into the following two categories based on initial purpose when acquisition: financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those designated as at fair value through profit or loss; other financial liabilities.

9.1.2 Recognition, measurement, and de-recognition of financial assets and financial liabilities

When the Group becomes a party to the contractual provisions of the financial instrument, a financial asset or a financial liability shall be recognized. When a financial asset or liability recognized initially, the Group shall measure it at its fair value. In the case of a financial asset or financial liability at fair value through profit or loss, transaction expenses shall be charged to the profit or loss for the current period. For other financial assets or financial liabilities, transaction expenses shall be included in their initial recognition amounts.

After initial recognition, the Group shall measure financial assets at their fair values, without an deduction for transaction costs it may incur upon future disposal, except for the following financial assets: (1) held-to-maturity investments and loans and receivables, which shall be measured at amortized cost using the effective interest method; (2) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivative assets that are linked to and must be settled by delivery of such unquoted equity instrument, which shall be measured at cost.

After initial recognition, the Group shall measure financial liabilities at amortized cost using the effective interest method, except for the following financial liabilities: (1) financial liabilities at fair value through profits or loss, which shall be measured at fair value without adjusting for transaction costs that may be incurred upon settlement of the financial liabilities; (2) a derivative liability that is linked to and must be settled by delivery of an

unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured, which shall be measured at cost; (3) financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or loan commitments to provide a loan at a below-market interest rate, which are not designated at fair value through profit or loss, shall be subsequently measured at the higher of the following two amounts: a) the amount determined in accordance with "Accounting Standard for Business Enterprises No.13-Contingencies"; b) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in "Accounting Standard for Business Enterprises No.14-Revenue".

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging arrangement shall be accounted for as follows: (1) a gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognized in profit or loss on the changes in fair value; a received interest or cash dividend on a financial asset or financial liability in the holding period shall be recognized as investment income; when a financial asset or financial liability is disposed, the difference between actual received amounts and initial recognized amounts shall be recognized as investment income, and gains and losses from changes in fair value shall be adjusted. (2) Any foreign exchange gains and losses on available-for-sale monetary assets are recognized in other comprehensive income; interest income calculated through effective interest method are recognized in investment income; dividends on an available-for-sale equity instrument are recognized in investment income when the investee declares the dividends. When a financial asset or financial liability is disposed, the difference between received amounts and the carrying amounts, which less the summation of changes in fair value recognized directly in other comprehensive income, shall be recognized as investment income.

The Group shall derecognize a financial asset if the contractual rights to the cash flows from the financial asset expire and/or substantially all the risks and rewards of the financial asset have been transferred. The Group shall derecognize a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged/cancelled.

9.1.3 Recognition and measurement of transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the Group shall derecognize the financial assets. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the Group shall not derecognize the financial asset and recognize the received consideration as a financial liability. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall account for the transaction as follows: (1) if the Group has not retained control of the financial asset, it shall derecognize the financial asset; (2) if the Group has retained control of the financial asset, it shall recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

For a transfer of a financial asset in its entirety that satisfies the derecognizing criteria, the difference between the following two amounts shall be recognized in profit or loss for the current period: (1) the carrying amount of

the financial asset transferred; (2) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized directly in owner's equity. If a part of the transferred financial asset qualifies for derecognizing, the carrying amount of the transferred financial asset in its entirety shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts. The difference between the following two amounts shall be included in profit or loss for the current period: (1) the carrying amount allocated to the part derecognized; (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized directly in equity.

9.1.4 Determination of fair value of financial assets and liabilities

If there is an active market for a financial asset or financial liability, the current quoted prices in the active market shall be used to establish the fair value of the financial asset or financial liability. If no active market exists for a financial instrument, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. For original acquired or sourced financial assets and financial liabilities, their fair value is based on market prices.

9.1.5 Impairment testing and impairment provision of financial assets

The Group shall assess at the balance sheet date the carrying amount of a financial asset (other than those at fair value through profit or loss). If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss and recognize it as provision for impairment.

For a financial asset that is individually significant, the Group shall assess the asset individually for impairment. For a financial asset that is not individually significant, the Group can assess that asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it shall include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

If financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction shall be recognized as an impairment loss in profit or loss. If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss shall be measured as the difference between the carrying amount of the unquoted equity instrument or the derivative asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, and recognized in profit or loss.

When the fair value of an available-for-sale financial asset has a dramatic decline, or the downward trend is expected to be non-temporary after overall consideration of related factors, the impairment loss shall be recognized and the cumulative loss arising from decline in fair value that had been recognized directly in owner's equity shall be removed from owner's equity and recognized in profit or loss.

The important subsidiary of the Group, Shanghai Electric Group Co., Ltd. (hereinafter referred to as "Electric Shares"), implementing "Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments" (Finance and Accounting [2017] No. 7), "Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets" (Finance and Accounting [2017] No. 8) and "Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments" (Finance and Accounting [2017] No. 14) from January 1, 2018.

9.2 The principles for financial instruments of the important subsidiary of the Group, Electric Shares, are as follows:

Financial instruments are contracts that form financial asset of one party and financial liability or equity instrument of the other parties. When Electric Shares become a party to the financial instrument contract, the relevant financial assets or financial liabilities are recognized.

9.2.1 Financial Assets

(i) Classification and measurement

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the financial assets of Electric Shares are classified into: financial assets measured at amortized cost; financial assets measured at fair value through profit or loss; financial assets measured at fair value through current profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in current profit or loss. For other types of financial assets, related transaction costs are included in the initial recognition amount. For accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or do not take into account of significant financing components, the amount that is expected to be received is used as the initial recognition amount for Electric Shares.

The debt instruments held by Electric Shares refer to the instruments that are consistent with the definition of financial liabilities from the perspective of the issuer and measured in the following three ways: measured at amortized cost; measured at fair value and its changes are included in other comprehensive income; measured at fair value and its changes are included in current profit and loss.

Measured at amortized cost: Electric Shares' business model of the management of such financial assets is to target the collection of contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, i.e. the cash flows generated on a specific date are

only for the principal and the payment of interest based on the outstanding principal amount. Electric Shares recognizes interest income on such financial assets in accordance with the effective interest method. Such financial assets mainly include monetary funds, notes receivable and accounts receivable, other receivables, debt investment and long-term receivables. Debt investments and long-term receivables due within one year (including one year) from the balance sheet date are listed as non-current assets due within one year by Electric Shares. Debt investments with maturity within one year (including one year) are listed as other current assets.

Measured at fair value and its changes are included in other comprehensive income: Electric Shares' business model of the management of such financial assets is to target both the collection of contractual cash flows and the sales, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value and their changes are included in other comprehensive income, but the impairment loss or gains, exchange gains and losses and interest income calculated according to the effective interest method are included in current profit and loss for current period. Such financial assets are listed as other debt investments. Other debt investments due within one year (including one year) from the balance sheet date are listed as non-current assets due within one year. Other debt investments with a maturity of one year (including one year) are listed as other current assets.

Measured at fair value through current profit or loss: Debt instruments that are not classified as measured at amortized cost or measured at fair value through other comprehensive income by Electric Shares, are measured at fair value through current profit or loss and listed as trading financial assets. In the initial recognition, in order to eliminate or significantly reduce the accounting mismatches, certain financial assets are designated as financial assets measured at fair value through current profit or loss by Electric Shares. If those assets are expired more than one year from the balance sheet date and expected to be held for more than one year, they are listed as other non-current financial assets.

The equity instruments that have no control, joint control or significant influence are measured at fair value through current profit or loss and are presented as transactional financial assets by Electric Shares. If they are expected to be held for more than one year from the balance sheet date, they are listed as other non-current financial assets. In addition, Electric Shares designates certain non-tradable equity investments as financial assets that are measured at fair value through other comprehensive income and are presented as other equity investments. The relevant dividend income of such financial assets is included in current profit and loss.

(ii) Impairment provision

For financial assets measured at amortized cost, debt instrument investments, contract assets and financial guarantee contracts measured at fair value and their changes are included in other comprehensive income, provision is recognized on the basis of expected credit losses.

Electric Shares considers reasonable and evidenced information about past events, current conditions and forecasts of future economic conditions, taking the risk of default as a weighting factor, calculates the probability-weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received, and recognizes the expected credit loss.

On each balance sheet date, Electric Shares measure the expected credit losses of financial instruments at different stages separately. The financial instruments that have not significantly increased the credit risk since the initial recognition are included in the first stage. Electric Shares calculates the provision based on expected credit losses in the next 12 months. The financial instruments that the credit risk have increased significantly since the initial confirmation but the impairment has not yet occurred are included in the second stage. Electric Shares calculates the provision based on expected credit loss for the entire life of the financial instruments. The financial instruments which have incurred credit impairment since the initial confirmation are included in the third stage. Electric Shares calculates the provision based on expected credit loss for the entire life of the financial instruments.

For financial instruments with lower credit risk on the balance sheet date, Electric shares assumes that their credit risk has not increased significantly since the initial recognition, and the loss is prepared according to the expected credit losses in the next 12 months.

For the financial instruments in the first stage, second stage and with lower credit risk, Electric shares calculates the interest income according to their book values and actual interest rates without deducting the impairment provision. For the financial instruments in the third stage, the interest income is calculated according to the book value minus amortized cost after the provision for impairment and the actual interest rate.

For notes receivable and accounts receivable and contract assets, regardless of whether there is a significant financing component, Electric Shares calculates the provision according to the expected credit loss of the entire life.

When the expected credit loss information of individual financial assets cannot estimated at a reasonable cost, Electric Shares divides the receivables into several portfolios according to the credit risk characteristics, and calculates the expected credit losses on the basis of portfolios. The basis for determining the portfolios is as follows:

Portfolios	Content
Bank acceptance bills portfolio	Bank acceptance bills
Commercial acceptance bills portfolio	Commercial acceptance bills
Accounts receivable portfolio	General Accounts receivable
Accounts receivable portfolio	Sovereign credits
Contract assets portfolio	Contract assets
Other receivables portfolio	Deposits
Other receivables portfolio	Employee reserve funds
Other receivables portfolio	Others
Loans portfolio	Various loans
Discounted bills portfolio	Discounted bills
Finance lease receivables portfolio	Finance lease receivables

Portfolios	Content
Other debt investments portfolio	Other debt investments

For notes receivable classified as a portfolio, based on historical credit loss experience and combined the current conditions and the forecasts of future economic conditions, Electric Shares calculates the expected credit losses through default risk exposures and expected lifetime credit losses.

For accounts receivable and contract assets classified as a portfolio, based on historical credit loss experience and combined the current conditions and the forecasts of future economic conditions, Electric Shares compiles a comparison table of the overdue days of receivable accounts and the expected lifetime credit loss rate, and calculates expected credit losses.

For other receivables classified as a portfolio, based on historical credit loss experience and combined the current conditions and the forecasts of future economic conditions, Electric Shares calculates the expected credit losses through default risk exposures and expected credit loss rates over the next 12 months or throughout the duration.

Electric Shares included the loss provision for withdrawal or reversal in the current profit and loss. For the debt instruments held at fair value and whose changes were included in other comprehensive income , Electric Shares included the impairment loss or gain into the current profit and loss, and at the same time adjusted other comprehensive income.

(iii) Termination determination

Financial assets that meet one of the following conditions can be confirmed to be terminated: (a) the contractual right to receive the cash flow of the financial asset is terminated; (b) the financial asset has been transferred, and Electric Shares transferred almost all the risks and rewards of the ownership of the financial asset to the transferee; (c) the financial asset has been transferred. Electric Shares has although neither transferred nor retained almost all the risks and rewards of ownership of the financial asset, but abandoned the control of the financial asset.

When the investment of other equity instruments is confirmed to be terminated, the difference between the book value and the received offered price and the sum of cumulative amount of changes in fair value previously directly included in other comprehensive income is included in retained income. When the rest of the financial assets are confirmed to be terminated, the difference between the book value and the received offered price and the sum of cumulative amount of changes in fair value previously directly included in other comprehensive income is included in current profit or loss.

9.2.2 Financial liabilities

At initial confirmation, financial liabilities are classified into financial liabilities measured at amortized cost and financial liabilities measured at fair value and whose changes were included in current profit or loss.

The financial liabilities of Electric Shares are mainly financial liabilities measured at amortized cost, including payable notes and payables, other payables, borrowings and payable bonds and so on. Such financial liabilities are initially measured at their fair value deducting transaction costs and are subsequently measured using the effective interest method. If the term is less than one year (including one year), it shall be listed as current liabilities; if the term is more than one year, but it expires within one year (including one year) from the balance sheet date, it shall be listed as non-current liabilities expired within one year; the rest are listed as non-current liabilities.

When the current obligations of a financial liability have all or partly been discharged, Electric Shares terminates to recognize the portion of the financial liability or obligation that has been discharged. The difference between the book value of the derecognized portion and the paid offered price is included in profit or loss for the current period.

9.2.3 Determination of the fair value of financial instruments

The fair value of a financial instrument with an active market can be determined by quoted prices in an active market. The fair value of a financial instrument without an active market can be determined by valuation techniques. At the time of valuation, Electric Shares are subject to valuation techniques that are applicable in the current circumstances and are supported by data and other information. Electric Shares selects an input value that is consistent with the characteristics of the asset or liability considered by the market participants in the transaction of the relevant asset or liability, and use the relevant observable input values as much as possible. Unobservable input values are used where the relevant observable input values are not available or not practicable.

10. Hedging

The Group and its other subsidiaries implement the original hedging principles, except for the important subsidiary of the Group Electric Shares implements “Accounting Standards for Business Enterprises No.24–Hedging” (Finance and Accounting [2017] No. 9) since January 1, 2018.

10.1 The principles for hedging of the Group and other subsidiaries are as follows:

10.1.1 A hedge can be classified as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

10.1.2 A hedge qualifies for hedge accounting under this Standard only if all of the following conditions are met:

- (i) at the inception of the hedge there is formal designation of the hedging relationship (i.e. the relationship between the hedging instrument and hedged item), and formal documentation of that relationship, the group's risk management objective and strategy for undertaking the hedge; (ii) the hedge is expected to be highly effective, and consistent with the originally documented risk management strategy for that particular hedging relationship; (iii) for a cash flow hedge, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash

flows that could ultimately affect profit or loss; (iv) the effectiveness of the hedge can be reliably measured; (v) the hedge is assessed by the Group for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

A hedge is regarded as highly effective if both of the following conditions are satisfied: (i) at the inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated; (ii) the actual results of offsetting are within a range of 80% to 125%.

10.1.3 Accounting treatment for hedge

(i) Fair value hedge

In the case of a derivative hedging instrument, the gain or loss from re-measuring the hedging instrument at fair value shall be recognized in profit or loss for the current period. In the case of a non-derivative hedging instrument, the gain or loss from the carrying amount of the hedging instrument due to changes in foreign exchange rate shall be recognized in profit or loss.

The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss for the current period.

(ii) Cash flow hedge

a) The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in owners' equity as a separate component. The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge shall be recognized in profit or loss for the current period.

b) If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the amounts previously recognized in capital reserves are reclassified to profit or loss in the same periods during which the financial asset or financial liability affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously recognized in capital reserves are transferred and included in the initial measurement of the cost of the non-financial asset or non-financial liability. The amounts previously recognized in capital reserves are reclassified to profit or loss in the same period(s) during which the non-financial asset or non-financial liability affects profit or loss.

For other cash flow hedges, gains or losses of the hedging instruments that had been recognized directly in owners' equity shall be reclassified into profit or loss for the current period in the same period(s) during which the hedged forecast transaction affects profits or loss.

(iii) Hedges of a net investment in a foreign operation

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be

recognized directly in owners' equity as a separate component. The above gain or loss recognized as a separate component of owners' equity shall be recognized in profit or loss for the current period on disposal of the foreign operation. The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge shall be recognized in profit or loss for the current period.

(iv) The ratio analysis method was adopted by the Group to evaluate the effectiveness of the hedging.

10.2 The principles for hedging of the important subsidiary of the Group subsidiaries, Electric Shares are as follows:

Hedging is the management activity of Electric Shares for the purpose of avoiding foreign currency risk, commodity price risk, share price risk or credit risk, etc., and the designation of one or more hedging instruments such that the changes in fair value or cash flows of the hedging instruments are expected to wholly or partially offset the changes in fair value or cash flows of the hedged item.

10.2.1 A hedge can be classified as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

10.2.2 A fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation qualifies for hedge accounting under this Standard only if all of the following conditions are met:

1) The hedging relationship consists only of eligible hedging instruments and hedged items; 2) At the beginning of the hedging, the Electric Shares formally designate the hedging instrument and the hedged item, and prepare for the hedging relationship and the Company's engagement. Written documentation of the risk management strategy and risk management objectives of the hedge. The document contains at least the contents of the hedging instrument, the hedged item, the nature of the hedged risk, and the evaluation method of the hedge effectiveness (including the analysis of the cause of the invalid part of the hedge and the method of determining the hedge ratio); 3) The hedge is determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

If the hedging meets the following conditions at the same time, Electric Shares shall confirm that the hedging relationship meets the requirements for hedging validity:

(i) There is an economic relationship between the hedged item and the hedging instrument. This economic relationship causes the value of the hedging instrument and the hedged item to change in the opposite direction due to the same risk of being hedged.

(ii) In the change in value arising from the economic relationship between the hedged item and the hedging instrument, the impact of credit risk is not dominant.

(iii) The hedging ratio of the hedging relationship shall be equal to the ratio of the number of hedged items actually hedged by the Group to the actual number of hedging instruments that are hedged, but shall not reflect the relative weight of the hedged item and the hedging instrument. Unbalanced, this imbalance can lead to ineffective installment and may result in accounting results that are inconsistent with the hedge accounting

objectives.

Electric Shares shall continuously assess whether the hedging relationship meets the requirements for the effectiveness of the hedging on the commencement date of the hedge and the subsequent period. Especially the reasons for the ineffective part of the hedge that is expected to affect the hedging relationship within the remaining period of the hedge period shall be analyzed. Electric Shares should at least assess the hedging relationship at the balance sheet date and when significant changes in the relevant circumstances will affect the effectiveness of the hedge.

When the hedging relationship no longer meets the hedging validity requirement due to the hedging ratio, but the risk management objectives for designating the hedging relationship have not changed, the hedging relationship should be rebalanced by Electric Shares.

10.2.3 Accounting treatment for hedge

(i) Fair value hedge

If the fair value hedge meets the conditions for applying the hedge accounting method, it shall be handled in accordance with the following provisions:

(a) Gains or losses arising from the hedging instrument shall be included in current profit and loss. If the hedging instrument is hedged against a non-trading equity investment (or a component thereof) that is measured at fair value and whose changes are included in other comprehensive income, the gain or loss arising from the hedging instrument should be included in other comprehensive income.

(b) Gains or losses arising from the hedging risk exposure of the hedged item should be included in current profit and loss, and the book value of the confirmed hedged item not measured at fair value is adjusted.

(ii) Cash flow hedge

If the cash flow hedges meet the conditions for applying the hedge accounting method, they shall be handled in accordance with the following principles:

(a) The portion of the gains or losses arising from the hedging instrument that are effective for hedging, as a cash flow hedge reserve, should be included in other comprehensive income. The amount of cash flow hedge reserve that is included in other comprehensive income in each period shall be the amount of change in the current cash flow hedge reserve.

(b) The portion of the gains or losses arising from the hedging instrument that are ineffective (i.e., other gains or losses after deducting other comprehensive income) shall be included in current profit and loss.

(iii) Hedges of a net investment in a foreign operation

The hedging of net investments in overseas operations, including the monetary period of accounting for a portion of the net investment, should be handled in accordance with the rules similar to cash flow hedge accounting:

(a) The portion of the gains or losses resulting from the hedging instrument that are effective for the hedge shall be included in other comprehensive income.

When all or part of the overseas operation is disposed of, the above-mentioned gains or losses of the hedging instrument included in other comprehensive income shall be transferred out accordingly and included in the current profits and losses.

(b) The portion of the gains or losses formed by the hedging instrument that are not valid for the hedge shall be included in the current profits and losses.

11. Accounts receivable

The Group and its other subsidiaries implement the original accounts receivable principles, except for the important subsidiary of the Group Electric Shares implements “Accounting Standards for Business Enterprises No.22–Financial instrument recognition and measurement” (Finance and Accounting [2017] No. 7), “Accounting Standards for Business Enterprises No.23–Financial asset transfer” (Finance and Accounting [2017] No. 8) and “Accounting Standards for Business Enterprises No.37–Financial instrument presentation” (Finance and Accounting [2017] No. 14) since January 1, 2018.

11.1. The principles for accounts receivable of the Group and other subsidiaries are as follows:

11.1.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	The amount of account receivable is over CNY 20,000,000.00

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	Being individually tested for impairment, and accrued for bad debts with the amount of book value minus the expected present value of future cash flows.

11.1.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis:

(1) Criteria for determining a portfolio and methods for bad debt provision

Criteria for determining a portfolio

Aging portfolio	Account receivables other than individually tested items and other receivables

Methods for bad debt provision according to portfolios:

Aging portfolio	Aging analysis

(2) General accounts receivable aging analysis:

Categories	Provision (%)
Within 1 year(including 1 year)	0-5.00
1 to 2 years	10.00-20.00
2 to 3 years	20.00-50.00

More than 3 years 50.00-100.00

(3) Warranty

Categories	Provision (%)
Within 3 months(including 3 months)	0.00
3 months - 6 months	10.00
6 months - 9 months	20.00
9 months – 1 year	50.00
More than 1 year	100.00

11.1.3 Accounts receivable that are not individually significant but for which bad debt provision is individually assessed:

Reason for making individual bad debts provision	Whether there are obvious differences between risk of this receivable and risks of other portfolios.
Bad debts provision methods	Being individually tested for impairment, and accrued for bad debts with the amount of book value minus the expected present value of future cash flows.

For note receivables, advanced payment, interest receivables, long-term receivables, and other receivable item, bad debts are accrued according to the difference between expected present value of future cash flows for individual receivables and the carrying value.

11.2. The policies of the Group's important subsidiary Electric Shares on accounts receivable are detailed in "IV. 9 Financial Instruments".

12. Inventories

12.1 Categories of inventory

The Group's inventories mainly include raw material, homemade semi-finished products and work in progress, goods in stock (finished products), turnover materials (packaging, low-value consumption goods, etc.), and others.

12.2 Valuation method for inventory

Inventories are valued at weighted average method or individual valuation method.

12.3 Basis for determining net realizable value and method of determining provision for inventories

On balance sheet date, inventories shall be measured at lower of cost or net realizable value, and the provision for decline in value of inventories shall be made in accordance with the balance of single item cost higher than net realizable value. The net realizable value of the inventories directly used for sale is determined through deducting estimated sales expense and relevant taxes and dues from estimated sale price during normal production and operation. The net realizable value of the inventories to be further processed is determined

through deducting the estimated cost for the further processing, the estimated sales expense and relevant taxes and dues from the estimated sale price of the finished products during normal production and operation. On the balance sheet date, as to the same inventories, some of which have a contract price and some have no contract price, the net realizable value shall be determined separately, and then be compared with the corresponding cost, to determine the provision for decline in value of inventories or the reversed amount.

12.4 Inventory system

The Group adopts perpetual inventory system.

12.5 Amortization method for consumables of low value and packing articles

12.5.1 Consumables of low value

The Group adopts the one-off write-off method

12.5.2 Packing articles

The Group adopts the one-off write-off method

13. Long-term equity investments

13.1 Determination of investment cost

13.1.1 For a business combination under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets, assumption of liabilities or issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidation financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and the face value of equity securities issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

When business combination under common control is achieved by multiple transactions step by step, the initial investment cost of the investment is measured based on the respective carrying amounts of the combined party's owner's equity as recorded in the consolidated statements of final controller at the date of the combination calculated by new shareholding ratio. The difference between the initial investment cost and the book value of the original long-term equity investment plus the book value of the consideration paid for the combination is adjusted to the share premium in capital reserves. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

13.1.2 For business combinations on the purchase date not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be measured at the fair value of consideration of combination at combination date.

13.1.3 The initial investment cost of a long-term equity investment acquired otherwise than through a business combination shall be determined as follows: For a long-term equity acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid; for a long-term equity acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for a long-term equity acquired from the investor, the initial investment cost shall be the value stipulated by the investment contract or agreement (except for when the value stipulated by the contract or agreement is not fair).

13.2 Subsequent measurement and recognition in profit or loss for the current period

Where the Group is able to exercise control over an investor, the long-term equity investment shall be accounted for using the cost method. A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method.

Under the cost method, long-term equity investment is initially recognized at its investment cost. The current investment profit is recognized in accordance with proportional shares of cash dividends or profit distributions declared by the investee, except for cash dividends or profits already declared but not yet paid that are included in the price or consideration paid upon acquisition. Meanwhile, the Group considers whether the long-term equity investment is impaired according to impairment policy.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the period, and the cost of the long-term equity investment shall be adjusted accordingly.

After acquired the long-term equity investment, the Group recognizes its share of the net profit or loss of the investee for the period as investment income or loss for the period and adjust the carrying amount of long-term equity of investments. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to confirm with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. The investee's profit is recognized after adjustment. The Group's share is calculated based on announced distributable profits or cash dividends and correspondingly adjusted to the carrying amount of the long-term equity investment. The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except for those investments that the Group has the obligation to undertake extra losses. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of

the long-term equity investment and recognized in owners' equity.

13.3 Basis for determining joint control and significant influence over investee

According to the contract, the important financial and operational decisions related to the invested entity need to be agreed by the investors sharing the control rights, and it is considered as joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

13.4 Disposal of long-term equity investment

- (1) When the Group still exercises joint control of an investee after partial disposal of equity investment, the difference between the proceeds actually received and carrying amount of corresponding investment disposed shall be charged to profit or loss for the current period.
- (2) When the Group can no longer exercise joint control of an investee due to partial disposal of equity investment or other reasons, the carrying amount of the proceeds actually received and carrying amount of corresponding investment shall be charged to profit or loss for the period. Meanwhile, the remaining equity investment shall be recognized as long-term equity investment or other related financial assets. When the Group still has joint control of or significant influence over the investee with the retained interest, the Group shall change to the equity method in accordance the rules from cost method transferring to equity method.

13.5 Methods of impairment assessment and determining the provision for impairment loss

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the current period.

14. Investment property

- 14.1 Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out and a building that is leased out.
- 14.2 An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.
- 14.3 The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or intangible assets.

14.4 The provision for impairment losses for investment property is consistent with "Impairment of Assets" accounting policy.

15. Fixed assets

15.1 Fixed assets recognition conditions, valuation and depreciation methods

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

Fixed assets are accounted for at the actual cost at the time of acquisition and depreciated using the straight-line method from the next month in which they are ready for their intended use.

15.2 The annual depreciation rate of each category of fixed assets are as follows:

Items	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	10 - 40	0 – 10.00	2.25 – 10.00
Machinery and equipment	5 - 20	0 – 10.00	4.50 – 20.00
Transportation vehicles	5 - 10	0 – 10.00	9.00 – 20.00
Office and electronic equipment	3 - 5	0 – 10.00	18.00 - 33.33
Other equipment	5 - 20	0 – 10.00	4.50 – 20.00

15.3 Impairment test and provision methods of impairment loss for fixed assets

If any sign indicates that impairment is incurred in fixed assets on balance sheet date, the corresponding provision for impairment shall be withdrawn according to the difference between book value and recoverable amount.

15.4 Recognition basis and valuation methods for fixed assets acquired under finance leases

The lease which meets one or more criteria listed below is recognized as finance lease: (1) the lease transfers ownership of the asset to the lessee at the end of the lease term; (2) the lessee has the option to purchase the asset at a price sufficiently below fair value at exercise date, that it is reasonably certain the option will be exercised; (3) the lease term is for a major part of the asset's economic life even if title is not transferred[normally, 75% (inclusive)];(4) present value of minimum lease payments to substantially all of the asset's fair value at inception [90% (inclusive)]; present value of minimum lease receipts to substantially all of the asset's fair value at inception [90% (inclusive)];(5) the leased asset is so specialized that it could only be used by the lessee without major modifications being made.

For the fixed assets under finance lease, the lower of the fair value of leased assets at inception of the lease and the present value of the minimum lease payments shall be recognized as cost and depreciation shall be charged as per the depreciation policies for self-owned fixed assets.

16. Construction in progress

- 16.1 Construction in progress that has reached the expected usable condition will be transferred to fixed assets based on the actual cost. Construction in progress that has reached the expected usable condition but completion settlement has not been carried out shall be transferred to fixed assets as per their assessed value; after completion settlement is officially finished, this provisional estimate value shall be adjusted based on the actual cost but the original depreciation amount will not be adjusted.
- 16.2 If any sign indicates that impairment is incurred in construction in progress on balance sheet date, the corresponding provision for impairment shall be made according to the difference between book value and recoverable amount.

17. Borrowing costs

17.1 Recognition principle of capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Other borrowing costs are recognized as expenses in profit or loss for the period.

17.2 The capitalization period of borrowing costs

17.2.1 The Capitalization of borrowing costs can commence only when all of the following conditions are satisfied: i) Expenditures on the asset have been incurred, ii) Expenditures on borrowings have been incurred; and iii) Construction or production activities to bring the asset to its intended use or usable /salable condition have been commenced.

17.2.2 Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Borrowing costs are recognized as expenses until the acquisition, construction or production of the asset is resumed.

17.2.3 Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale.

17.3 Capitalization amount

When funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less interest income from bank deposits or gain from temporary investments on unused funds. When funds are borrowed under general-purpose borrowings, the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings.. The

capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

18. Intangible assets

18.1 Intangible assets include land use rights (excluding land use rights of investment properties), patents, trademark rights etc. An intangible asset is measured initially at cost.

18.2 The intangible assets with limited useful life shall be systematically and properly amortized based on the expected implementation model of economic benefits relevant to the intangible assets within useful life; the intangible assets whose expected implementation model cannot be reliably determined shall be amortized in straight line method over the following useful lives

Items	Useful life
Land use rights (excluding investment properties)	Operating period or the land use period
Properties use rights	Period of using
Patents	5 - 15 years
Trademark rights	10 years
Non-proprietary technology	10 years
Software licenses	10 years
Concession	10 years
Others	10 years

18.3 The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangibles with infinite useful life and intangibles not yet reached their expected useful conditions are tested for impairment on annual basis regardless of whether there are any indications of impairment.

18.4 Expenditure during the research phase is recognized as an expense in the period in which it is incurred. Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset: (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) The Group has the intention to complete the intangible asset and use or sell it; (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

According to government document Shanghai Economic Enterprise (1997) No.63, idle land use rights is intangible assets with an indefinite useful life and is thus not amortized. The Group reviews the value of idle land use rights at each balance sheet date.

The provision for impairment losses for investment property is consistent with "Impairment of Assets" accounting policy.

19. Goodwill

Goodwill generated from business combination not under common control is the difference where the cost of combination exceeds the fair value of the investee's identifiable net assets (including assets, liabilities and contingent liabilities).

Goodwill shall be recognized as the net of the initial cost and provision for impairment.

Goodwill generated from the investing an associate company or a joint venture company is treated as a component of the investment instead of an identifiable asset.

The provision for impairment losses for goodwill is consistent with "Impairment of Assets" accounting policy.

20. Long-term prepaid expenses

Long-term prepaid expenses are measured at actual cost and amortized over the current and subsequent benefit periods or designated periods. Long-term prepaid expenses not able to benefit subsequent accounting periods are recognized in the current profit and loss, including those not yet amortized on such project.

21. Employee benefits

Employee benefits refer to the various types of remuneration or compensation expect for the share payment paid by the Group in order to obtain services or termination of labor relations. Employee benefits include short-term payroll, post-employment benefits, compensation to employees for termination of employment relationship and other long-term payroll. Benefit provided to the spouse, children, dependents, dependents of deceased employee and other beneficiaries are also included in employee benefits.

21.1 Short-term employee benefits

The Group recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

Employee benefits payable on profit sharing plan are recognized when the following conditions are met:

- i) There's current contractual or deemed obligation of the Group due to past events; and
- ii) The amount of obligations arising from the profit sharing plan can be reliably measured.

If the obligation arising from profit sharing plan is not required to be settled in full within 12 months from the end of the reporting period, relevant regulations on other long-term employee benefits shall apply. The bonus which is taken according to results of operations of the Group and employee contributions belongs to the bonus plans,

processed according to the short-term profit sharing plan.

21.2 Post-employment benefits

21.2.1 Defined contribution plans

The Group shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. Under a defined contribution plan, when contributions are not expected to be settled in full within twelve months from the end of the annual reporting period in which the employees render their related service, the employee benefits payable shall be measured at the discounted value of all contributions using a defined discount rate.

21.2.2 Defined benefit plans

The Group shall attribute benefit obligations under a defined benefit plan to periods of service provided by employees according to the formula determined by projected unit credit method, with a corresponding charge to the profit and loss for the current period or the cost of a relevant asset. When an employee's service in later years will lead to a materially higher level of benefit from the defined benefit plan than in earlier years, the Group shall attribute accumulated defined benefit plan obligation with straight line method to the period from the date when service provided by the employee first leads to Group's benefit obligation under the defined benefit plan to the date when future service provided by the employee will not lead to material increase in defined benefit plan obligation. In determining the period to which the benefit obligation shall attribute, the Group shall not consider the situation in which the material increase in defined benefit plan obligation only as a result of future salary increases.

At the end of reporting period, the Group shall recognize the following components of employee benefit cost arising from defined benefit plan:

- i) Service costs, comprising current service costs, past service costs and any gains and losses on settlement.
- ii) Net interest on the net defined benefit plan assets or liabilities, including interest income on plan assets, interest cost on the defined benefit plan obligation and interest on the effect of the asset ceiling.
- iii) Changes as a result of re-measurements of the defined benefit assets/liabilities.

Unless other accounting standards requires or permits the inclusion of employee benefit costs in the cost of assets, item i) and ii) above should be recognized in profit or loss for the current period; item iii) should be recognized in other comprehensive income.

21.3 Termination benefits

Termination benefits primarily include:

21.3.1 Compensation provided to employees due to the termination of employment relationship before due date of employment contract, whether employees agree with the termination or not.

21.3.2 Compensation provided to employees to encourage them to accept employee curtailment before the due date of employment contract, in which the employees have a choice of either to stay in service or leave.

When termination benefits are provided, the Group recognizes employee benefit liabilities for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- i) The date when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal, or
- ii) The date when the Group recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognized, the Group shall apply the relevant regulations of short-term employee benefits; if the termination benefits are not expected to be settled wholly before 12 months after the end of the reporting period in which the termination benefit is recognized, the Group shall apply the relevant regulations of long-term employee benefits.

21.4 Other long-term employee benefits

If the long-term employee benefits meet the requirement of defined contribution plans, they are expected to be settled under the related regulations of defined contribution plans. The other long-term employee benefits are expected to be settled under the related regulations of defined benefit plans and recognize net liabilities or net assets.

22. Share-based payments and equity instruments

22.1. Classification of share-based payments

The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

22.2. Method of determining the fair value of equity instruments

22.2.1 For equity instruments that have a quoted market price in an active market and whose fair value can be reliably measured, the Group accounts for such equity instruments using the price from active market.

22.2.2 For equity instruments without a quoted market price in an active market and whose fair value can be reliably measured, the value is determined using valuation techniques including referring to price settled between knowledgeable, willing parties in an arm's length in recent market transactions; referring to present fair value of other substantially identical financial instruments; discounted cash flow method; option pricing model and etc.

22.3. Basis for determining the best estimate of vested equity instrument

Vested equity instrument is estimated based on the latest subsequent information such as the movement of the numbers of vested employees.

22.4. Accounting treatment for implementation, modification, termination of share based payment plan

22.4.1 Equity settled share based payment

Equity settled share based payments in exchange of services from employees which are immediately exercisable upon awarded are recorded at fair value of the equity instruments at award date in relevant cost or expenses against capital reserves. Equity settled share based payments in exchange of services from employees which are exercisable upon completion of service periods or attainment of business conditions are valued at each balance sheet date based on best estimate of exercisable number of the equity instruments and fair value of the equity instruments at the award date, and record the services received in relevant cost or expenses against capital reserves.

Equity settled share based payments in exchange of services from other parties are recognized at fair value of the services at the date services are obtained if fair value of the services can be reliably measured. If fair value of the services from other parties cannot be reliably measured but the fair value of the equity instruments can be reliably measured, recognition is based on fair value of the equity instruments at the date services are received into relevant cost or expenses, and owner's equity is increased accordingly.

22.4.2 Cash settled share based payment

Cash settled share based payments in exchange of services from employees which are immediately exercisable upon awarded are recognized at fair value of the liabilities the Group assume at award date in relevant cost or expenses, and the relevant liabilities are recognized. Cash settled share based payments in exchange of services from employees which are exercisable upon completion of service periods or attainment of business conditions are valued at each balance sheet date based on best estimate of exercisable situation and fair value of the liabilities assumed, and record the services received in relevant cost or expenses against liabilities.

22.4.3 Modification and termination of share based payment plan

When fair value of the awarded equity instruments are increased, the Group recognizes increase in services received according to the increase in fair value of the equity instruments. When number of the awarded equity instruments is increased, the Group recognizes increase in services received according to increase in fair value of the equity instruments. When conditions to exercise are changed in favor of employees, the changes in conditions are taken into consideration in handling such conditions to exercise.

When fair value of the awarded equity instruments are decreased, the Group continues to recognize the fair value of the equity instruments at award date as service received without consideration of decrease in fair value of the equity instruments. When number of the awarded equity instruments is decreased, the Group records the decreased part as cancellation of awarded equity instruments. When conditions to exercise are unfavorable to the employees, the changes in conditions are not taken into consideration in handling such conditions to

exercise.

When the Group cancelled or settled awarded equity instruments during service periods except for those cancelled due to failure to satisfy conditions to exercise, the cancellation or settlement is recorded as expedite of option and the amounts to be recognized in remaining service periods are recognized immediately.

23. Bond payable

Bond payable is initially measured at fair value, which is the money received (fair value of consideration received) net of any transaction expenses. Bonds payable is subsequently measured at amortized cost. The difference between the net amount of borrowed fund and the amount due for repayment shall be amortized during the borrowing period using effective interest method. The amortization charge shall be recognized in profit or loss for the current period.

24. Estimated liabilities

- 24.1. If the obligations pertinent to contingencies such as external security, arbitration, product warranty and onerous contract become the current obligations of the Group, the performance of the obligations is likely to result in the outflow of economic benefits from the Group, and the amount of the obligations can be measured reliably, the obligations are recognized as estimated liabilities by the Group.
- 24.2. The Group initially measures the estimated liabilities based on the best estimate required to be paid when performing relevant current obligations, and reviews the book value of the estimated liabilities on the balance sheet date.

25. Revenue

The Group and its other subsidiaries implement the original accounts receivable principles, except for the important subsidiary of the Group Electric Shares implements "Accounting Standards for Business Enterprises No.14–Revenue" (Finance and Accounting [2017] No. 22) since January 1, 2018.

- 25.1. The principles for revenue of the Group and other subsidiaries are as follows:

25.1.1 Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

25.1.2 Rendering of labor service

When the outcome of a transaction concerning rendering of labor service can be reliably estimated on balance

sheet date (the following conditions are met: the amount of the revenue can be measured in a reliable way; relevant economic benefits may flow to the Group; the completion schedule of transaction can be confirmed reliably; the costs incurred or to be incurred during the transaction can be measured in a reliable way), relevant revenue from rendering of labor service is recognized via percentage of completion method, and the completion schedule of transaction is determined based on the percentage of service rendered to the total service rendered or costs incurred to the total estimated costs. When the outcome of a transaction concerning rendering of labor service cannot be reliably estimated, if the incurred labor service cost can be compensated, the revenue from rendering of labor force shall be recognized based on the amount of the incurred labor service cost, and the cost shall be carried forward in the same amount. If the incurred labor service cost cannot be compensated, the incurred labor service cost shall be charged to current profits and losses, and the revenue shall not be recognized.

25.1.3 Revenue from alienating of right to use assets

Revenue from alienating of right to use assets is recognized when the economic benefit will probably flow into the Group and the revenue can be measured reliably. Revenue of interest is recognized by the time and actual interest of the assets that have been used. Revenue of charge for use shall be confirmed by the agreed time and methods in the contract.

25.2. The principle for income of Electric Shares, the important subsidiary of the Group, are as follows:

When the customer obtains control of the relevant goods or services, Electric Shares will recognize the revenue with the amount that they are expected to receive.

25.2.1 Revenue from sale of goods

Revenue is recognized when Electric Shares fulfills its performance obligations in the contract, that is, when the customer obtains control of the relevant goods.

25.2.2 Revenue from rendering of labor service

Revenue from labor services provided by Electric Shares is recognized on the termination date of service.

25.2.3 Revenue from construction contracts

Electric Shares provides engineering services externally, and revenue is recognized within a certain period of time according to the progress of the completed labor services. The progress of the completed labor services is determined according to the proportion of the incurred costs to the estimated total cost. On the balance sheet date, Electric Shares re-estimate the progress of the completed services to enable them to reflect changes in compliance.

When Electric Shares confirms the revenue according to the progress of the completed labor service, the part that Electric Shares has obtained the unconditional collection right is recognized as the accounts receivable, and the rest is recognized as contract assets, and provision for accounts receivable and contract assets is determined based on the expected credit loss. If the contract price Electric Shares received or receivable

exceeds the completed labor, the excess is recognized as a contract liability. Electric Shares presents on a net basis for contractual assets and contractual liabilities under the same contract.

Contract costs include contract performance costs and contract acquisition costs. The cost incurred by Electric Shares for the provision of engineering services is recognized as the contractual performance cost, and when the revenue is recognized, it is carried forward to the cost of the main business in accordance with the progress of the completed labor. The incremental cost incurred by Electric Shares for the acquisition of the engineering labor contract is recognized as the contract acquisition cost. For the contract acquisition cost with amortization period not exceeding one year, it is included in current profit and loss when incurred; for the contract acquisition cost with amortization period over one year, Electric Shares amortizes on the same basis as the recognition of engineering labor income under relevant contract in profit and loss. If the book value of the contract cost is higher than the remaining price offer expected to be obtained of the service minus the estimated cost to be incurred, Electric Shares accounts for provision for impairment on the excess part and recognizes asset impairment losses. On the balance sheet date, for the contract performance cost based on whether the amortization period at the time of initial recognition exceeds one year, the net amount after deducting the provision for impairment of related assets is presented as inventory and other non-current assets by Electric Shares; The cost of contract acquisition with amortization period over one year at initial recognition is deducted from the net amount of impairment provision for related assets and is presented as other non-current assets.

25.2.4 Interest income

Interest income is determined by the actual interest rate based on the time when the other party uses the currency of the electric shares.

25.2.5 Lease income

Lease income generated from operating leases is recognized on the straight-line method over the period of the lease term. Contingent lease income are recognized in current profit or loss when incurred

26. Construction contracts

The Group and its other subsidiaries implement the original construction contracts principles, except for the important subsidiary of the Group Electric Shares implements “Accounting Standards for Business Enterprises No.14–Revenue” (Finance and Accounting [2017] No. 22) since January 1, 2018.

26.1. The principles for construction contracts of the Group and other subsidiaries are as follows:

26.1.1 If the outcome of a construction contract can be estimated in a reliable way on the balance sheet date, the contract revenue and contract costs shall be recognized in light of the percentage-of-completion method. If the outcome of a construction contract cannot be estimated in a reliable way on the balance sheet date, it shall be treated in accordance with the circumstances as follows, respectively: (1) If the contract costs can be recovered, the contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be recognized as contract expenses in the current period they are incurred; and (2)

If the contract costs cannot be recovered, these costs shall be recognized as contract expenses immediately when incurred and no contract revenue shall be recognized.

26.1.2 The fact that the result of fixed price contract can be reliably measured means that 1) Total contract income can be reliably measured; 2) Contract related economic benefit may flow into the Group; 3) Actual contract cost can be clearly distinguished and reliably measured; 4) Completion process of contract and cost needed for completing the contract can be reliably recognized. The fact that the result of cost plus contract can be reliably measured means that: 1) Contract related economic benefit may flow into the Group; 2) Actual contract cost can be clearly distinguished and reliably measured.

26.1.3 The Group recognizes contract process as per the followings: percentage of accumulated actual contract cost in estimated total cost of contract; percentage of completed contract workload in estimated total workload of contract; process actually measured.

26.1.4 If the total estimated contract costs exceed the total estimated contract revenue on the balance sheet date, the estimated loss shall be recognized as the current expenses. For the construction contract under implementation, the inventory falling price reserves shall be withdrawn at its difference. For the onerous contract to be executed, the estimated liabilities shall be recognized at its difference.

26.2. The principles for construction contracts of Electric Shares, important subsidiary of the Group, are detailed in "IV.25 Revenue".

27. Government grants

27.1. Government grants include asset-related government grants and income-related government grants.

27.2. If the government grant is monetary asset, it is recorded at the amount received or receivable. If the government grant is non-monetary asset, it shall be measured at the fair value; if the fair value cannot be obtained, then it shall be measured at nominal amount.

27.3. When gross method is adopted

(1) The government grants related to assets shall be recognized as deferred incomes; and shall be evenly allocated into the profits and losses during useful life of related assets. If the related assets are sold, transferred, scrapped or damaged before the end of life of the assets, the balance of the relevant deferred incomes that have not been allocated shall be transferred to the current profits and losses of asset disposal.

(2) The government grants related to income shall be recognized as deferred incomes for compensation of future related expenses or loss and recognized in current profits and losses after related expenses are identified; if compensation of related expenses or losses already incurred, they shall be directly recognized in the current profits and losses.

27.4. For government grants both related to assets and income, they shall be treated as different accounting treatments. The whole will be classified as government grants related to income if cannot be

distinguished.

27.5. Government grants related to daily operating activities will be calculated into other incomes or write down related cost in accordance with the business nature.

27.6. Two accounting treatments for policy concessional loan discount allocated by Ministry of Financial to loan bank and to the Group respectively.

(1) If the financial discount funds are paid to the loan bank, and the bank provides loans at policy preferential interest rates, the Group chooses following accounting treatments: The actual money of loan received is recorded as the value of borrowing. The borrowing cost is calculated based on principal and the preferential interest rate of the policy.

(2) If the financial discount funds are paid directly to the Group, the Group shall reduce the related borrowing costs.

28. Deferred tax assets and deferred tax liabilities

28.1. For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method based on the tax rate applicable to the period when the assets are expected to be realized or the liabilities are expected to be settled.

28.2. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. At the balance sheet date, if solid evidences suggest that it is probable that future taxable income can be obtained to realize deductible temporary differences, deferred tax assets not recognized in prior accounting periods are recognized.

28.3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be generated in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

28.4. Current and deferred tax expenses or income are recognized in profit or loss for the period, except for those arise from business combinations and those transactions or events directly recognized in owner's equity.

29. Leases

29.1. Operating leases

When the Group is the lessee, operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

When the Group is the lessor, the rents shall be recognized as current profits and losses as per the straight-line method at each period within the lease term. The incurred initial direct expenses shall be directly charged to current profits and losses except those with large amount shall be capitalized and be charged to profits and losses. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

29.2. Finance leases

When the Group is the lessee, at the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Direct costs that are directly attributable to the leased item incurred during the inception period of lease are added to the amount recognized for the leased asset. Finance charge is recognized during lease period under the actual interest method.

When the Group is the lessor, on the commencement date of the lease term, the Group shall recognize the sum of the minimum lease receipts on the lease commencement date and the initial direct expenses as the entry value of the finance lease receivables, and record the unguaranteed residual value at the same time; the balance between the sums of the minimum lease receipts, the initial direct expenses and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The current financing income shall be calculated and recognized as per the effective interest method at each period within the lease term.

30. Profit distribution

Net profit realized in current period, plus previous undistributed profit (or minus previous undistributed deficit) and other changeover in, is the distributable profit. Distributable profit is distributed in the following order:

- (1) Extracting statutory surplus reserve fund legal surplus (the foreign capital enterprise reserve fund), the proportion is 10% of retained profits;
- (2) Extracting voluntary random surplus (the foreign capital enterprise development fund), the proportion is formulated by general manager office.

After balance sheet date, profit and dividend to be distributed as in a profit distribution plan and been approved

and announced shall not be recognized as a liability on the balance sheet date. However, it shall be disclosure separately in the notes of the financial statement. Cash dividends are recognized as liability in the period of approval by the general meeting of shareholders.

31. Impairment of Assets

The accounting policy is applicable to the impairment of i) long-term equity investment to subsidiaries, associates and joint venture; ii) investment properties subsequently measured using cost method; iii) fixed assets; iv) biology assets; v) intangible assets; vi) goodwill; vii) equity of proven oil and gas mines and assets such as wells and relevant facilities etc.

The Group undertakes impairment test on goodwill arising from business combination and intangible assets with an infinite useful life no matter whether there is any indication of impairment. If there is any indication of impairment of other assets, an impairment test is undertaken. If the recoverable amount of an individual asset is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Recoverable amount is the higher of an asset's net selling price and value in use. Net selling price refers to the price in an arm's length transaction of the sale of the assets between the parties voluntarily, net the disposal cost. Value-in-use is the net present value of expected future cash flows that an asset generates from continuous use and disposal. Expected future cash flows of an asset shall be determined by estimating the future cash inflows to be derived from continuing use of the asset, essential cash outflows to reach the condition for use and cash inflow of ultimate disposal. Expected future cash flows are generally discounted by required rate of return (before tax) on acquisition or investment. The cash flows do not exceed five years unless it can be proved that a longer period is reasonable (with a contract or special policies)

For the purpose of impairment testing, goodwill is considered together with the related assets portfolio(s). Goodwill is reasonably allocated according to fair value (carrying amount if not applicable) of related assets portfolio(s)' proportion in fair value (or carrying amount) of the combination of the related assets portfolio(s).

For the purpose of impairment testing, an individual asset (including all assets expect assets valued at fair value) is considered together with the related assets portfolio(s). The impairment loss of the assets portfolio is first to reduce the carrying amount of goodwill allocated to the assets portfolio, and then to reduce the carrying amount of other assets in the assets portfolio based on their proportion, except for an individual asset that is proved not impaired after testing. Each asset's carrying amount after deduction shall not be below the highest of the net fair value of the asset net the disposal cost (if measurable), the present value of expected future cash flows (if measurable), and zero.

Once the impairment is recognized, it is not be reversed in any subsequent period.

32. Exchange of non-monetary assets

Exchange of non-monetary assets is the exchange of non-monetary assets such as inventories, fixed assets, intangible assets and long-term equity investments between parties to the transaction. The amount of premium monetary assets (mainly include cash, bank deposits, accounts receivable, notes receivable and held-to-maturity debt securities, etc.) related to the transaction shall be less than 25% (not included) of the fair value of the assets received.

If an exchange of non-monetary assets has commercial substance and the fair value of either the asset received or the asset given up can be reliably measured, the cost of the asset received is measured at the fair value of the asset given up plus payable tax costs and premium minus received premium. Commercial substance means that there is significant difference between the risks, life time and amount of future cash flows of the assets received and given up, or that the present value of expected future cash flows is different and the difference is significant compared to the fair value of the assets received and given up. The difference between the fair value and carrying amount of the assets given up is recognized in profit or loss for the period. If the assets given up are inventories, the transaction is sales in substance and shall be accounted as sales. If the assets given up are fixed assets or intangible assets, the difference between the fair value and carrying amount of the assets given up is recognized in profit or loss for the period as non-operating income or non-operating expense. If the assets given up are long-term equity investments, the difference between the fair value and carrying amount of the assets given up is recognized in investment income

If there is conclusive evidence that the fair value of the asset received is more reliable, the cost of the asset received is measured based on the fair value of the asset received.

Exchange of non-monetary assets between related parties shall be paid attention to the substance of the transaction whether it's commercial. Initial cost of exchange of non-monetary assets not commercial in substance is measured at the fair value of the asset given up and related tax costs payable. No gain or loss is recognized.

Where several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

33. Debt restructuring

Debt restructuring refers to an event under the situation of financial difficulties of the debtor, the creditor to make concessions in accordance with the agreement reached by the debtor or the court. Debt restructuring mainly includes pay off the debts with assets, debt-to-equity swap, and modification of other terms of a debt (reduce principal, reduce interest, etc.).

As the debtor, when a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognized in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognized in profit or loss (non-operation income or loss) for the current period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognized in capital reserves as share premium.

As the creditor, when a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt receivable and the cash received is recognized in profit or loss (non-operation income or loss) for the current period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognized in profit or loss for the period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest in the debtor received is recognized in profit or loss for the period. If a provision has been made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognized in profit or loss for the period. Non-cash assets received by the creditor are measured at fair value; share capital entitled by the creditor is measured at fair value as the investment to the debtor.

34. Held for sale

The Group will classify its components (or non-current assets) that meet the following conditions as assets held for sale: (1)According to the practice of asset sales or disposal group in similar transactions, it can be sold immediately under the current situation; (2) The sale is very likely to happen, a plan for sale already determined and confirmed purchase commitments obtained,(confirmed purchase commitment, refers to a legally binding purchase agreement, signed between the Group and other parties, including the transaction price, time, severe penalty for breach of contract, and other important terms, which enables minimal possibility for significant adjustment or cancellation.), which is expected to be completed within one year. Approval of the relevant authority or regulatory authorities has been obtained in accordance with the relevant provisions.

The Group adjusts the estimated net residual value of the assets available for sale, to reflect the net value of fair value subtracting selling costs (but not exceeding its original book value of the asset held for sale).The difference between higher book value and estimated net residual value, will be entitled as the impairment loss of assets into the current period of gains and losses, and the provision for impairment of assets held for sale as well. For the amount of assets impairment loss confirmed by the disposal group that is available for sale, the

book value of goodwill in the disposal group shall be deducted first, and then the book value shall be deducted in proportion to the book value of the non-current assets stipulated in the measurement guidelines in the disposition group.

For the net values of which fair value of non-current asset held for sale in the subsequent balances sheet dates less selling costs increases, the previously impaired amount shall be recovered. And the amount shall be reversed into the impairment loss determined after being classified as held for sale, recorded into profit and loss of the current period. Impairment loss identified before classified as held for sale shall not be reversed. For the net values of which fair value of disposal group held for sale in the subsequent balance sheet dates less selling costs increases, the previously impaired amount shall be recovered. And the amount shall be reversed into the determined impairment loss, which is applicable to the provisions of this standard after being classified as held for sale. The reversal amount shall be recorded into profit and loss of the current period. The deducted book value of goodwill, and impairment loss of the non-current assets, applicable to the provisions of this standard before being classified as held for sale, shall not be reversed. The subsequent reversal amount from the determined impairment loss of held for sale disposal group should increase its book value, except goodwill, proportionally in accordance with the portion of book values of the non-current assets that are applicable to the provisions of the standard.

For those companies that lose control of its subsidiaries due to reasons such as sale of subsidiary investments, the Group should divide the subsidiary, as a whole, into the category of held for sale in the individual financial statements of the parent company; all assets and liabilities of the subsidiary should be divided into the category of held for sale in the consolidated financial statements, regardless of whether the Group retain a portion of equity investment after the sale, while drafting out the conditions when the subsidiary for sale is classified as held for sale.

35. Discontinued operations

Discontinued operations is a component that can meet one of the following conditions and be independently distinguished, and has been disposed of or classified as held for sale:

- 1) This component represents an independent major business or a separate major operating area;
- 2) This component is part of a related plan to dispose an independent major business or a separate major operating area;
- 3) This component is a subsidiary that is specially for resale.

The Group shall separately indicate the profits and losses of the continuous operation and discontinued operations in the income statement. For the non-current assets or disposal groups that are not in conformity with the definition of discontinued operation, the impairment loss and transferred amount, as well as the disposal profits and losses shall be reported as a continuous operating profit or loss. The impairment loss of discontinued operation and operating profit and loss as transferred amount, as well as loss disposal, shall be reported as

profit and loss from discontinued operations.

36. Fair value measurement

- 36.1 When measuring the asset or liability at fair values. The Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The objective of using a valuation technique is to estimate the price to sell the asset or to transfer the liability in an orderly transaction between market participants at the measurement date under current market conditions.
- 36.2 Valuation techniques used by the Group to measure the asset or liability at fair value mainly include the market approach, the income approach and the cost approach. The Group shall use valuation techniques consistent with one or more of those approaches are used to measure fair value. If multiple valuation techniques are used to measure fair value, the Group shall consider the reasonableness of these valuation results, and select the amount that is the most representative of fair value in the circumstances as the fair value.
- 36.3 Once the valuation technique used to measure fair value is determined, it shall not be changed arbitrarily. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances, which include but not limited to the following:
- a) New markets develop;
 - b) New information becomes available;
 - c) Information previously used is no longer available;
 - d) Improvement of valuation techniques; or
 - e) Market conditions change.

Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate.

- 36.4 The Group shall categorize the inputs to measure fair value into three levels, use Level 1 inputs first, then Level 2 inputs, finally use Level 3 inputs.

Level-1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Group can access at the measurement date. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level-3 inputs are unobservable inputs for the asset or liability.

36.5 When measuring a liability at fair value, the Group shall assume that the liability is transferred to a market participant at the measurement date, the liability would remain outstanding and the market participant transferee would be required to fulfill the obligation.

36.6 When measuring its own equity instrument at fair value, the Group shall assume that its own equity instrument is transferred to a market participant at the measurement date, such instrument would remain outstanding and the market participant would take on the rights and responsibilities associated with the instrument.

37. Segment information

The Group determines the operating segment on the basis of internal organizational structure, management requirements and internal reporting system and determines the reporting segment based on the operating segment and discloses the segment information.

A operating segment is a part of the Group that meets the following conditions at the same time: (a) the segment can generate income and cost in the daily activities; (b) the management of the Group can periodically evaluate the operating results of the segment in order to decide to allocate resources to it and evaluate its performance; (c) the Group can obtain the accounting information of the segment including financial position, the results of operations and cash flows. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

V. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

1. Changes on Accounting Policies

1.1. Implementation of "Notice of the Ministry of Finance on Revising the Format of the 2018 Annual General Enterprise Financial Statements"

The group implemented "Notice of the Ministry of Finance on Revising the Format of the 2018 Annual General Enterprise Financial Statements" (Caikuai [2018] No. 15) from 1 January 2018. The impact of the change in accounting policy is as follows:

No.	Applicable changes stipulated in the Regulation	Accounting period	Financial Statement items	Before implementation	Affected amount	After implementation
1	Combine "Notes receivable" and "Accounts receivable" as "Notes receivable and Accounts receivable";	31 December 2018	Notes receivable and Accounts receivable		30,044,734,232.23	30,044,734,232.23
		1 January 2018	Notes receivable	8,066,776,078.90	-8,066,776,078.90	
			Accounts receivable	21,977,958,153.33	-21,977,958,153.33	
		1 January 2018	Notes receivable and Accounts receivable		34,631,099,878.82	34,631,099,878.82
			Notes receivable	12,298,502,804.79	-12,298,502,804.79	
			Accounts receivable	22,332,597,074.03	-22,332,597,074.03	
			Notes receivable and Accounts receivable		44,026,738,878.82	44,026,738,878.82
			Notes receivable	13,015,356,804.79	-13,015,356,804.79	
			Accounts receivable	31,011,382,074.03	-31,011,382,074.03	
			Other receivables	5,224,622,992.48	386,081,836.73	5,610,704,829.21
2	Incorporates "Interests receivable" and "Dividends receivable" into "Other receivables";	31 December 2018	Dividends receivable	272,087,000.00	-272,087,000.00	
		1 January 2018	Interests receivable	113,994,836.73	-113,994,836.73	
			Other receivables	2,079,814,660.06	128,551,439.79	2,208,366,099.85
			Dividends receivable	81,460,000.00	-81,460,000.00	
			Interests receivable	47,091,439.79	-47,091,439.79	
		31 December 2017	Other receivables	2,079,814,660.06	128,551,439.79	2,208,366,099.85
			Dividends receivable	81,460,000.00	-81,460,000.00	
			Interests receivable	47,091,439.79	-47,091,439.79	
			Fixed assets	20,445,273,877.72		20,445,273,877.72
			Fixed assets disposal			
3	Incorporates "Fixed assets disposal" into "Fixed assets"	1 January 2018	Fixed assets	20,366,239,703.89		20,366,239,703.89
		31 December 2017	Fixed assets disposal			
			Fixed assets	20,366,239,703.89		20,366,239,703.89
			Fixed assets disposal			
4	Incorporates "Engineering materials" into "Construction in progress"	31 December 2018	Construction in progress	2,228,261,004.48		2,228,261,004.48
		1 January 2018	Engineering materials			
			Construction in progress	2,953,138,257.95		2,953,138,257.95

No.	Applicable changes stipulated in the Regulation	Accounting period	Financial Statement items	Before implementation	Affected amount	After implementation
5	Combine "Notes payable" and "Accounts payable" as "Notes payable and Accounts payable"	31 December 2017	Engineering materials			
			Construction in progress	2,953,138,257.95		2,953,138,257.95
		31 December 2018	Engineering materials			
			Notes payable and Accounts payable		51,540,705,705.35	51,540,705,705.35
		1 January 2018	Notes payable	8,948,533,169.79	-8,948,533,169.79	
			Accounts payable	42,592,172,535.56	-42,592,172,535.56	
		31 December 2017	Notes payable and Accounts payable		46,879,226,415.17	46,879,226,415.17
			Notes payable	9,388,507,058.82	-9,388,507,058.82	
		31 December 2017	Accounts payable	37,490,719,356.35	-37,490,719,356.35	
			Notes payable and Accounts payable		46,879,226,415.17	46,879,226,415.17
6	Incorporates "Interests payable" and "Dividends payable" into "Other payables"	31 December 2018	Other payables	11,830,927,633.26	803,125,819.50	12,634,053,452.76
			Dividends payable	506,898,382.15	-506,898,382.15	
		1 January 2018	Interests payable	296,227,437.35	-296,227,437.35	
			Other payables	9,621,853,465.17	859,634,205.81	10,481,487,670.98
		31 December 2017	Dividends payable	418,752,611.77	-418,752,611.77	
			Interests payable	440,881,594.04	-440,881,594.04	
		31 December 2017	Other payables	9,621,853,465.17	859,634,205.81	10,481,487,670.98
			Dividends payable	418,752,611.77	-418,752,611.77	
		31 December 2017	Interests payable	440,881,594.04	-440,881,594.04	
			Long-term payables	2,661,946,061.86	174,519,468.42	2,836,465,530.28
7	Incorporates "Special payables" into "Long-term payables"	31 December 2018	Special payables	174,519,468.42	-174,519,468.42	
			Long-term payables	3,422,670,134.58	414,297,538.90	3,836,967,673.48
		1 January 2018	Special payables	414,297,538.90	-414,297,538.90	
			Long-term payables	3,422,670,134.58	414,297,538.90	3,836,967,673.48
		31 December 2017	Special payables	414,297,538.90	-414,297,538.90	
8	Adds "Research and development expenses" item to the income statement, and adjusts retrospectively	Year 2018	Research and development expenses		4,211,924,398.21	4,211,924,398.21
			General & administrative expenses	11,973,129,613.16	-4,211,924,398.21	7,761,205,214.95
		Year 2017	Research and		3,406,796,204.79	3,406,796,204.79

No.	Applicable changes stipulated in the Regulation	Accounting period	Financial Statement items	Before implementation	Affected amount	After implementation
9	Adds "Gains from asset disposal" item to income statement and adjusts retrospectively	Year 2018	development expenses			
			General & administrative expenses	11,714,813,954.43	-3,406,796,204.79	8,308,017,749.64
			Gains from asset disposal		597,593,988.94	597,593,988.94
			Non-operating income	973,334,858.99	-622,263,280.31	351,071,578.68
		Year 2017	Non-operating expenses	138,076,231.20	-24,669,291.37	113,406,939.83
			Gains from asset disposal		438,049,904.83	438,049,904.83
			Non-operating income	1,130,701,926.47	-586,542,469.49	544,159,456.98
			Non-operating expenses	361,048,897.90	-148,492,564.66	212,556,333.24

1.2. Implementation of "ASBE #22 –Financial Instruments: Recognition and Measurement", "ASBE #23 –Transfer of Financial Assets", "ASBE #24 –Hedging" and "ASBE #37 –Financial Instruments: Presentation and Disclosures".

From 1 January 2018, Shanghai Electric Group Co. Ltd., which is the important subsidiary of the group, adopted "Accounting Standard for Business Enterprises No.22 –Financial Instruments: Recognition and Measurement" (Caikuai [2017] No. 7), "Accounting Standard for Business Enterprises No.23 –Transfer of Financial Assets" (Caikuai [2017] No. 8), "Accounting Standard for Business Enterprises No.24 –Hedging" (Caikuai [2017] No. 9) and "Accounting Standard for Business Enterprises No.37 –Financial Instruments: Presentation and Disclosures" (Caikuai [2017] No. 14). Based on the business mode and contractual cash flow pattern of financial instruments management, from 1 January 2018, Shanghai Electric Group Co. Ltd reclassified as four categories- financial assets calculated at fair value with their variance recorded into current profits and losses, held to maturity investments, loans and accounts receivable, available for sale financial assets are reclassified to financial assets calculated at amortized cost, financial assets calculated at fair value with their variance recorded into other comprehensive income and financial assets calculated at fair value with their variance recorded into current profits and losses, retained earnings at the beginning of the year is adjusted for the number of profit and loss impacts during the conversion process. The impact of the change in accounting policy is as follows:

No	Applicable changes stipulated in the Regulation	Financial Statement items	Before implementation	1 January 2018 Affected amount	After implementation
1	Reclassify bond investment, negotiable certificate of deposit and other financial instrument calculated at fair value with their variance recorded into other comprehensive income under old financial instrument standard to other debt investment	Other debt investments		8,178,643,000.00	8,178,643,000.00
		Available for sale financial assets	23,038,985,029.20	-8,178,643,000.00	14,860,342,029.20
		Financial assets held for trading	518,550,000.00	1,306,600,000.00	1,825,150,000.00
		Other non-current financial assets		2,285,230,000.00	2,285,230,000.00
2	Reclassify equity instrument calculated at fair value with their variance recorded into other comprehensive income under old financial instrument standard to financial assets held for trading	Available for sale financial assets	17,386,506,029.20	-2,526,164,000.00	14,860,342,029.20
		Minority shareholders' interest	42,184,206,813.90	256,313,266.81	42,440,520,080.71
		Other comprehensive income	5,905,945,123.10	-1,498,453.51	5,904,446,669.59
		Deferred tax liabilities	2,472,434,023.46	340,535,000.00	2,812,969,023.46
3	Reclassify other debt investment calculated at amortized cost under old financial instrument standard to financial assets calculated at fair value with their variance recorded into other comprehensive income	Retained earnings	6,568,445,157.80	470,316,186.70	7,038,761,344.50
		Other current assets	3,237,830,989.12	716,854,000.00	3,954,684,989.12
		Notes receivable and Accounts receivable	35,347,953,878.82	-716,854,000.00	34,631,099,878.82
		Financial assets held for trading	1,306,600,000.00	518,550,000.00	1,825,150,000.00
4	Reclassify financial assets calculated at fair value with their variance recorded into current profits and losses under old financial instrument standard to financial assets held for	Financial assets calculated at fair value with their variance recorded into	518,550,000.00	-518,550,000.00	

No	Applicable changes stipulated in the Regulation	Financial Statement items	Before implementation	1 January 2018 Affected amount	After implementation
	trading	current profits and losses			

From 1 January 2018, accounting of impairment of financial asset is adjusted from “actual occurred impairment method” to “anticipated impairment method” in order to reflect the impairment of financial assets in a more timely and accurate manner. The impact of the change in accounting policy is as follows:

Applicable changes stipulated in the Regulation	Financial Statement items	Before implementation	1 January 2018 Influence number	After implementation
Accounting of impairment of financial asset is adjusted from “objective evidence of impairment method” to “anticipated impairment method”	Notes receivable and Accounts receivable	34,803,857,878.82	-172,758,000.00	34,631,099,878.82
	Contractual assets	15,100,575,000.00	-217,065,000.00	14,883,510,000.00
	Long-term receivables	6,876,898,000.00	-67,549,000.00	6,809,349,000.00
	Deferred income tax assets	6,197,852,832.48	183,119,000.00	6,380,971,832.48
	Minority shareholders' interest	42,547,780,429.01	-107,260,348.30	42,440,520,080.71
	Retained earnings	834,524,841.47	-166,992,651.70	667,532,189.77

Implementation of “ASBE #14 –Revenue”

From 1 January 2018, Shanghai Electric Group Co. Ltd., which is the important subsidiary of the group, adopted “Accounting Standard for Business Enterprises No.14 –Revenue” (Caikuai [2017] No. 22). Based on the accumulated influence number, adjust retained earnings of the beginning of the year and other related financial statement items. The comparable interval information is not adjusted. The impact of the change in accounting policy is as follows:

Applicable changes stipulated in the Regulation	Financial Statement items	Before implementation	1 January 2018 Influence number	After implementation
Due to the implementation of “ASBE #14 –Revenue”, Shanghai Electric Group Co. Ltd. reclassified accounts receivable, long-term receivable and inventories related to construction service which are not satisfied unconditional right of collection condition to contractual assets and other non-current assets.	Contractual assets		15,100,575,000.00	15,100,575,000.00
	Inventories	37,448,107,398.28	-6,610,578,000.00	30,837,529,398.28
	Notes receivable and Accounts receivable	43,137,126,878.82	-8,506,027,000.00	34,631,099,878.82
	Long-term receivables	8,688,422,000.00	-1,879,073,000.00	6,809,349,000.00
	Other non-current assets	2,014,403,500.00	1,895,103,000.00	3,909,506,500.00

Applicable changes stipulated in the Regulation	Financial Statement items	Before implementation	1 January 2018	
			Influence number	After implementation
Reclassified prepayments related to sale and provide service to contractual liabilities.	Contractual liabilities		43,650,082,000.00	43,650,082,000.00
	Receipts in advance	44,601,116,615.59	-43,650,082,000.00	951,034,615.59

2. Changes in Accounting Estimates

There is no change in accounting estimates in the reporting period.

3. Corrections of Significant Prior Errors

There is no correction of significant prior errors in the reporting period.

VI. TAXATION

Categories of tax	Tax base	Tax rate	Benchmark rate / tax incentives and related approvals
VAT	Commodity sales revenue; Rent revenue, Service revenue	17%, 16%, 13%, 11%, 10%, 6%, 5%	Benchmark rate
City maintenance and construction tax	Business tax and VAT	7%, 5%, 1%	Benchmark rate
Education surcharge	VAT	5%, 3%	Benchmark rate
River maintenance tax	VAT	1%	Benchmark rate
Property tax	Self-use:property residual value; Rental:rent revenue	1.2%, 12%	Benchmark rate
Land use tax	Taxable area of land	3\6\12\20 CNY/m ²	Land tax
Income tax	Taxable income	25%, 15%	Note 1

Note 1: Preferential income tax rates applicable to the companies are as follows:

Full name of the companies	Subsidiary level	Applicable income tax rate	Preferential tax basis
Shanghai Electric Group Shanghai Motor Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Boiler Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Wind Power Group Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Machine Tool Works Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Centrifugal Machinery Research Institute Co., Ltd	3	15.00%	High tech Enterprise
Shanghai Electrical Automation Design And Research Institute Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Institute Of Mechanical & Electrical Engineering Co., Ltd.	3	15.00%	High tech Enterprise

Full name of the companies	Subsidiary level	Applicable income tax rate	Preferential tax basis
Shanghai electric power station equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Nuclear Power Equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric KSB Nuclear Pump Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric heavy casting & forging Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric -SPX Engineering & Technologies Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Blower Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Fuel Injection Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Environment Protection Complete Engineering Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric speke engineering technology Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai first machine tool factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric power station environmental protection engineering Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Highly Electrical Appliance Co. Ltd.	3	15.00%	High tech Enterprise
Hangzhou Fusheng electrical Co. Ltd	3	15.00%	High tech Enterprise
Anhui Highly Precision Casting Co., Ltd.	3	15.00%	High tech Enterprise
Nanchang Highly Electrical Appliances Co., Ltd.	3	15.00%	High tech Enterprise
Sichuan Fusheng electrical Co. Ltd	4	15.00%	High tech Enterprise
	3	15.00%	Projects listed as encouraged by the state
Highly(mianyang) electrical appliances Co., Ltd.			
Shanghai electric valve Co., Ltd.	2	15.00%	High tech Enterprise
Shanghai Highly Special Refrigeration Equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Thales Transportation Automation System Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Automation Instrumentation Co., Ltd.	2	15.00%	High tech Enterprise

VII. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiaries included in Group's scope of consolidation

No.	Full name of the subsidiary	Sub. Level	Type of subsidiary	Registration place	Principal place of business	Business nature	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition method
1	Shanghai Machine Tool (Group) Co. Ltd.	2	1	No. 218 Fengxian Road, Jinan District	Shanghai	Manufacturing industry	32,795.63	100	100	28,963.15	1
2	Pacific mechatronic (Group) Co. Ltd.	2	1	No. 554 Kaixuan Road	Shanghai	Manufacturing industry	170,414.00	100	100	70,414.00	4
3	Shanghai Electric Enterprise Development Co. Ltd.	2	1	Room 1201, 1346 Gonghexin Rd., Zhabei District	Shanghai	Management consulting	41,694.16	100	100	61,950.39	2
4	Shanghai Electric (Group) Changjiang Company	2	1	Room 203, No. 112-3 North Yingchun Rd. Chengnan Block, Wuzhong economic development district, Suzhou Province	Shanghai	Manufacturing industry	500.00	100	100		4
5	Shanghai Pneumatic Corporation	2	1	Rooms 304-306, East 2nd floor, No. 89., Fuzhou Rd.	Shanghai	Manufacturing industry	15,057.30	100	100	14,047.38	1
6	Shanghai Human Resource Co. Ltd.	2	1	No. 465 Tiantong'an Road, Zhabei District	Shanghai	Consulting services	140.00	100	100	137.36	2

No.	Full name of the subsidiary	Sub. Level	Type of subsidiary	Registration place	Principal place of business	Business nature	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition method
7	Shanghai Electric Light Industry Tools Co., Ltd.	2	1	Room 107, 470 Beijing East Road, Huangpu District	Shanghai	Business	1,214.61	100	100		4
8	Shanghai United Wood Industry Co., Ltd.	2	1	50 Fuxing Zhonglu Road	Shanghai	Manufacturing industry	10,231.00	100	100	3,669.56	1
9	Shanghai Electric Light Industry Asset Management Co., Ltd.	2	1	No. 1712, North Shanxi Rd., Putuo District	Shanghai	Manufacturing industry	15,208.55	100	100	1,062.50	4
10	Shanghai Hero Industrial Co. Ltd.	2	1	Room 205, No. 39, Lane 1249, Xikang Road, Putuo District, Shanghai	Shanghai	Cultural office supplies	48,478.10	100	100	2,257.06	4
11	Shanghai Highly (Group) Co. Ltd.	2	1	No. 888, Ningqiao Rd., Jinqiao Export Processing Zone, Pudong New District	Shanghai	Manufacturing industry	86,631.07	24.44	27.60	104,183.65	2
12	Shanghai Electric Group Co. Ltd.	2	1	30 th floor, Wandu center, No. 8 Xingyi Rd., Shanghai	Shanghai	Manufacturing industry	1,472,518.80	60.67	60.89	2,295,321.29	4
13	Shanghai Hoisting And Conveying Machinery Factory Co., Ltd.	2	1	No. 191, Minxing Rd., Yangpu District	Shanghai	Manufacturing industry	44,420.00	100	100	32,482.31	1
14	Shanghai No.3 Machine Tool Plant	2	1	No.1171 Xiету Road	Shanghai	Manufacturing industry	15,023.77	100	100	11,834.59	2

No.	Full name of the subsidiary	Sub. Level	Type of subsidiary	Registration place	Principal place of business	Business nature	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition method
15	Shanghai Electric Group Hong Kong Co., Ltd.	2	3	Room 2602, Tower 1, Lippo Centre, 89 Queensway, Hong Kong	Hongkong	Investment Management	USD 9,996.00	100	100	65,646.49	2
16	Shanghai Electric Machine Tool Complete Engineering Co. Ltd.	2	1	No. 681, Huai'an Rd., Jing'an District	Shanghai	Electrical and mechanical services	4,984.11	100	100	5,513.85	1
17	Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.	2	1	No. 1997, Jiazhu Rd.	Shanghai	Technology consulting services	40,000.00	60	60	24,000.00	2
18	Shanghai Automation Instrumentation Co., Ltd.	2	1	Jingan District No. 191 Guangzhong West Road Building 7	Shanghai	Manufacturing industry	9,467.76	51.01	51.01	9,467.76	1
19	Shanghai Heavy Machinery Factory Co., Ltd.	2	1	Jiangchuan Road No. 1800	Shanghai	Manufacturing industry	247,321.40	100	100	0.0001	4
20	Shanghai Gongxin Investment Management Co., Ltd.	2	1	No. 1301, Gonghexin Road, Jing'an District, Shanghai	Shanghai	Business services companies	1,000.00	100	100	2,138.85	1

No.	Full name of the subsidiary	Sub. Level	Type of subsidiary	Registration place	Principal place of business	Business nature	Paid-in capital (in ten thousands)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (in ten thousands)	Acquisition method
21	Shanghai Lianhe Instrument Co., Ltd.	2	1	Building 110, No. 191 Guangzhong West Road, Jing'an District	Shanghai	Manufacturing industry	7,000.00	100	100	7,024.13	1
22	Shanghai electric intelligent rehabilitation medical technology Co., Ltd.	2	1	Lvl 1, Building 104, No.960,Zhongxin Road, Jing'an District, Shanghai	Shanghai	Technology extension and application services	350.00	100	100	350.00	1
23	Shanghai electric bearing Co., Ltd.	2	1	No. 1161.Humin Road, Minghang District, Shanghai	Shanghai	Manufacturing industry	10,000.00	100	100	5,884.86	2
24	Shanghai electric valve Co., Ltd.	2	1	No. 333, qinqiao road, China (Shanghai) pilot free trade zone	Shanghai	Manufacturing industry	6,150.00	100	100	17,930.49	2

Note:

Type of subsidiary: 1. domestic non-financial enterprise; 2. domestic financial enterprise; 3. overseas subsidiary; 4. institution; 5. infrastructure enterprise.

Acquisition method: 1. investment; 2. business combinations under common control; 3. business combinations under non- common control; 4. others.

Proportion of ownership interest refers to the direct shareholding ratio of the parent company on subsidiaries, proportion of voting power includes the direct shareholding of the parent company and the indirect shareholding through the holding company

2. The reasons of control obtained over the subsidiary where proportion of voting power is less than half

No.	Full name of the subsidiaries	Proportion of ownership interest (%)	Proportion of voting power (%)	Registered capital	Total investment (in ten thousands)	Sub. level	Reasons for included in the scope of consolidation
1	Shanghai Highly (Group) Co. Ltd	24.44	27.60	86,631.07	104,183.65	2	Note

Note: The Company holds majority of voting rights in the investee's Board of Directors.

3. The reasons of none control obtained over the subsidiary where proportion of direct & indirect voting power is more than half

No.	Full name of the subsidiaries	Proportion of ownership interest (%)	Proportion of voting power (%)	Registered capital	Actual capital contribution (in ten thousands)	Sub. level	Reasons for not included in the scope of consolidation
1	Shanghai Electric Group, Retired Veteran Cadres Function Room	100	100	50	46.74	2	Full funding institution, which is not included in the consolidation
2	Shanghai Electric Production Safety Monitoring Center	100	100	500	500	2	Public institution, which is not included in the consolidation
3	Shanghai Electric Science And Technology Innovation Center	80	80	200	133.21	2	In liquidation

4. Important non-wholly-owned subsidiaries

4.1. Minority shareholders

No.	Full name of the subsidiary	Proportion of minority ownership interest (%)	Current profit and loss attributable to minority shareholders	Current paid dividends to minority shareholders	Ending accumulated minority shareholders' equity
1	Shanghai highly (group) Co., Ltd	72.40	303,606,940.85	80,148,132.59	3,861,784,005.01
2	Shanghai	39.11	2,142,689,064.20	532,536,638.11	28,799,282,082.00

No.	Full name of the subsidiary	Proportion of minority ownership interest (%)	Current profit and loss attributable to minority shareholders	Current paid dividends to minority shareholders	Ending accumulated minority shareholders' equity
	Electric Group Co. Ltd.				

4.2. Main financial information

Items	Current-period amount	
	Shanghai Highly (Group) Co., Ltd.	Shanghai Electric Group Co., Ltd.
Current assets	9,014,654,157.10	151,727,947,000.00
Non-current assets	5,320,656,672.83	66,793,918,000.00
Total assets	<u>14,335,310,829.93</u>	<u>218,521,865,000.00</u>
Current liabilities	8,445,384,490.92	119,623,268,000.00
Non-current liabilities	555,970,530.98	25,261,977,000.00
Total liabilities	<u>9,001,355,021.90</u>	<u>144,885,245,000.00</u>
Revenue	11,708,311,339.47	101,157,525,000.00
Net profit	419,346,603.38	5,478,622,000.00
Total comprehensive income	390,878,862.91	5,332,706,000.00
Operating cash flow	1,305,389,967.85	949,304,000.00

Continued:

Items	Previous period amount	
	Shanghai Highly (Group) Co., Ltd.	Shanghai Electric Group Co., Ltd.
Current assets	8,617,291,121.82	144,357,261,000.00
Non-current assets	5,022,794,854.78	54,988,498,000.00
Total assets	<u>13,640,085,976.60</u>	<u>199,345,759,000.00</u>
Current liabilities	8,190,434,868.79	111,319,728,000.00
Non-current liabilities	400,949,397.86	17,304,444,000.00
Total liabilities	<u>8,591,384,266.65</u>	<u>128,624,172,000.00</u>
Revenue	10,446,775,442.05	79,543,794,000.00
Net profit	338,771,313.72	5,006,213,000.00
Total comprehensive income	333,717,675.85	3,842,840,000.00
Operating cash flow	770,191,679.15	-7,525,017,000.00

5. Former subsidiaries excluded in the scope of consolidation during the current period

5.1. Basic information

No.	Name	Place of incorporation	Registered capital	Nature of business	Proportion of ownership interest (%)	Proportion of voting power (%)	Reasons for not being a subsidiary
1	Shanghai Schiak Testing Machine Co., Ltd.	No. 735 Liyang Rd.	5,180.69	Manufacturing industry	100	100	Note

Note: In 2018, Shanghai Schiak Testing Machine Co., Ltd has completed deregistration of industrial and tax.

5.2. Main financial indicators of former subsidiaries (in CNY ten thousands)

No	Name	Previous accounting period			Date of disposal			Beginning of current year to the date of disposal		
		Assets	Liabilities	Equities	Assets	Liabilities	Equities	Revenue	Expense	Profit
1	Shanghai Schiak Testing Machine Co., Ltd.	31,833,210.40	8,581,598.08	23,251,612.32	2,088,179.11	210,000.00	1,878,179.11	1,710,557.90	22,394,858.81	-21,234,669.61

6. New subsidiaries included into consolidation in the current period

No	Name	Closing balance of net assets	Net profit in current period
1	Shanghai electric intelligent rehabilitation medical technology Co., Ltd.	3,554,659.26	54,659.26

VIII. NOTES TO MATERIAL ITEM IN CONSOLIDATED FINANCIAL STATEMENTS

1 Cash and cash equivalents

Items	Closing balance	Opening balance
Cash	3,772,458.12	2,332,586.86
Bank balances	43,586,803,536.81	34,206,279,786.91
Other monetary funds	4,151,174,993.45	4,560,415,101.25
Total	<u>47,741,750,988.38</u>	<u>38,769,027,475.02</u>
Include: Total amount deposited abroad	859,054,418.83	676,782,831.18

Restricted bank balances at year end

Categories	Closing balance	Opening balance
Security deposits	837,832,016.59	679,705,985.28
Restricted bank deposits	6,821,400.50	357,341.67
Fixed-term deposits over three months	7,352,953,000.00	10,922,202,000.00
Reserved deposits in Central bank	2,577,728,000.00	3,267,497,000.00
Others	1,178,429.47	1,174,851.87
Total	<u>10,776,512,846.56</u>	<u>14,870,937,178.82</u>

2 Transactional financial assets

Items	Closing fair value	Opening fair value
1. Financial assets classified as measured as at fair value through profit and loss upon initial recognition	<u>4,419,450,000.00</u>	<u>1,825,150,000.00</u>
Include: Held-for-trading investments in debt securities	3,561,654,600.00	1,328,000,463.31
Held-for-trading investments in equity instruments	57,652,600.00	58,112,469.87
Others	800,142,800.00	439,037,066.82
2. Financial assets measured as at fair value through profit and loss upon initial recognition		
Include: Held-for-trading investments in debt securities		
Held-for-trading investments in mixture instruments		
Others		
Total	<u>4,419,450,000.00</u>	<u>1,825,150,000.00</u>

3 Derivative financial assets

Items	Closing balance	Opening balance
Hedging instruments of Shanghai Electric Group Co. Ltd.	788,000.00	14,682,000.00
Hong Kong company forward foreign exchange contract		65,829,295.86
Total	<u>788,000.00</u>	<u>80,511,295.86</u>

Details to hedging instruments:

Items	Closing balance		Opening balance	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	788,000.00	5,168,000.00	14,682,000.00	8,537,000.00
Less: Non-current part				
Current part	788,000.00	5,168,000.00	14,682,000.00	8,537,000.00
Total	<u>788,000.00</u>	<u>5,168,000.00</u>	<u>14,682,000.00</u>	<u>8,537,000.00</u>

4 Notes receivable and Accounts receivable

Items	Closing balance	Opening balance
Notes receivable	8,066,776,078.90	12,298,502,804.79
Accounts receivable	21,977,958,153.33	22,332,597,074.03
Total	<u>30,044,734,232.23</u>	<u>34,631,099,878.82</u>

4.1 Notes receivable

4.1.1 Summary sheet of notes receivable.

Categories	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Bank acceptances	4,353,895,439.85		4,353,895,439.85	9,019,592,914.38		9,019,592,914.38
Commercial acceptances	3,712,880,639.05		3,712,880,639.05	3,278,909,890.41		3,278,909,890.41
Total	<u>8,066,776,078.90</u>		<u>8,066,776,078.90</u>	<u>12,298,502,804.79</u>		<u>12,298,502,804.79</u>

4.1.2 Pledged Notes Receivable at the end of the period

Categories	Pledged amount at end of period
Bank acceptance bill	335,089,753.11
Commercial acceptances	
Total	<u>335,089,753.11</u>

4.1.3 Receivables that have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date

Categories	Terminate recognized amount at the end of the period	Terminate unrecognized amount at the end of the period
Bank acceptances	3,719,336,014.30	899,033,654.63
Commercial acceptances	7,830,397.06	155,300,000.00
Total	<u>3,727,166,411.36</u>	<u>1,054,333,654.63</u>

Note: Subsidiaries of Shanghai Electric Group Co., Ltd., which is the subsidiary of the Group, endorsed and discounted some of the bank acceptances as needed for their daily fund management. Therefore, those companies classify the remaining other receivables-bank acceptances on book as Financial assets measured by fair value and whose changes are recorded into other comprehensive income.

4.1.4 Notes receivable converted into Accounts receivable due to drawer's failure to perform: None.

4.2 Accounts receivable

Categories	Closing balance			
	Carrying value		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	1,446,348,205.71	4.76	1,265,004,391.60	87.46
Accounts receivable that bad debt provision is assessed according to credit risk characteristics portfolios	28,193,791,023.05	92.83	6,984,823,676.96	24.77
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	731,758,510.57	2.41	144,111,517.44	19.69
Total	<u>30,371,897,739.33</u>	<u>100.00</u>	<u>8,393,939,586.00</u>	

Continued:

Categories	Opening balance			
	Carrying value		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	1,326,307,303.14	4.25	1,072,770,116.21	80.88
Accounts receivable that bad debt provision is assessed according to credit risk characteristics portfolios	29,375,469,930.67	94.24	7,553,853,504.02	25.71
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	469,644,607.85	1.51	212,201,147.40	45.18
Total	<u>31,171,421,841.66</u>	<u>100.00</u>	<u>8,838,824,767.63</u>	

4.2.1 Accounts receivable for which bad debt provision has been assessed individually

Debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Xinjiang Kuishan Baota Petrochemical Co. Ltd.	310,853,456.24	310,853,456.24	More than 3 years	100.00	Expected to be irrecoverable
Ningxia Eastern Thermoelectric Co., Ltd	266,073,750.00	266,073,750.00	More than 3 years	100.00	Expected to be irrecoverable
Indian Hisar Project	263,800,020.01	263,800,020.01	More than 3 years	100.00	Expected to be irrecoverable
RELIANCE ENERGY LTD	100,599,159.78	100,599,159.78	More than 3 years	100.00	Expected to be irrecoverable
North China Power Engineering (Beijing) Co., Ltd.	83,463,370.00	83,463,370.00	More than 3 years	100.00	Expected to be irrecoverable
China Nuclear Engineering Co., Ltd.	106,220,649.22	8,876,633.85	More than 3 years	8.36	Expected partial recoverable
Bohai Shipyard Group Co., Ltd.	53,758,400.00	53,758,400.00	More than 3 years	100.00	Expected to be irrecoverable
China Nuclear Power Engineering Co., Ltd.	50,831,634.53	5,595,739.50	1-3 years	11.01	Expected partial recoverable
Shandong Electric Power Construction Corporation	35,341,850.00	28,963,550.00	More than 3 years	81.95	Expected partial recoverable
China Zhongyuan Engineering Co., Ltd.	25,664,438.28	4,863,834.57	1-3 years	18.95	Expected partial recoverable

Debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Qinyang Power Plant	21,172,473.90	21,172,473.90	More than 3 years	100.00	Expected to be irrecoverable
The subtotal of other significant items of Electric Shares	128,569,003.75	116,984,003.75	More than 3 years	90.99	Expected partial recoverable
Total	<u>1,446,348,205.71</u>	<u>1,265,004,391.60</u>			

4.2.2 Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

Aging	Closing balance		Provision for bad debt
	Carrying amount		
	Amount	Proportion (%)	
Within 1 year (Including 1 year)	17,013,281,275.57	60.34	563,711,450.51
1–2 years (Including 2 years)	4,509,264,423.32	15.99	826,581,946.86
2–3 years (Including 3 years)	2,007,900,241.77	7.12	982,079,542.53
>3 years	4,663,345,082.39	16.55	4,612,450,737.06
Total	<u>28,193,791,023.05</u>	<u>100.00</u>	<u>6,984,823,676.96</u>

Continued:

Aging	Opening balance		Provision for bad debt
	Carrying amount		
	Amount	Proportion (%)	
Within 1 year (Including 1 year)	18,342,625,441.41	62.44	730,944,685.77
1–2 years (Including 2 years)	2,302,870,180.64	7.84	429,145,119.26
2–3 years (Including 3 years)	3,403,624,766.77	11.59	1,669,596,776.62
>3 years	5,326,349,541.85	18.13	4,724,166,922.37
Total	<u>29,375,469,930.67</u>	<u>100.00</u>	<u>7,553,853,504.02</u>

4.2.3 Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision
Donglin Power Plant	15,508,900.00	15,508,900.00	More than 3 years	100.00	Expected to be irrecoverable
China Nuclear Power Engineering Co., Ltd.	14,579,562.80	2,332,730.05	Over 2 years	16.00	Expected partial recoverable
Babcock & Wilcox Beijing Company Ltd.	13,667,600.00	958,560.00	0-2 years (Including 2 years)	7.01	Expected partial recoverable
Puyang Yueneng Power Generation Co., Ltd	12,018,557.70	1,802,783.66	0-2 years (Including 2 years)	15.00	Expected partial recoverable
Shenhua (Fuzhou) Luoyuan Bay Port Co., Ltd.	10,819,500.00	1,081,950.00	0-2 years (Including 2 years)	10.00	Expected partial recoverable
China Coal Ordos Energy Chemical Co., Ltd.	9,963,188.16	1,494,478.22	0-2 years (Including 2 years)	15.00	Expected partial recoverable
Shanghai Bell Alcatel Information Products Co., Ltd.	9,830,094.74	1,474,514.21	0-2 years (Including 2 years)	15.00	Expected partial recoverable
Dongfang Electric Co., Ltd.	15,550,936.00	11,862,632.00	More than 3 years	76.28	Expected partial recoverable
Jiangsu Jiangnan High Fibre Co., Ltd.	7,875,171.10	7,875,171.10	More than 3 years	100.00	Expected to be irrecoverable
Jinan South Trading Company	7,775,500.00	3,887,750.00	2-3 years (Including 3 years)	50.00	Expected partial recoverable
Shougang Jingtang Iron & Steel Co., Ltd.	7,431,428.97	4,458,857.37	More than 3 years	60.00	Expected partial recoverable
Huangshan Narnia Automation Complete Equipment Sales Co., Ltd.	6,931,814.00	1,039,772.10	1 to 2 years (Including 2 years)	15.00	Expected partial recoverable
Zhangjiagang Shazhou Electric Power Co., Ltd.	6,116,000.00	611,600.00	1 to 2 years (Including 2 years)	10.00	Expected partial recoverable
China Shipbuilding Industry Corporation Seventh Institute	5,941,025.65		1 to 2 years (Including 2 years)		Expected to be recoverable
Shenhua Ningxia Coal Industry Group Co., Ltd.	5,467,943.05	820,191.46	1 to 2 years (Including 2 years)	15.00	Expected partial recoverable
Shanxi Tianze Coal Chemical Group Co., Ltd.	5,409,704.87	502,717.18	Within 2 years (Including 2 years)	9.29	Expected partial recoverable
Shanghai Shangshi Longchuang Intelligent Energy	5,248,205.13	2,624,102.56	2-3 years(Including 3 years)	50.00	Expected partial recoverable

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision
Technology Co., Ltd.					
China Textile Academy	4,416,000.00	3,532,800.00	More than 3 years	80.00	Expected partial recoverable
Shanghai Xinghe Jiulong Power Cable Co., Ltd.	4,333,694.07	4,333,694.07	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Guanshun Investment Development Co., Ltd.	4,277,655.72		Within 3 years (Including 3 years)		Expected to be recoverable
Shandong Yiming Textile Co., Ltd.	3,617,543.00	2,894,034.40	More than 3 years	80.00	Expected partial recoverable
Shandong Ludian International Trade Co., Ltd.	3,610,000.00	3,610,000.00	More than 3 years	100.00	Expected to be irrecoverable
State Nuclear Power Automation System Engineering Company (SNPAS)	3,576,786.32		1 to 2 years (Including 2 years), More than 3 years		Expected to be recoverable
China Shipbuilding Industry Corporation 704th Institute	3,564,000.00	1,425,600.00	2-3 years (Including 3 years)	40.00	Expected partial recoverable
China Machinery Engineering Corporation	3,113,333.00	3,113,333.00	More than 3 years	100.00	Expected to be irrecoverable
China Ruijin Engineering Technology Co., Ltd.	2,774,530.00	1,387,265.00	More than 3 years	50.00	Expected partial recoverable
Xinjiang Ruisheng Textile Co., Ltd.	2,532,417.30	2,532,417.30	More than 3 years	100.00	Expected to be irrecoverable
SINOPEC Yizheng Chemical Fibre Co., Ltd.	2,450,000.00	1,225,000.00	2-3 years (Including 3 years)	50.00	Expected partial recoverable
MCC Oriental Engineering Technology Co., Ltd. Baotou Steel Design Institute	2,397,600.25	2,397,600.25	More than 3 years	100.00	Expected to be irrecoverable
Inner Mongolia Halun Energy Co., Ltd.	2,170,000.00	108,500.00	Within 1 year (Including 1 year)	5.00	Expected partial recoverable
PT.CONTROMATIC PRIMA MANDIRI	1,922,546.97	1,922,546.97	More than 3 years	100.00	Expected to be irrecoverable
Xining Special Steel Co., Ltd.	1,782,810.62	534,843.19	More than 3 years	30.00	Expected partial recoverable
Fujian Jinlun Petrochemical Fiber Industry Co., Ltd.	1,580,000.00	1,580,000.00	More than 3 years	100.00	Expected to be irrecoverable
Huimin Huaguang Textile Co., Ltd.	1,500,000.00	1,500,000.00	More than 3 years	100.00	Expected to be irrecoverable

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision
Shaoxing Feiri Cotton Spinning Textile Co., Ltd.	1,258,460.80	946,768.65	More than 2 years	75.23	Expected partial recoverable
Tianjin Steel Co., Ltd.	1,227,390.00	981,912.00	More than 3 years	80.00	Expected partial recoverable
MCC Seddy Engineering Technology Co., Ltd.	1,207,984.00	483,193.60	More than 2 years	40.00	Expected partial recoverable
China Golden Domain Gold Materials Corporation	1,140,600.00	570,300.00	2-3 years(Including 3 years)	50.00	Expected partial recoverable
Shanghai Xiyuan Asset Management Co., Ltd.	1,128,050.70	1,043,370.70	Within 2 years(Including 2 years)	92.49	Expected partial recoverable
Subtotal for not significant items of Shanghai Automation Instrumentation Co., Ltd.	10,775,143.85	10,775,143.85	More than 3 years	100.00	Expected to be irrecoverable
Subtotal for not significant items of Shanghai Heavy Machinery Factory	471,268,579.33	6,823,000.00		1.45	Expected partial recoverable
Subtotal for other items individually not significantly important	33,998,252.47	32,053,484.55		94.28	Expected partial recoverable
Total	<u>731,758,510.57</u>	<u>144,111,517.44</u>			

4.2.4 Provision of bad debt for recovery or reversal

Debtors	Transfer back or recovered amount	Accumulative amount of provision for bad debts before reversing or withdrawing	Reason or method for recovery or transfer back
Ministry of electricity/republic of Iraq			
General directorate of electrical energy production project	590,783,362.17	590,783,362.17	Payment recovery
Vietnam Electricity-Vinh Tan Therma	93,136,768.88	93,136,768.88	Payment recovery
Sanxia New Energy Jinchang Wind Power Co., Ltd.	79,705,212.00	79,705,212.00	Payment recovery
Shanxi Yaoguang Coal Electricity Co., Ltd.	68,584,497.39	133,185,497.39	Payment recovery
Shougang Jingtang Iron & Steel Co., Ltd.	2,961,439.82	2,961,439.82	Payment recovery
Jiangsu Rudong United Pipeline Co., Ltd.	1,637,679.75	1,637,679.75	Payment recovery
China Petroleum and Natural Gas Co., Ltd. West-to-East Gas Pipeline Branch	1,498,806.45	1,498,806.45	Payment recovery
China Petroleum Engineering & Construction Corp.	1,366,803.10	1,366,803.10	Payment recovery
Jiangsu Jiangnan High Polymer Fiber	1,350,000.00	1,350,000.00	Payment recovery
Shanghai Ocean University	575,150.00	575,150.00	Payment recovery
Shandong Mingsheng Textile Co., Ltd.	1,108,800.00	1,108,800.00	Payment recovery
Xining Special Steel Co., Ltd.	983,067.81	983,067.81	Payment recovery
Shanghai Aidexia Machinery Co., Ltd.	759,956.70	759,956.70	Payment recovery
Guangdong Chigo Air Conditioner Co., Ltd.	961,656.42	961,656.42	Payment recovery
EPC Project Department of Lancheng Zhonggui Pipeline Project, PetroChina Pipeline Administration	793,457.40	793,457.40	Payment recovery
Sichuan Longchang Cotton Textile Industry Co., Ltd.	790,800.00	790,800.00	Payment recovery
Huarong Huaqing Textile Co., Ltd.	700,918.74	700,918.74	Payment recovery
Hebei Iron and Steel Co., Ltd. Chengde Branch	688,887.44	688,887.44	Payment recovery
Hunan Kelijia Textile Co., Ltd.	680,600.06	680,600.06	Payment recovery
Anhui Edxia Auto Parts Co., Ltd.	630,570.00	630,570.00	Payment recovery
Shanxi Natural Gas Co., Ltd.	625,770.30	625,770.30	Payment recovery
Jiangyin Hongfeng Chemical Fiber Co., Ltd.	533,171.80	533,171.80	Payment recovery
Baosteel Zhanjiang Iron & Steel Co., Ltd.	530,871.00	530,871.00	Payment recovery
Sinopec Shengli Oil Construction Engineering Co., Ltd.	517,789.00	517,789.00	Payment recovery
Anhui Natural Gas Development Co., Ltd.	387,838.00	387,838.00	Payment recovery

Debtors	Transfer back or recovered amount	Accumulative amount of provision for bad debts before reversing or withdrawing	Reason or method for recovery or transfer back
Ningxia Baofeng Energy (Group) Co.,Ltd.	386,970.00	386,970.00	Payment recovery
China Petroleum Pipeline Material and Equipment Company Limited	385,664.35	385,664.35	Payment recovery
Fujian Changle Cotton Textile Second Plant	320,000.00	320,000.00	Payment recovery
Zhangjiagang Zhongtian Electromechanical Co., Ltd.	14,000.00	14,000.00	Debt restructuring
Guangzhou Fengshen Automobile Co., Ltd. Zhengzhou Branch	151,955.75	151,955.75	Payment recovery
PetroChina Eastern Pipeline Co., Ltd.	129,906.70	129,906.70	Payment recovery
China Huanqiu Contracting & Engineering Co., Ltd.	109,360.00	109,360.00	Payment recovery
Other miscellaneous subtotal	52,986,486.14	52,986,486.14	Payment recovery
Subtotal of other reversal of Electric Shares	624,267,159.56	624,267,159.56	Payment recovery
Total	<u>1,531,045,376.73</u>	<u>1,595,646,376.73</u>	

4.2.5 Actual write-off for accounts receivable during the reporting period

Debtors	Nature of accounts receivable	Write-off amount	Write-off reason	Write-off procedures	Is it due to a related party transaction
Goss International Corporation	Payment for goods	40,499,773.86	Debt restructuring	Internal approval	No
Dongbei Special Steel Group Co., Ltd.	Payment for goods	2,859,297.00	Bankruptcy of debtor	Internal approval	No
Shanghai Meisheng Environmental Protection Technology Development Co., Ltd.	Payment for goods	1,072,000.00	Court judgment	Internal approval	No
Shanghai Xintai Electric Power Engineering Technology Co., Ltd.	Payment for goods	14,007.00	Failed, unable to recover	Internal approval	No
Shenzhen Lianheng Technology Co., Ltd.	Payment for goods	45,318.83	Court judgment	Internal approval	No
Total		<u>44,490,396.69</u>			

4.2.6 Top five entities of the closing accounts receivable

Debtors	Carrying amount	Proportion of total accounts receivable (%)	Provision for bad debt
Ministry of electricity/republic of Iraq General	3,370,517,842.43	11.10	1,000,424,007.94
Xinjiang Jiarun Resources Holding Co., Ltd.	884,231,629.37	2.91	789,352,046.06
Fujian Zhongmin Offshore Wind Power Co., Ltd.	590,966,864.53	1.95	
RELIANCEENERGY LTD	596,451,875.91	1.96	498,041,553.34
Xinjiang Kuishan Baota Petrochemical Co. Ltd.	310,853,456.24	1.02	310,853,456.24
Total	<u>5,753,021,668.48</u>	<u>18.94</u>	<u>2,598,671,063.58</u>

4.2.7 Derecognized accounts receivable due to the transfer of financial assets:

In 2018, Electric Shares, the subsidiary of the Group made a non-recourse factoring and derecognized some accounts receivable with a net book value of CNY 6,278,759,000.00. (CNY 1,638,104,000.00 in 2017)

4.2.8 The amount of assets and liabilities come from continuing to be involved in the accounts receivable transfer, such as securitization and factoring: None.

5 Advances to suppliers

5.1 Aging analysis of prepayments

Aging	Closing balance		Provision for bad debt
	Carrying amount		
	Amount	Proportion (%)	
Within 1 year (1 year included)	8,255,287,007.70	68.87	1,060.82
1-2 years(Including 2 years)	1,907,910,018.12	15.92	568,803.06
2-3 years(Including 3 years)	1,023,599,584.66	8.54	1,596,075.01
More than 3 years	799,282,553.08	6.67	7,480,379.50
Total	<u>11,986,079,163.56</u>	<u>100</u>	<u>9,646,318.39</u>

Continued:

Aging	Opening balance		Provision for bad debt
	Carrying amount		
	Amount	Proportion (%)	
Within 1 year (1 year included)	6,970,541,456.39	71.60	
1-2 years(Including 2 years)	1,625,515,152.36	16.70	548,093.44
2-3 years(Including 3 years)	581,203,980.00	5.97	488,044.11
More than 3 years	557,942,256.45	5.73	5,761,958.51
Total	<u>9,735,202,845.20</u>	100	<u>6,798,096.06</u>

5.2 Significant advance to supplier with aging over 1 year

Creditors	Debtors	Amount	Aging	Reasons for unsettlement
Shanghai Electric (Group) Corporation	Nanjing Guoyuan Electrical Co., Ltd.	108,000,000.00	Over 1 year	Contract not yet completed
Shanghai Electric (Group) Corporation	Hunan Power Construction Co., Ltd	106,539,016.97	Over 2 years	Contract not yet completed
Shanghai Pacific Textile Machinery Complete Equipment Co., Ltd.	Handan Hongda Chemical Fiber Machinery Co., Ltd.	3,300,000.00	Over 5 years	Contract not yet completed
Shanghai Electric Machine Tool Complete Engineering Co., Ltd.	Wuhan Heavy Machine Tool Group Co., Ltd.	2,529,000.00	Over 3 years	Contract not yet completed
Shanghai Lianhe Instrumentation Co., Ltd	. Shanghai Runda Instrument Co., Ltd.	2,131,267.47	2-3 years	Contract not yet completed
Shanghai Pacific Textile Machinery Complete Equipment Co., Ltd.	Nanjing Nuoda Xinye Extrusion Equipment Co., Ltd.	2,034,448.25	1-2 years	Contract not yet completed
Shanghai Electric (Group) Changjiang Company	Sichuan Chuanguo Boiler Co., Ltd.	1,670,000.00	Over 5 years	Contract not yet completed
Pacific Electromechanical Shanghai Textile Machinery Co., Ltd.	Dongfei Marzoli Textile Machinery Co., Ltd.	1,375,362.32	1-2 years	Contract not yet completed
Shanghai Neles Jamesbury Valve Co., Ltd	Beijing Zhenghe Huahai Science and Trade Co., Ltd.	1,254,280.00	Over 2 years	Contract not yet completed
	<u>Total</u>	<u>228,833,375.01</u>		

5.3 Top 5 Prepayments by Closing Balance of debtors

Debtors	Carrying amount	Percentage of total prepayments (%)	Provision for bad debt
Shanghai Hongzi Enterprise Development Co., Ltd.	2,672,811,884.00	22.30	
Shanghai Hengchang Communication Technology Co., Ltd.	1,191,657,540.00	9.94	
Shanghai Zhengshun Electric Co., Ltd.	845,831,200.00	7.06	
Jiangsu Runho Technology Investment Group Co., Ltd.	309,026,891.60	2.58	
Shanghai Youdao New Energy Technology Co., Ltd.	10,000,000.00	0.08	
Total	<u>5,029,327,515.60</u>	<u>41.96</u>	

6 Other receivables

Items	Closing balance	Opening balance
Interest receivable	113,994,836.73	47,091,439.79
Dividends receivable	272,087,000.00	81,460,000.00
Other receivables	5,224,622,992.48	2,079,814,660.06
Total	<u>5,610,704,829.21</u>	<u>2,208,366,099.85</u>

6.1 Interest receivable

6.1.1 Categories of interest receivable

Items	Closing balance	Opening balance
Time deposit	97,959,796.51	33,882,865.31
Entrusted Loan	405,290.28	12,841,346.70
Bond investment	15,629,749.94	367,227.78
Total	<u>113,994,836.73</u>	<u>47,091,439.79</u>

6.1.2 Material overdue interest: None.

6.2 Dividends receivable

Items	Closing balance	Opening balance	Reasons for uncollected amounts	Impaired or not
Dividends receivable With Aging Under One Year	<u>211,516,000.00</u>			
Including: (1) Shanghai Schneider Distribution Electric Co., Ltd.	60,000,000.00		Just announced; payment has not been received	No

Items	Closing balance	Opening balance	Reasons for uncollected amounts	Impaired or not
(2) Shanghai Aimuyi electromechanical equipment chain Co. Ltd.	750,000.00		Just announced; payment has not been received	No
(3) Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	150,766,000.00		Just announced; payment has not been received	No
Dividend receivables aged over one year	<u>60,571,000.00</u>	<u>81,460,000.00</u>		No
Including: (1) Shanghai Clyde Bergemann Machinery Co., Ltd.	12,117,000.00	17,167,000.00	Unsettled due to tight cash flow	No
(2) Shanghai Siemens High Voltage Co.	22,050,000.00	22,050,000.00	Unsettled due to tight cash flow	No
(3) Shanghai Cooper Power Capacitor Co., Ltd.	2,275,000.00	2,275,000.00	Unsettled due to tight cash flow	No
(4) Shanghai General Bearing Co., Ltd.	22,329,000.00	32,881,000.00	Unsettled due to tight cash flow	No
(5) Shanghai Nanyang Cable Co., Ltd.	1,800,000.00	1,800,000.00	Unsettled due to tight cash flow	No
(6) Other subtotals of Electric Shares		5,287,000.00	Unsettled due to tight cash flow	No
Total	<u>272,087,000.00</u>	<u>81,460,000.00</u>		

6.3 Other receivables

Categories	Closing balance			
	Carrying amount		Provision for bad debt	
	Amount	(%)	Amount	(%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	4,379,525,715.68	56.22	1,224,888,798.96	27.97
Other receivables for which bad debt provision has been assessed by aging portfolios	3,020,391,283.81	38.77	1,106,585,513.65	36.64
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	390,665,382.47	5.01	234,485,076.87	60.02
Total	<u>7,790,582,381.96</u>	<u>100</u>	<u>2,565,959,389.48</u>	<u>32.93</u>

Continued:

Categories	Opening balance			
	Carrying amount		Provision for bad debt	
	Amount	(%)	Amount	(%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,689,116,241.74	36.99	1,206,314,513.04	71.42
Other receivables for which bad debt provision has been assessed by aging portfolios	2,665,095,597.42	58.36	1,163,933,882.86	43.67
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	212,390,132.70	4.65	116,538,915.90	54.87
Total	<u>4,566,601,971.86</u>	<u>100</u>	<u>2,486,787,311.80</u>	<u>54.46</u>

6.3.1 Other receivables that are individually significant and for which bad debt provision has been assessed individually

Debtors	Carrying amount	Bad debt provision	Aging	Proportion (%)	Reasons for the provision
Suzhou THVOW Technology Co., Ltd.	2,000,000,000.00		Within 1 year(Including 1 year)		Expected to be recoverable
Shanghai SVA (Group) Co., Ltd.	776,250,000.00	776,250,000.00	Over 3 years	100.00	Expected to be irrecoverable
Subtotal of Electric Shares other significant individual items	512,753,092.10	63,182,477.54	Within 1 year(Including 1 year)	12.32	Expected partial recoverable
Chung min New Energy Mulei Electric Power Co., Ltd.	179,037,943.78		Within 1 year(Including 1 year)		Expected to be recoverable
Shanghai forging machine tool factory	122,695,711.34	122,695,711.34	Over 3 years	100.00	Expected to be irrecoverable
Mulei Tianhui Solar Energy Co., Ltd.	101,930,700.00		Within 1 year		Expected to be recoverable
Shanghai Ballpoint Pen Co., Ltd.	101,439,902.19		Within 1 year(Including 1 year) to over 3 years		Expected to be recoverable
Shanghai Nanyang Motor Co. Ltd.	92,534,448.03		Over 3 years		Expected to be recoverable
Shanghai Jia'ang Industrial Co., Ltd.	84,847,820.87	84,847,820.87	Over 3 years	100.00	Expected to be irrecoverable
Shanghai Meizheng Comprehensive Service Co., Ltd.	63,912,946.00		Within 1 year(Including 1 year)		Expected to be recoverable
Shanghai Electric Power Clean Energy Technology Co., Ltd.	51,550,000.00		Over 3 years		Expected to be recoverable
Shanghai Guanshengyuan Additive Product Factory	30,576,274.68		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Dalong Machinery Factory Co., Ltd.	28,000,000.00		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Shenhua SVA SMEG Football Club Inc.	27,500,000.00	27,500,000.00	Within 1 year(Including 1 year) to over 3 years	100.00	Expected to be irrecoverable
China Huadian Engineering (Group) Co., Ltd.	18,522,232.82	18,522,232.82	Over 3 years	100.00	Expected to be irrecoverable
Subtotal of other significant individual items	187,974,643.87	131,890,556.39		70.16	Expected partial recoverable
Total	<u>4,379,525,715.68</u>	<u>1,224,888,798.96</u>			

6.3.2 Other receivables portfolios with bad debt provision assessed through the aging analysis approach

Aging	Closing balance		
	Carrying amount		Provision for bad debt
	Amount	(%)	
Within 1 year (1 year included)	1,615,433,050.28	53.49	19,120,251.32
1–2 years(2 years included)	120,583,353.80	3.99	12,213,979.92
2–3 years(3 years included)	184,904,140.11	6.12	59,670,585.12
More than 3 years	1,099,470,739.62	36.40	1,015,580,697.29
Total	<u>3,020,391,283.81</u>	<u>100.00</u>	<u>1,106,585,513.65</u>

Continued:

Aging	Opening balance		
	Carrying amount		Provision for bad debt
	Amount	(%)	
Within 1 year (1 year included)	1,219,807,224.37	45.77	9,692,272.03
1–2 years(2 years included)	205,318,184.90	7.70	28,611,293.00
2–3 years(3 years included)	177,666,921.19	6.67	88,069,913.17
More than 3 years	1,062,303,266.96	39.86	1,037,560,404.66
Total	<u>2,665,095,597.42</u>	<u>100.00</u>	<u>1,163,933,882.86</u>

6.3.3 Other receivables that are not individually significant at the end of the period but for which bad debt provision has been assessed individually

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion of provision (%)	Reason for proportion
Shanghai Xinyi Nonferrous Foundry	15,698,246.80	15,698,246.80	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Electric Machine Co., Ltd.	9,808,074.70	9,808,074.70	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Seagull Camera Co., Ltd.	9,234,185.60		Within 1 year to 2 years (Including 2 years)		Expected to be recoverable
Fuxi Investment Holding Co., Ltd.	8,441,382.79	8,441,382.79	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Xingguo Factory	8,379,778.77	8,379,778.77	More than 3 years	100.00	Expected to be irrecoverable
Shanghai slowdown Machinery Factory	8,127,831.15	8,127,831.15	More than 3 years	100.00	Expected to be irrecoverable
China Cinda Asset Management Co., Ltd.	6,879,999.00	1,375,999.80	1-2 years(Including 2 years)	20.00	Expected partial recoverable
Shanghai Yuqu Metal Products Co., Ltd.	6,700,000.00		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Construction Estate Co., Ltd.	5,067,000.00		Within 1 year (Including 1 year)		Expected to be recoverable
China Erzhang(Zhenjiang) Heavy Machinery Equipment Ltd.	4,856,000.00	4,856,000.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Valve Vacuum Co., Ltd.	3,824,056.20	3,824,056.20	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Shuguang Daily Hardware Research Institute Co., Ltd.	3,810,899.93		1-2 years(Including 2 years)		Expected to be recoverable
Wuxi Forging Press Factory Co., Ltd.	3,353,180.00		1-2 years(Including 2 years)		Expected to be recoverable
Shanghai Orient Compressor Factory	3,341,191.59	3,341,191.59	More than 3 years	100.00	Expected to be irrecoverable
Qinyang Power Plant	3,116,600.18	3,116,600.18	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Zhongjiu Power Transformer Co., Ltd.	3,100,000.00	3,100,000.00	More than 3 years	100.00	Expected to be irrecoverable

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion of provision (%)	Reason for proportion
Shanghai Shuguang Machinery Factory	2,969,097.17	2,969,097.17	More than 3 years	100.00	Expected to be irrecoverable
Haiqing Heavy Machinery Co., Ltd.	2,866,000.00	2,866,000.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Jilong Bath and Leisure Co., Ltd.	2,844,334.46	2,844,334.46	More than 3 years	100.00	Expected to be irrecoverable
Jiangsu Baolian Construction Co., Ltd.	2,180,614.00	2,180,614.00	More than 3 years	100.00	Expected to be irrecoverable
Motion Controls & Systems(Shanghai) Co., Ltd.	2,064,459.50	2,064,459.50	More than 3 years	100.00	Expected to be irrecoverable
Handan Iron and Steel (Group) LLC.	1,935,850.66	1,935,850.66	More than 3 years	100.00	Expected to be irrecoverable
CFC Project of Shanghai Vacuum Pump Plant	1,755,098.00	1,755,098.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Second Vacuum Pump Factory Co., Ltd.	1,730,000.00	1,730,000.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai textile Hardware General Factory	1,384,620.19	1,384,620.19	More than 3 years	100.00	Expected to be irrecoverable
Shanghai second pen accessories factory	1,358,672.80		More than 3 years		Expected to be recoverable
Shanghai Ruihua (Group) Co., Ltd.	1,300,000.00	1,300,000.00	More than 3 years	100.00	Expected to be irrecoverable
Handan Steel Group Handan Bao Steel Co., Ltd.	1,258,025.40	1,258,025.40	More than 3 years	100.00	Expected to be irrecoverable
Zhongyi Petroleum Equipment Co., Ltd.	1,245,728.00	1,245,728.00	More than 3 years	100.00	Expected to be irrecoverable
Nanjing Weilong Environmental Protection Industrial Company	1,192,304.00	1,192,304.00	More than 3 years	100.00	Expected to be irrecoverable
Baoding Tianwei Wind Power Technology Co., Ltd.	1,184,026.45	1,184,026.45	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Automotive Braking System Co., Ltd.	1,178,681.00	1,178,681.00	More than 3 years	100.00	Expected to be irrecoverable
Shanghai Jiaoyun Automotive Power System Co., Ltd.	1,100,700.00	1,100,700.00	More than 3 years	100.00	Expected to be irrecoverable
Simike Diamond Mould Co., Ltd.	1,093,782.88	1,093,782.88	More than 3 years	100.00	Expected to be irrecoverable

Debtors	Carrying amount	Provision for bad debt	Aging	Proportion of provision (%)	Reason for proportion
Shanghai Jindiao lifting equipment factory	1,040,364.16		Within 1 year (including 1 year)		Expected to be recoverable
Other individually insignificant subtotal of Shanghai Heavy machinery Co., Ltd.	71,466,622.89	59,352,752.69		83.05	Expected partial recoverable
Other individually insignificant subtotal of Highly share	59,983,744.06	1,788,673.76	1-2 years (including 2 years)	2.98	Expected partial recoverable
Other miscellaneous subtotals	123,794,230.14	73,991,166.73		59.77	Expected partial recoverable
Total	<u>390,665,382.47</u>	<u>234,485,076.87</u>			

6.3.4 Recovery or reversals during the current period

Debtors	Amount reversed or collected	Accumulated bad debt provision prior to reversals or collections	Reasons for reversals or collections
Goss International Trading (Shanghai) Co. Ltd.	3,489,864.14	3,489,864.14	Collected
Motion Controls & Systems(Shanghai) Co., Ltd.	1,179,372.00	1,179,372.00	Collected
Export tax rebate	1,213,016.30	1,213,016.30	Collected
Shandong Nanshan Aluminum Co., Ltd.	17,492,781.67	17,492,781.67	Collected
Shanxi Xingneng Power Generation Co., Ltd.	2,840,000.00	2,840,000.00	Collected
Jingmei Group Baiyin Thermal Power Co., Ltd.	2,629,552.00	2,629,552.00	Collected
Shandong Ludian International Trade Co., Ltd.	2,403,120.00	2,403,120.00	Collected
Guizhou Huadian Tongzi Power Generation Co., Ltd.	2,120,081.75	2,120,081.75	Collected
Beijing Longyuan Environmental Protection Engineering Co., Ltd.	1,678,000.00	1,678,000.00	Collected
Central Southern China Electric Power Design Institute Co., Ltd.of China Power Engineering Consulting Group	1,624,800.00	1,624,800.00	Collected
Zhejiang Electric Power Construction Co., Ltd.	1,271,000.00	1,271,000.00	Collected
Shanghai LONGKING Environmental Protection Technology Engineering Co., Ltd.	1,237,728.00	1,237,728.00	Collected
Xinjiang Dongming Plastic Co., Ltd.	1,200,000.00	1,200,000.00	Collected
Hubei Energy Group Ezhou Power Generation Co., Ltd.	1,020,000.00	1,020,000.00	Collected
Gansu Electric Power Investment Jinchang Power Co., Ltd.	951,375.00	951,375.00	Collected
China Datang Corporation Huaibei Datang Power Plant	945,600.00	945,600.00	Collected
Huarun Power (Haifeng) Co., Ltd.	938,080.00	938,080.00	Collected
Zhejiang Zhengneng Taizhou Second Power Generation Co., Ltd.	930,800.00	930,800.00	Collected
Shaanxi nonferrous metals Yulin New Material Co., Ltd.	894,576.00	894,576.00	Collected
Qingtongxia Aluminum Power Generation Co., Ltd.	878,800.00	878,800.00	Collected
Jiangsu Guoxin Jingjiang Power Generation Co., Ltd.	878,560.00	878,560.00	Collected
Guangdong Yuedian Dapu Power Generation Co., Ltd.	791,000.00	791,000.00	Collected
Guangxi Guiguan Electric Power Co., Ltd.	718,720.00	718,720.00	Collected
Huaibei Shen Wan Power Generation Co., Ltd.	544,160.00	544,160.00	Collected
Inner Mongolia Mongolia Huaneng Thermal Power Co., Ltd. Wuhai Power Plant	518,920.00	518,920.00	Collected

Debtors	Amount reversed or collected	Accumulated bad debt provision prior to reversals or collections	Reasons for reversals or collections
Xinjiang Shenhua Coal and Electricity Co., Ltd.	479,919.90	479,919.90	Collected
Shanxi Linfen thermoelectric Co., Ltd.	466,000.00	466,000.00	Collected
Huaneng International Power Co., Ltd. Changxin Power Plant	414,720.00	414,720.00	Collected
Datang Xiangtan Power Generation Co., Ltd.	413,248.00	413,248.00	Collected
Jiangsu Nan Thermal Power Co., Ltd.	404,400.00	404,400.00	Collected
Ansteel Engineering Technology Corporation Limited	384,000.00	384,000.00	Collected
Hebei Datang International Qian'an thermoelectric Co., Ltd.	323,600.00	323,600.00	Collected
MCC Oriental Engineering Technology Co., Ltd.	311,200.00	311,200.00	Collected
Baotou Aluminium Industry Co., Ltd.	310,059.20	310,059.20	Collected
Jiangsu Zhongneng Silicon Technology Development Co., Ltd.	291,200.00	291,200.00	Collected
Datang Binzhou Power Generation Co., Ltd.	287,700.00	287,700.00	Collected
CPI Power Engineering Company Ltd.	260,400.00	260,400.00	Collected
China Huadian Engineering (Group) Co., Ltd.	255,600.00	255,600.00	Collected
Zhejiang Tiandi Environmental Protection Engineering Co., Ltd.	238,320.00	238,320.00	Collected
Shanxi Zhongyang Iron and Steel Co., Ltd.	200,000.00	200,000.00	Collected
Suzhou Xinyuan Foundation Engineering Co., Ltd.	195,200.00	195,200.00	Collected
Shengli Guodian (Dongying) Thermoelectric Co., Ltd.	193,600.00	193,600.00	Collected
Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.	151,200.00	151,200.00	Collected
Inner Mongolia Mengtai Coal Power Group Co., Ltd.	120,000.00	120,000.00	Collected
Ansteel Cold Rolled Steel Plate (Putian) Co., Ltd.	40,000.00	40,000.00	Collected
Total	<u>56,130,273.96</u>	<u>56,130,273.96</u>	

6.3.5 Actual write-off other receivables written during the current period

Name of the debtor	Nature of other receivable	Amount written off	Reasons for write-off	Write-off procedures	Related party transactions (yes or no)
Jianping Lu	Employee borrowing	12,855.88	The employee lost contact	Internal approval	No
Total		<u>12,855.88</u>			

6.3.6 Top five entities of closing receivable

Debtors	Nature of fund	Closing balance	Aging	Percentage of total other receivables (%)	Provision for bad debt
Suzhou THVOW Technology Co., Ltd.	Related party borrowing	2,000,000,000.00	Within 1 year (Including 1 year)	25.67	
Shanghai SVA (Group) Co., Ltd.	Business transaction	776,250,000.00	More than 3 years	9.96	776,250,000.00
Chung min New Energy Mulei Electric Power Co., Ltd.	Business transaction	179,037,943.78	Within 1 year (Including 1 year)	2.30	
Shanghai forging machine tool factory	Business transaction	122,695,711.34	More than 3 years	1.57	122,695,711.34
Mulei Tianhui Solar Energy Co., Ltd.	Business transaction	101,930,700.00	Within 1 year (Including 1 year)	1.31	
Total		<u>3,179,914,355.12</u>		<u>40.81</u>	<u>898,945,711.34</u>

6.3.7 Derecognized other receivables due to the transfer of financial assets

None

6.3.8 The amount of assets and liabilities come from continuing to be involved in the other receivables transfer, such as securitization and factoring:

None

6.3.9 Enterprises should disclose receivables regarding government subsidies

None

7 Inventories

7.1 Inventory classification.

Items	Book value	Closing balance	Net book value
		Provision for inventories	
Raw materials	5,623,706,183.08	738,294,644.40	4,885,411,538.68
Work-in-progress	13,823,504,756.80	1,339,971,803.57	12,483,532,953.23
Finished goods	13,477,485,610.50	579,338,515.89	12,898,147,094.61
Finished goods (Packing materials, consumables, low-value Item)	346,847,818.00	2,958,733.15	343,889,084.85
Others	164,496,780.12	377,048.18	164,119,731.94
Total	<u>33,436,041,148.50</u>	<u>2,660,940,745.19</u>	<u>30,775,100,403.31</u>

Continued:

Items	Book value	Opening balance	Net book value
		Provision for inventories	
Raw materials	5,122,699,326.17	604,924,904.28	4,517,774,421.89
Work-in-progress	16,011,706,235.55	2,020,710,922.81	13,990,995,312.74
Finished goods	12,683,530,716.29	698,560,443.26	11,984,970,273.03
Finished goods (Packing materials, consumables, low-value Item)	102,054,858.23	163,394.69	101,891,463.54
Others	264,161,427.08	22,263,500.00	241,897,927.08
Total	<u>34,184,152,563.32</u>	<u>3,346,623,165.04</u>	<u>30,837,529,398.28</u>

8 Contract assets

Items	Book value	Closing balance	Net book value
		Provision for contract assets	
Project of Xinjiang Kuishan Baota	237,128,453.81	237,128,453.81	
Project of BALINGIAN, Malaysia	124,682,473.07	124,682,473.07	
Project of Pingshuo, Shanxi	47,429,287.16	47,429,287.16	
Other projects of Electric share	12,880,550,785.96	650,768,785.96	12,229,782,000.00
Total	<u>13,289,791,000.00</u>	<u>1,060,009,000.00</u>	<u>12,229,782,000.00</u>

Continued:

Items	Book value	Opening balance	Net book value
		Provision for contract assets	
Project of Xinjiang Kuishan Baota	204,559,947.69	204,559,947.69	
Project of BALINGIAN, Malaysia	108,106,694.47	108,106,694.47	
Project of Pingshuo, Shanxi	56,527,332.56	56,527,332.56	
Other projects of Electric share	15,233,189,025.28	349,679,025.28	14,883,510,000.00
Total	<u>15,602,383,000.00</u>	<u>718,873,000.00</u>	<u>14,883,510,000.00</u>

8.1 Provision for contract assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Project of Xinjiang Kuishan Baota	204,559,947.69	32,568,506.12		237,128,453.81
Project of BALINGIAN, Malaysia	108,106,694.47	16,575,778.60		124,682,473.07
Project of Pingshuo, Shanxi	56,527,332.56		9,098,045.40	47,429,287.16
Other projects of Electric share	349,679,025.28	336,683,715.28	35,593,954.60	650,768,785.96
Total	<u>718,873,000.00</u>	<u>385,828,000.00</u>	<u>44,692,000.00</u>	<u>1,060,009,000.00</u>

9 Non-current assets due within one year

Items	Closing balance	Opening balance
Financial lease receivables due within one year	4,180,012,000.00	4,786,954,000.00
Other long-term receivables due within one year	20,526,638.00	28,555,000.00
Total	<u>4,200,538,638.00</u>	<u>4,815,509,000.00</u>

10 Other current assets

Items	Closing balance	Opening balance
I. Entrusted Loan	83,200,000.00	190,630,000.00
II. Discounted notes	317,917,000.00	179,926,000.00
III. Prepaid expenses	19,712.41	19,805.33
IV. Buying back the sale of financial assets	2,308,712,000.00	1,497,130,000.00
V. Loans	268,690,000.00	30,266,800.00
VI. Pending deduct VAT on purchase	1,336,363,264.27	1,083,315,383.79
VII. Other debt investment due within 1 year	5,787,735,000.00	

Items	Closing balance	Opening balance
VIII. Notes receivable and accounts receivable measured at fair value whose changes are included in other comprehensive income.	3,329,753,000.00	716,854,000.00
IX. Others	133,822,026.34	256,543,000.00
Total	<u>13,566,212,003.02</u>	<u>3,954,684,989.12</u>

11 Available-for-sale financial assets

11.1 Information about available-for-sale financial assets

Items	Closing balance	Closing balance Provision for bad debts	Book value
I. Available for sale debt instruments	1,659,821,070.51		1,659,821,070.51
II. Available for sale equity instruments	<u>11,397,796,774.24</u>	<u>298,820,366.20</u>	<u>11,098,976,408.04</u>
Measured at fair value	7,288,972,654.71	134,049.57	7,288,838,605.14
Measured at cost	4,108,824,119.53	298,686,316.63	3,810,137,802.90
III. Others			
Total	<u>13,057,617,844.75</u>	<u>298,820,366.20</u>	<u>12,758,797,478.55</u>

Continued:

Items	Closing balance	Opening balance Provision for bad debts	Book value
I. Available for sale debt instruments	1,670,162,506.47		1,670,162,506.47
II. Available for sale equity instruments	<u>13,310,806,852.63</u>	<u>281,348,479.88</u>	<u>13,029,458,372.75</u>
Measured at fair value	10,360,294,583.92		10,360,294,583.92
Measured at cost	2,950,512,268.71	281,348,479.88	2,669,163,788.83
III. Others	160,751,149.98	30,000.00	160,721,149.98
Total	<u>15,141,720,509.08</u>	<u>281,378,479.88</u>	<u>14,860,342,029.20</u>

11.2 Ending balance of available-for-sale financial assets measured at fair value

Items	Available for sale equity instruments	Available for sale debt instruments	Others	Total
Amortized cost of the equity instruments cost / debt instruments	3,445,611,672.96	1,827,656,859.21		<u>5,273,268,532.17</u>
Fair value	7,288,972,654.71	1,659,821,070.51		<u>8,948,793,725.22</u>
Accumulated changes of fair value in other comprehensive income	3,843,360,981.75	-167,835,788.70		<u>3,675,525,193.05</u>
The amount of provision for impairment	134,049.57			<u>134,049.57</u>
Total	<u>7,288,838,605.14</u>	<u>1,659,821,070.51</u>		<u>8,948,659,675.65</u>

11.3 Details of available-for-sale financial assets measured at cost

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Total		<u>4,108,824,119.53</u>	<u>2,950,512,268.71</u>	<u>1,158,311,850.82</u>	<u>4,108,824,119.53</u>		<u>298,686,316.63</u>	<u>18,617,498.46</u>	<u>13,335,406.37</u>
AVIC Commercial Aircraft Engine Co., Ltd.	Cost method	900,000,000.00	900,000,000.00		900,000,000.00	15.00			
Shanghai life insurance company	Cost method	873,600,000.00	873,600,000.00		873,600,000.00	14.00			
Advanced Manufacturing Industry Investment Fund (Limited Partnership)	Cost method	773,333,300.00	698,333,300.00	75,000,000.00	773,333,300.00	4.55			
Shanghai Shenchuang Equity Investment Fund Partnership (Limited Partnership)	Cost method	250,000,000.00		250,000,000.00	250,000,000.00	11.88			
Shanghai Shenchuang Equity Investment Management Center (Limited Partnership)	Cost method	1,000,000.00		1,000,000.00	1,000,000.00	10.00			
Shanghai State-owned Enterprise Reform and Development Equity Investment Fund Partnership (L.P.)	Cost method	250,000,000.00		250,000,000.00	250,000,000.00	12.30			
Shanghai Guosheng Haitong Equity Investment Fund Partnership (L.P.)	Cost method	250,000,000.00		250,000,000.00	250,000,000.00	11.11			
Shanghai Nanyang Motor Co., Ltd	Cost method	125,954,540.27	125,954,540.27		125,954,540.27	60.00	125,954,540.27		

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
China United Heavy Gas Turbine Technology Co., Ltd.	Cost method	114,000,000.00	12,000,000.00	102,000,000.00	114,000,000.00	12.00			
Shanghai Tuling Asset Management Co., Ltd. Tuling Zengli No.1 Private Equity Fund	Cost method	100,000,000.00		100,000,000.00	100,000,000.00				
Shanghai Tuling Asset Management Co., Ltd. Tuling Zengli No.2 Private Equity Fund	Cost method	100,000,000.00		100,000,000.00	100,000,000.00				
Jiaryinchengtou Investment (Shanghai) Green Equity Investment Co., Ltd.	Cost method	49,892,790.00	49,892,790.00		49,892,790.00	11.11			
Shanghai Treka Cable Co., Ltd.	Cost method	34,422,072.93	8,294,272.93	26,127,800.00	34,422,072.93	19.50	13,009,326.28	2,647,777.98	
Shanghai light industry Kitchen Equipment Co., Ltd.	Cost method	26,810,000.00	26,810,000.00		26,810,000.00	33.86			
Yangtze River Economic Joint Development (Group) Co., Ltd.	Cost method	25,036,952.20	25,036,952.20		25,036,952.20	0.77			
Shanghai jiahua property development Co.Ltd	Cost method	17,402,408.88	17,402,408.88		17,402,408.88	10.00			13,289,779.37
MCC Changtian International Engineering Co., Ltd.	Cost method	12,200,820.19	12,200,820.19		12,200,820.19	1.54			
Shenhua Coal Liquefaction Research Center Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	10.00			
Shanghai Electrical Safety Production Testing Center	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00			

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
China Pudong Development Machinery Industry Co., Ltd.	Cost method	4,425,006.00	4,425,006.00		4,425,006.00	2.00			
Shanghai Industrial Eurasia International Trade Co., Ltd.	Cost method	3,000,000.00	3,000,000.00		3,000,000.00	13.04			
China Cable Engineering Co., Ltd.	Cost method	2,270,500.00	2,270,500.00		2,270,500.00	2.27			
Shanghai Electric Science and Technology Innovation Center	Cost method	1,332,146.61	1,332,146.61		1,332,146.61	80.00			
Shanghai Guosheng Capital Management Co., Ltd.	Cost method	1,237,500.00		1,237,500.00	1,237,500.00	4.95			
Suzhou Sugang Qingneng Bioenergy Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	10.00			
Shanghai Chunhui Vocational and Technical School	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100.00			
Shanghai Jigang Economic Trade Co., Ltd.	Cost method	960,000.00	960,000.00		960,000.00	3.20			
Shanghai Electric (Group) Activity Room for Veteran Cadres	Cost method	467,420.70	467,420.70		467,420.70	100.00			
Shanghai Baoding investment Co., Ltd.	Cost method	439,019.59	439,019.59		439,019.59	0.13			45,627.00
Shanghai Zhongfangji Vehicle Service Co., Ltd.	Cost method	281,965.71	281,965.71		281,965.71	30.00			
Shanghai Yongchang Exhibition	Cost method	100,000.00	100,000.00		100,000.00	20.00			

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Co., Ltd.									
Shanghai Shang Qi Heat Treatment Co., Ltd.	Cost method	90,000.00	90,000.00		90,000.00	18.00			
Inner Mongolia Baotou Department Store Co., Ltd.	Cost method	30,000.00	30,000.00		30,000.00	0.04			
Xi'an Tangcheng(Group) Co., Ltd.	Cost method	17,000.00	17,000.00		17,000.00	0.04			
Shanghai Luwan District Transport Company Automobile Team	Cost method	8,746.85	8,746.85		8,746.85	100.00			
Shanghai "Fluid Power Transmission and Control" Magazine	Cost method		80,000.00	-80,000.00					
Shanghai Hua-chi Software Development Company Limited	Cost method		572,000.00	-572,000.00					
Other miscellaneous subtotals	Cost method	178,511,929.60	174,913,378.78	3,598,550.82	178,511,929.60		159,722,450.08	15,969,720.48	

12 Other debt investments

Item	Closing balance	Opening balance
Debt investments	261,372,000.00	8,178,643,000.00
Total	<u>261,372,000.00</u>	<u>8,178,643,000.00</u>

12.1 Details of significant other debt investment

Other debt investment item	Amortized cost	Fair value	Accumulated changes of fair value in other comprehensive income	Provision for impairment loss
Available-for-sales bond	257,404,000.00	261,372,000.00	3,968,000.00	
Total	<u>257,404,000.00</u>	<u>261,372,000.00</u>	<u>3,968,000.00</u>	

13 Long-term receivables

Items	Closing balance		
	Book value	Provision for bad debts	Net value
Finance lease	10,280,606,000.00	910,135,000.00	9,370,471,000.00
Including: Unrealized financing income	1,196,177,000.00		1,196,177,000.00
Installment collection of selling goods.	26,280,635.91		26,280,635.91
Others	19,938,000.00	2,742,000.00	17,196,000.00
Less: Long-term receivables due within one year	4,961,761,638.00	761,223,000.00	4,200,538,638.00
Total	<u>5,365,062,997.91</u>	<u>151,654,000.00</u>	<u>5,213,408,997.91</u>

Continued:

Items	Opening balance			Period-end discount rate interval
	Book value	Provision for bad debts	Net value	
Finance lease	12,016,134,000.00	629,267,000.00	11,386,867,000.00	0.64%-1.89%
Including: Unrealized financing income	1,364,120,000.00		1,364,120,000.00	
Installment collection of selling goods.				
Others	305,540,000.00	67,549,000.00	237,991,000.00	
Less: Long-term receivables due within one year	5,282,679,000.00	467,170,000.00	4,815,509,000.00	
Total	<u>7,038,995,000.00</u>	<u>229,646,000.00</u>	<u>6,809,349,000.00</u>	

14. Long-term equity investments

14.1 Disclosure by categories

Items	Opening balance	Increase	Decrease	Closing balance
Investment in joint ventures	4,849,591,551.49	829,482,783.36	266,803,451.65	5,412,270,883.20
Investment in associated enterprises	7,376,068,249.67	3,209,830,924.74	1,027,820,044.30	9,558,079,130.11
Subtotal	<u>12,225,659,801.16</u>	<u>4,039,313,708.10</u>	<u>1,294,623,495.95</u>	<u>14,970,350,013.31</u>
Less: provision for impairment loss	451,106,000.00			451,106,000.00
Total	<u>11,774,553,801.16</u>	<u>4,039,313,708.10</u>	<u>1,294,623,495.95</u>	<u>14,519,244,013.31</u>

14.2 Details of long-term equity investments

Investees	Investment cost	Opening balance	Changes in current period			Other comprehensive income adjustment
			Increase	Decrease	Investment profit or loss under equity method	
Total	13,054,717,468.93	11,774,553,801.16	3,272,965,001.00	163,843,466.98	668,606,134.50	20,262,000.00
1. Subtotal for joint ventures	4,702,753,000.00	4,405,493,551.49	975,407,000.00	199,000.00	-166,186,216.64	20,262,000.00
Ansaldo Energia S.P.A ("AEN") (Note 1)	2,976,485,000.00	2,966,958,000.00	248,851,000.00		-545,170,000.00	20,262,000.00
Shanghai Fanake Robot Co., Ltd.	868,128,000.00	1,221,948,000.00			326,882,000.00	
Shanghai Yunzhongxin Enterprise Development Co., Ltd.	660,000,000.00		660,000,000.00		-583,000.00	
Shanghai Fanake International Trading Co., Ltd.	109,840,000.00	124,234,000.00			44,762,000.00	
Other joint ventures of Electric Shares subtotal	82,495,000.00	82,495,000.00	66,556,000.00	199,000.00	6,311,000.00	
Shanghai Dahua - Chino Instrument Co., Ltd.	5,805,000.00	9,858,551.49			1,611,783.36	
2. Subtotal for investments in associates	8,351,964,468.93	7,369,060,249.67	2,297,558,001.00	163,644,466.98	834,792,351.14	
Shanghai Dahao Properties Co., Ltd.	20,000,000.00	21,323,248.57			4,654,612.16	
Shanghai Babai show Enterprise Management Co., Ltd.	5,200,000.00	9,719,435.70			4,157,104.54	
Shanghai Yi Shen Real Estate Development Co., Ltd.	22,500,000.00	48,013,299.78		39,013,299.78		
Shanghai Paihui Investment Management Ltd.	9,000,000.00	6,248,409.32			-2,246,453.73	
Shanghai Changyang Chuanguo Enterprise Development Co., Ltd.	24,500,000.00	19,208,727.92			-8,877,745.31	

Investees	Changes in current period				Investment profit or loss under equity method	Other comprehensive income adjustment
	Investment cost	Opening balance	Increase	Decrease		
Shanghai Xinyefang Shangying enterprise development Limited	12,500,000.00	10,986,321.83			-1,714,454.90	
Shanghai Highly Nakano Refrigerators Co., Ltd	64,978,616.92	77,842,284.87			3,853,299.64	
Shanghai Cable Factory	16,271,937.13	6,395,166.78			-1,587,057.51	
Shanghai Electric Group Henglian Enterprise Development Co., Ltd.	7,000,000.00	44,151,644.62			9,771,788.98	
Shanghai Hino Engine Co., Ltd.	21,406,679.32	81,184,982.42			4,857,831.35	
Shanghai Pu Qing gas turbine Co., Ltd.	9,800,000.00	10,063,817.17			66,988.45	
Shanghai Proton Heavy Ion Hospital Co., Ltd.	100,000,000.00	66,712,389.45			-3,659,831.29	
Shanghai Dalong Machinery Co., Ltd.	21,776,669.74	19,045,643.49			-4,219,107.75	
Shanghai Shenxin Wind Power Co., Ltd.	11,700,000.00	11,619,237.69			824,802.63	
Shanghai Microelectronics Equipment Co., Ltd.	253,346,127.44	469,731,161.05			-9,969,615.54	
Shanghai Oriented Investment Management Company	4,000,000.00	2,326,550.24			-297,133.27	
Shanghai Zibo Zhidian Enterprise Management Co., Ltd.	1,960,000.00	1,223,535.71			-1,223,535.71	
State Nuclear Power Automation System Engineering Company (SNPAS) (Note 4)	98,000,000.00	100,519,301.58			11,513,136.39	
Shanghai Automation Instrumentation nine Instrument Co., Ltd.	2,217,741.94	5,254,439.29			54,633.99	

Investees	Changes in current period				
	Investment cost	Opening balance	Increase	Decrease	Investment profit or loss under equity method
Thousand Field Measurement and Control Equipment (Kunshan) Co., Ltd.	2,648,640.00	6,577,006.06			2,188,756.27
Shanghai YOKOGAWA Electric Co., Ltd.	12,973,204.00	47,820,409.31	1.00		912,068.36
Shanghai Nanyang Cable Co., Ltd.	18,000,000.00	57,312,167.20		57,312,167.20	
Shanghai Electric Industrial Park Management Limited	980,000.00	5,782,760.59			56,531.80
Shanghai Shuluo Enterprise Development Co., Ltd.	34,132,362.35	36,177,458.68			
Shanghai Electric Complete Co., Ltd.	44,060,214.25	38,671,983.30			17,694.39
Shanghai Shanglan Irradiation Technology Development Co., Ltd.	1,164,551.41	1,164,605.61			64.93
Shanghai Almeida Welding Equipment Co., Ltd.	10,501,168.11				
Shanghai Road and Bridge Construction Machinery Co., Ltd.	9,443,526.21				
China Energy Engineering Group Co., Ltd. (Note 2)	805,200,000.00		805,200,000.00		
Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.	558,309,000.00	656,606,000.00			65,449,000.00
Suzhou THVOW Technology Co., Ltd. (Note 3)	664,943,000.00		664,943,000.00		
Shanghai Rail Traffic Equipment Development Co., Ltd.	353,363,000.00	560,893,265.34			20,085,000.00
Shanghai Jintai Engineering Machinery Co.,	480,531,000.00	500,104,000.00			62,391,000.00

Investees	Changes in current period				Other comprehensive income adjustment
	Investment cost	Opening balance	Increase	Decrease	Investment profit or loss under equity method
Ltd.					
Mitsubishi Elevator Shanghai Mechanical & Electrical Co., Ltd.	341,663,000.00	455,626,000.00			-1,831,000.00
Manz AG	429,181,000.00	390,973,000.00			-7,872,000.00
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	451,829,000.00	446,061,000.00			89,953,000.00
Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.	250,000,000.00	250,000,000.00			-1,977,000.00
Shanghai Riyong Youjie Automotive Electric Co., Ltd.,	195,708,000.00	237,158,000.00			37,705,000.00
Shanghai Pudong Zhangjiang Microfinance Limited	200,624,190.92	224,712,000.00			15,612,000.00
Shenhua (Beijing) Photovoltaic Technology R&D Co., Ltd.	245,000,000.00	234,397,000.00			-26,210,000.00
Nanjing Panneng Electric Power Technology Co., Ltd.	155,441,886.78	177,378,000.00			8,127,000.00
Shanghai Nabtesco Hydraulic Co., Ltd.	165,735,000.00	138,270,000.00			35,038,000.00
Shanghai Siemens Switchgear Co., Ltd.	139,640,000.00	136,638,000.00			67,931,000.00
Shanghai Marathon Innovation Electric Co., Ltd.	161,251,000.00	137,844,000.00			20,318,000.00
Shanghai Voith SIEMENS Hydropower Equipment Co., Ltd.	127,756,000.00	152,831,000.00			31,757,000.00
Shanghai Electric Qing Yuan(Tianjin) Water	144,000,000.00		144,000,000.00		-162,000.00

Investees	Changes in current period				
	Investment cost	Opening balance	Increase	Decrease	Investment profit or loss under equity method
Other comprehensive income adjustment					
Co., Ltd.					
Shanghai Danfoss Hydraulic Transmission Co., Ltd.	58,602,425.08	127,744,000.00			29,171,000.00
Shanghai KSB Pumps Ltd.	125,134,458.23	39,002,660.23			47,000.00
Shanghai Electric Research and Construction Technology Group Co., Ltd.	100,000,000.00		100,000,000.00		4,161,000.00
Shanghai Huaduo Equity Investment Fund Partnership (Limited Partnership)	100,000,000.00		100,000,000.00		0.00
Legend Electric (Shenyang) Co., Ltd.	42,654,778.88	109,264,000.00			44,840,000.00
Shanghai Clyde Bergemann Machinery Co., Ltd.	74,832,197.26	89,519,000.00			1,783,000.00
Shanghai Schneider Distribution Electric Co., Ltd.	97,267,000.00	127,766,000.00			109,544,000.00
Pacific Electromechanical Group (Shanghai) Technology Co., Ltd.	40,000,000.00	37,116,986.56			-7,174,887.23
Shanghai Keyuan Fang Enterprise Development Co., Ltd.	12,000,000.00		12,000,000.00		-446,070.31
Other investment in associates of Electric Shares subtotal	991,237,092.96	934,080,349.31	471,415,000.00	67,319,000.00	227,418,929.81

Continued:

Investees	Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others	Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percent age of voting rights (%)
Total	<u>77,480,572.60</u>	<u>1,079,738,095.04</u>		<u>-51,041,933.93</u>	<u>14,519,244,013.31</u>	<u>451,106,000.00</u>		
1. Subtotal for joint ventures		<u>266,604,451.65</u>			<u>4,968,172,883.20</u>	<u>444,098,000.00</u>		
Ansaldo Energia S.P.A ("AEN") (Note 1)					2,690,901,000.00	444,098,000.00		
Shanghai Fanake Robot Co., Ltd.	241,741,000.00				1,307,089,000.00			
Shanghai Yunzhongxin Enterprise Development Co., Ltd.					659,417,000.00			
Shanghai Fanake International Trading Co., Ltd.	21,693,000.00				147,303,000.00			
Other joint ventures of Electric Shares subtotal	2,500,000.00				152,663,000.00			
Shanghai Dahua - Chino Instrument Co., Ltd.	670,451.65				10,799,883.20			
2. Subtotal for investments in associates	<u>77,480,572.60</u>	<u>813,133,643.39</u>		<u>-51,041,933.93</u>	<u>9,551,071,130.11</u>	<u>7,008,000.00</u>		
Shanghai Dahao Properties Co., Ltd.					25,977,860.73			
Shanghai Babai show Enterprise Management Co., Ltd.		3,422,893.82			10,453,646.42			
Shanghai Yi Shen Real Estate Development Co., Ltd.		9,000,000.00						
Shanghai Paihui Investment Management Ltd.					4,001,955.59			
Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.					10,330,982.61			
Shanghai Xinyefang Shangying enterprise development Limited					9,271,866.93			

Investees	Changes in current period				Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percent age of voting rights (%)
	Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others				
Shanghai Highly Nakano Refrigerators Co., Ltd		3,173,592.76			78,521,991.75			
Shanghai Cable Factory					4,808,109.27			
Shanghai Electric Group Henglian Enterprise Development Co., Ltd.		8,050,000.00			45,873,433.60			
Shanghai Hino Engine Co., Ltd.		468,943.93			85,573,869.84			
Shanghai Pu Qing gas turbine Co., Ltd.					10,130,805.62			
Shanghai Proton Heavy Ion Hospital Co., Ltd.					63,052,558.16			
Shanghai Dalong Machinery Co., Ltd.					14,826,535.74			
Shanghai Shenxin Wind Power Co., Ltd.					12,444,040.32			
Shanghai Microelectronics Equipment Co., Ltd.					459,761,545.51			
Shanghai Oriented Investment Management Company					2,029,416.97			
Shanghai Zibo Zhidian Enterprise Management Co., Ltd.								
State Nuclear Power Automation System Engineering Company (SNPAS) (Note 4)	78,095,572.60				190,128,010.57			
Shanghai Automation Instrumentation nine Instrument Co., Ltd.					5,309,073.28			
Thousand Field Measurement and Control Equipment (Kunshan) Co., Ltd.		983,278.65			7,782,483.68			
Shanghai YOKOGAWA Electric Co., Ltd.		6,231,934.23		-42,500,544.44				

Investees	Other changes in equity	Changes in current period	Provision for impairment	Others	Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percent age of voting rights (%)
Shanghai Nanyang Cable Co., Ltd.								
Shanghai Electric Industrial Park Management Limited					5,839,292.39			
Shanghai Shuluo Enterprise Development Co., Ltd.				-36,177,458.68				
Shanghai Electric Complete Co., Ltd.					38,689,677.69			
Shanghai Shanglan Irradiation Technology Development Co., Ltd.					1,164,670.54			
Shanghai Almeida Welding Equipment Co., Ltd.								
Shanghai Road and Bridge Construction Machinery Co., Ltd.								
China Energy Engineering Group Co., Ltd. (Note 2)					805,200,000.00			
Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.		43,302,000.00			678,753,000.00			
Suzhou THVOW Technology Co., Ltd. (Note 3)					664,943,000.00			
Shanghai Rail Traffic Equipment Development Co., Ltd.					580,978,265.34			
Shanghai Jintai Engineering Machinery Co., Ltd.		12,600,000.00			549,895,000.00			
Mitsubishi Elevator Shanghai Mechanical & Electrical Co., Ltd.	-615,000.00				453,180,000.00			
Manz AG				26,971,000.00	410,072,000.00			
Shanghai Yileng Carrier Air Conditioning Equipment		150,766,000.00			385,248,000.00			

Investees	Other changes in equity	Changes in current period			Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percent age of voting rights (%)
		Declared cash dividends or interest	Provision for impairment	Others				
Co., Ltd.								
Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.					248,023,000.00			
Shanghai Riyong Youjie Automotive Electric Co., Ltd.,		34,605,000.00			240,258,000.00			
Shanghai Pudong Zhangjiang Microfinance Limited		15,247,000.00			225,077,000.00			
Shenhua (Beijing) Photovoltaic Technology R&D Co., Ltd.					208,187,000.00			
Nanjing Panneng Electric Power Technology Co., Ltd.		6,250,000.00			179,255,000.00			
Shanghai Nabtesco Hydraulic Co., Ltd.		9,265,000.00			164,043,000.00			
Shanghai Siemens Switchgear Co., Ltd.		49,633,000.00			154,936,000.00			
Shanghai Marathon Innovation Electric Co., Ltd.		10,719,000.00			147,443,000.00			
Shanghai Voith SIEMENS Hydropower Equipment Co., Ltd.		40,000,000.00			144,588,000.00			
Shanghai Electric Qing Yuan(Tianjin) Water Co., Ltd.					143,838,000.00			
Shanghai Danfoss Hydraulic Transmission Co., Ltd.		36,622,000.00			120,293,000.00			
Shanghai KSB Pumps Ltd.					39,049,660.23			
Shanghai Electric Research and Construction Technology Group Co., Ltd.					104,161,000.00			
Shanghai Huaduo Equity Investment Fund					100,000,000.00			

Investees	Changes in current period			Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percent age of voting rights (%)
	Other changes in equity	Declared cash dividends or interest	Provision for impairment				
Partnership (Limited Partnership)							
Legend Electric (Shenyang) Co., Ltd.		59,500,000.00		94,604,000.00			
Shanghai Clyde Bergemann Machinery Co., Ltd.				91,302,000.00			
Shanghai Schneider Distribution Electric Co., Ltd.		163,051,000.00		74,259,000.00			
Pacific Electromechanical Group (Shanghai) Technology Co., Ltd.				29,942,099.33			
Shanghai Keyuan Fang Enterprise Development Co., Ltd.				11,553,929.69			
Other investment in associates of Electric Shares subtotal		150,243,000.00		665,069.19	1,416,017,348.31	7,008,000.00	

Note 1: On May 8, 2014, Electric Shares, the Group's subsidiary, signed an equity transfer agreement with Italy CDP Equity S.p.A (hereinafter referred to as "CDP") (formerly named as Fondo Strategico Italiano S.p.A) to acquire 40% shares of Ansaldo Energia S.P.A (hereinafter referred to as "AEN") held by CDP. The purchase price is 400 million Euros. On December 4, 2014, the Electric Shares and CDP completed the equity settlement procedures, and the Electric Shares officially became the shareholder of AEN. After settlement, CDP still holds 44.55% of AEN's equity. According to AEN's Articles of Association, its major financial and operational decisions require agreement by both Electric Shares and CDP. Therefore, AEN became a joint venture of the Group's subsidiaries' Electric Shares. In 2018, Electric Shares increased the capital of AEN by 32 million Euros, which is equivalent to CNY 248,851,000.00.

In addition, since AEN's recording currency is Euro and the Electric Share's recording currency is CNY, the net investment in AEN's shares faces the risk of fluctuations in the exchange rate of the Euro against CNY. Electric Shares have hedged the foreign exchange risk through the net investment hedge of overseas operations, and the risk of exchange rate fluctuations of the Euro against the CNY that caused the change in AEN's net investment is the hedged risk. From January 1 to June 30, 2018, 365.9 million Euro of 600million designated issuance Euro bond are hedging instrument. And from June 30 to December 31, 2018, 307.7 million Euro of 600million designated issuance Euro bond are hedging

instrument. Electric Shares have developed formal hedging documents to specify the above hedging relationships, risk management objectives and hedging strategies. At the same time, Electric Shares performed validity tests, and the test results showed that the above hedges were highly effective during the year. The impact of the foreign currency statement translation difference on the net investment of AEN due to exchange rate changes during the year was CNY 20,262,000.00. The effective portion of the net investment hedge for overseas operations is CNY 20,262,000.00. The net effect of the above-mentioned foreign currency statement translation difference and the effective portion of the net investment hedge of overseas operations on other comprehensive income is zero.

Note 2: This year, Electric Shares, Group's subsidiary, increased the capital of China Energy Engineering Group Co., Ltd. by CNY 1,073,605,360 to obtain 20% of its equity. Currently, it has invested CNY 805,200,000.

Note 3: This year, the Group's subsidiary Electric Shares reclassified the investment in Suzhou THVOW Technology Co., Ltd. from other equity instrument investments into long-term equity investments. The change in fair value during the holding period is deemed as reclassified as retained earnings when disposal.

Note 4: This year, the Company and its subsidiary Shanghai Automation Instrument Co., Ltd. (hereinafter referred to as "Auto-instrument Limited") reached an agreement on cost and expense commitment, income arrangements and other matters of the CAP1400 nuclear power plant digital instrument control system development (re-innovation first stage) and other six target projects involved by State Nuclear Power Automation System Engineering Company (hereinafter referred to as "SNPAS") held by Auto-instrument Limited. The agreement stipulated that The Company shall cover the proportion of Auto-instrument Limited's share (49%) of all expenses incurred for the target project, and the Company enjoys the proportion of Auto-instrument Limited's share of income. According to the special audit report issued by Shanghai Hongda East Asia Certified Public Accountants, the total revenue generated from the above six target projects from December 2017 to December 2018 is CNY 361,395.29, according to the Company's limited framework agreement with Auto-instrument Limited, all revenues are owned by the Company.

14.3 The main financial information of the important joint ventures

Items	Current period		
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.	Shanghai Yunzhongxin Enterprise Development Co., Ltd.
Current assets	11,935,837,000.00	3,255,903,000.00	1,228,230,000.00
Non-current assets	15,772,505,000.00	567,260,000.00	91,000.00
Total assets	<u>27,708,342,000.00</u>	<u>3,823,163,000.00</u>	<u>1,228,321,000.00</u>
Current liabilities	15,155,522,000.00	1,208,985,000.00	29,381,000.00
Non-current liabilities	8,509,345,000.00		
Total liabilities	<u>23,664,867,000.00</u>	<u>1,208,985,000.00</u>	<u>29,381,000.00</u>
Net assets	4,043,475,000.00	2,614,178,000.00	1,198,940,000.00
Net assets calculated by shares	1,617,390,000.00	1,307,089,000.00	659,417,000.00
Adjusting events	1,073,511,000.00		
The book value of equity investments in joint ventures	<u>2,690,901,000.00</u>	<u>1,307,089,000.00</u>	<u>659,417,000.00</u>
The fair value of publicly quoted equity investments			
Revenue	9,494,338,000.00	3,569,315,000.00	
Finance expense	-347,086,079.00	46,537,000.00	-1,066,000.00
Income tax expense	-43,050,288.00	-86,079,000.00	
Net profit	-1,362,925,000.00	653,764,000.00	-1,059,000.00
Other comprehensive income	657,392,000.00		
Total comprehensive income	<u>-705,533,000.00</u>	<u>653,764,000.00</u>	<u>-1,059,000.00</u>
Dividends received from joint ventures		241,741,000.00	

Continued:

Items	Prior period		Shanghai Yunzhongxin Enterprise Development Co., Ltd.
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.	
Current assets	12,298,524,000.00	2,983,438,000.00	
Non-current assets	13,487,858,000.00	481,180,000.00	
Total assets	<u>25,786,382,000.00</u>	<u>3,464,618,000.00</u>	
Current liabilities	12,964,505,000.00	1,020,722,000.00	
Non-current liabilities	9,258,818,000.00		
Total liabilities	<u>22,223,323,000.00</u>	<u>1,020,722,000.00</u>	
Net assets	3,563,059,000.00	2,443,896,000.00	
Net assets calculated by shares	1,425,224,000.00	1,221,948,000.00	
Adjusting events	1,541,734,000.00		
The book value of equity investments in joint ventures	<u>2,966,958,000.00</u>	<u>1,221,948,000.00</u>	
The fair value of publicly quoted equity investments			
Revenue	10,332,215,000.00	3,387,536,000.00	
Finance expense	391,521,000.00	-64,471,000.00	
Income tax expense	50,965,000.00	147,670,000.00	
Net profit	131,705,000.00	970,259,000.00	
Other comprehensive income	326,038,000.00		
Total comprehensive income	<u>457,743,000.00</u>	<u>970,259,000.00</u>	
Dividends received from joint ventures		131,309,000.00	

14.4 The main financial information of the important joint ventures

Items	Current period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Suzhou THVOW Technology Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.
Current assets	2,159,410,000.00	983,491,000.00	19,910,884,000.00	8,007,502,000.00
Non-current assets	372,637,000.00	116,167,000.00	5,953,867,000.00	8,887,259,000.00
Total assets	<u>2,532,047,000.00</u>	<u>1,099,658,000.00</u>	<u>25,864,751,000.00</u>	<u>16,894,761,000.00</u>
Current liabilities	1,106,095,000.00	728,363,000.00	20,106,942,000.00	6,423,608,000.00
Non-current liabilities			1,400,524,000.00	5,209,457,000.00
Total liabilities	<u>1,106,095,000.00</u>	<u>728,363,000.00</u>	<u>21,507,466,000.00</u>	<u>11,633,065,000.00</u>
Minority shareholder's equity			559,872,000.00	1,547,674,000.00
Total equity attributable to the shareholders of parent company	<u>1,425,952,000.00</u>	<u>371,295,000.00</u>	<u>3,797,413,000.00</u>	<u>3,714,022,000.00</u>
Net assets calculated by shares	678,753,000.00	74,259,000.00	569,612,000.00	742,804,000.00
Adjustment items			95,331,000.00	62,396,000.00
The book value of equity investments in associated enterprises	<u>678,753,000.00</u>	<u>74,259,000.00</u>	<u>664,943,000.00</u>	<u>805,200,000.00</u>
The fair value of publicly quoted equity investments				
Revenue	4,652,685,000.00	2,297,088,000.00	7,704,190,000.00	7,026,417,000.00
Net profit	137,244,000.00	547,652,000.00	185,488,000.00	177,267,000.00
Other comprehensive income			49,000.00	
Total comprehensive income	137,244,000.00	547,652,000.00	185,537,000.00	177,267,000.00
Dividends received from associated enterprises	43,302,000.00	163,051,000.00		150,766,000.00

Continued:

Items	Prior period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi Air Conditioners Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Suzhou THVOW Technology Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.
Current assets	2,375,002,000.00	1,111,989,000.00		1,484,423,000.00
Non-current assets	365,955,000.00	108,109,000.00		654,847,000.00
Total assets	<u>2,740,957,000.00</u>	<u>1,220,098,000.00</u>		<u>2,139,270,000.00</u>
Current liabilities	1,361,533,000.00	581,268,000.00		652,398,000.00
Non-current liabilities				2,000.00
Total liabilities	<u>1,361,533,000.00</u>	<u>581,268,000.00</u>		<u>652,400,000.00</u>
Minority shareholder's equity				
Total equity attributable to the shareholders of parent company	<u>1,379,424,000.00</u>	<u>638,830,000.00</u>		<u>1,486,870,000.00</u>
Net assets calculated by shares	656,606,000.00	127,766,000.00		446,061,000.00
Adjusting events				
The book value of equity investments in associated enterprises	<u>656,606,000.00</u>	<u>127,766,000.00</u>		<u>446,061,000.00</u>
The fair value of publicly quoted equity investments				
Revenue	4,967,294,000.00	2,289,868,000.00		2,289,868,000.00
Net profit	181,993,000.00	515,183,000.00		245,014,000.00
Other comprehensive income				
Total comprehensive income	<u>181,993,000.00</u>	<u>515,183,000.00</u>		<u>245,014,000.00</u>
Dividends received from associated enterprises	54,632,000.00	51,696,000.00		

14.5 Summary of unimportant joint ventures and associated enterprises

Items	Current period	Prior period
Joint ventures:		
Total book value of the investment	310,765,883.20	216,587,551.49
Total of following according to shares		
Net profits	52,684,783.36	32,977,451.65
Other comprehensive incomes		
Total comprehensive incomes	52,684,783.36	32,977,451.65
Associated enterprises:		
Total book value of the investment	6,942,668,130.11	6,138,627,249.67
Total of following amount according to shares		
Net profits	569,846,351.14	518,165,278.23
Other comprehensive incomes		
Total comprehensive incomes	569,846,351.14	518,165,278.23

14.6 Equity-related risk information in joint ventures and associated enterprises

- 1) There is no limit on transfer funds of joint ventures and associated enterprises at the year end.
- 2) At the year end, Shanghai Road and Bridge Construction Machinery Co., Ltd. Shanghai Clean Energy Investment Co. Ltd., Shanghai Meida Welding Equipment Co., Ltd. and Shanghai Zibo Zhidian Enterprise Management Co., Ltd. extraordinary loss and the Company adjusted the book value of the investment to zero. There was no extraordinary loss on other main joint ventures and associated enterprises in current period except those mentioned above.
- 3) There were no unrecognized commitments related to investment in joint ventures in the current period.
- 4) At the end of the period, there were no contingent liabilities related to investment in joint ventures.

14.7 Information about structured entities not included in the consolidated financial statements: None.

15. Other non-current financial assets

Items	Closing fair value	Opening fair value
Non-listed equity investments	4,263,832,000.00	1,438,783,000.00
Stock and fund investments	1,097,014,000.00	846,447,000.00
Total	<u>5,360,846,000.00</u>	<u>2,285,230,000.00</u>

16. Investment property

16.1 Investment property measured at cost

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>1,685,232,733.19</u>	<u>280,373,728.45</u>	<u>2,475,000.00</u>	<u>1,963,131,461.64</u>
Including: 1. Buildings and constructions	1,505,764,602.66	280,373,728.45	2,475,000.00	1,783,663,331.11
2. Land use rights	179,468,130.53			179,468,130.53
II. Total accumulated depreciation and amortization	<u>725,137,443.01</u>	<u>126,029,862.74</u>	<u>1,115,000.00</u>	<u>850,052,305.75</u>
Including: 1. Buildings and constructions	686,481,925.70	125,914,167.02	1,115,000.00	811,281,092.72
2. Land use rights	38,655,517.31	115,695.72		38,771,213.03
III. Total carrying amount of investment properties	<u>960,095,290.18</u>			<u>1,113,079,155.89</u>
Including: 1. Buildings and constructions	819,282,676.96			972,382,238.39
2. Land use rights	140,812,613.22			140,696,917.50
IV. Total provision for impairment losses of investment properties	<u>47,316.80</u>	<u>273,000.00</u>		<u>320,316.80</u>
Including: 1. Buildings and constructions	47,316.80	273,000.00		320,316.80
2. Land use rights				
V. Total net book value of investment properties	<u>960,047,973.38</u>			<u>1,112,758,839.09</u>
Including: 1. Buildings and constructions	819,235,360.16			972,061,921.59
2. Land use rights	140,812,613.22			140,696,917.50

17. Fixed assets

Items	Closing balance	Opening balance
Fixed assets	20,445,273,877.72	20,366,239,703.89
Fixed asset disposal		
Total	<u>20,445,273,877.72</u>	<u>20,366,239,703.89</u>

17.1 Details of fixed assets

Items	Opening balance	Increase in the current period	Decrease in the current period	Consolidated decrease	Closing balance
I. Total original cost	<u>42,750,839,100.14</u>	<u>3,210,582,771.99</u>	<u>1,494,418,729.26</u>	<u>57,229,220.47</u>	<u>44,409,773,992.40</u>
Including: Buildings and construction	14,282,957,142.22	1,191,374,857.56	477,043,424.89		14,997,288,574.89
Machinery and equipment	25,317,499,831.61	1,706,420,082.64	838,550,304.28	53,652,819.72	26,131,716,790.25
Transportation vehicles	658,761,750.90	38,606,050.12	58,614,872.00	575,231.03	638,177,697.99
Electronic and office equipment	2,127,512,722.56	273,535,794.26	119,882,303.41	1,401,448.77	2,279,764,764.64
Other equipment	364,107,652.85	645,987.41	327,824.68	1,599,720.95	362,826,094.63
II. Total accumulated depreciation	<u>21,772,045,968.65</u>	<u>2,386,332,717.16</u>	<u>892,153,631.77</u>	<u>32,328,223.10</u>	<u>23,233,896,830.94</u>
Including: Buildings and construction	5,106,035,222.14	485,702,638.91	128,200,618.91		5,463,537,242.14
Machinery and equipment	14,553,476,540.95	1,655,945,662.04	612,942,698.21	29,291,376.46	15,567,188,128.32
Transportation vehicles	495,276,848.31	39,139,998.49	48,022,555.66	492,078.17	485,902,212.97
Electronic and office equipment	1,523,663,955.83	202,274,380.01	102,678,514.27	1,174,498.70	1,622,085,322.87
Other equipment	93,593,401.42	3,270,037.71	309,244.72	1,370,269.77	95,183,924.64
III. Subtotal carrying amount of fixed assets	<u>20,978,793,131.49</u>				<u>21,175,877,091.46</u>
Including: Buildings and construction	9,176,921,920.08				9,533,751,332.75
Machinery and equipment	10,764,023,290.66				10,564,528,661.93
Transportation vehicles	163,484,902.59				152,275,485.02
Electronic and office equipment	603,848,766.73				657,679,441.77
Other equipment	270,514,251.43				267,642,169.99

Items	Opening balance	Increase in the current period	Decrease in the current period	Consolidated decrease	Closing balance
IV. Total provision for impairment losses	<u>612,553,427.60</u>	<u>145,870,371.95</u>	<u>14,788,384.33</u>	<u>13,032,201.48</u>	<u>730,603,213.74</u>
Including: Buildings and construction	92,330,655.83		450,000.00		91,880,655.83
Machinery and equipment	261,590,902.04	140,444,926.74	14,050,091.98	13,032,201.48	374,953,535.32
Transportation vehicles	1,874,052.70	8,793.42	206,500.00		1,676,346.12
Electronic and office equipment	896,300.99	666,571.81	81,792.35		1,481,080.45
Other equipment	255,861,516.04	4,750,079.98			260,611,596.02
V. Total carrying amount of fixed assets	<u>20,366,239,703.89</u>				<u>20,445,273,877.72</u>
Including: Buildings and construction	9,084,591,264.25				9,441,870,676.92
Machinery and equipment	10,502,432,388.62				10,189,575,126.61
Transportation vehicles	161,610,849.89				150,599,138.90
Electronic and office equipment	602,952,465.74				656,198,361.32
Other equipment	14,652,735.39				7,030,573.97

17.2 Disclosures on fixed assets which are temporarily idle

Item	Book value	Accumulated depreciation	Provision for impairment	Net value	Note
Machinery equipment	470,504,968.80	193,720,098.96	107,748,730.84	169,036,139.00	
Total	<u>470,504,968.80</u>	<u>193,720,098.96</u>	<u>107,748,730.84</u>	<u>169,036,139.00</u>	

17.3 Fixed assets of which certificates of title have not been obtained

Item	Total original cost
Fixed assets of which certificates of title have not been obtained	217,335,038.92

18. Construction in progress

Projects	Closing balance	
	Original value	Book value
Wind Power Offshore Fan Manufacturing Base Project	356,095,000.00	356,095,000.00
Mitsubishi production Line Equipment Installation	255,315,000.00	255,315,000.00
Mengcheng County Agriculture and Forestry Biomass Power Generation Project	254,914,000.00	254,914,000.00
Ma'anshan Water Project	184,078,000.00	184,078,000.00
Transmission and Distribution Equipment R&D Test Platform Construction Project	111,067,000.00	111,067,000.00
Jiyou overseas projects under construction	94,886,000.00	94,886,000.00
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project	93,875,000.00	93,875,000.00
Taihu Wujiang Relocation Project	81,958,000.00	81,958,000.00
Nanchang Large Scale Compressor Transfer and Reconstruction Project	69,840,482.35	69,840,482.35
Jiyou Technical Transformation Project	61,160,000.00	61,160,000.00
Compressor Intelligent Manufacturing Transformation Project	52,645,390.99	52,645,390.99
Kashibi Pump Main Pump Technology Use Engineering	35,783,000.00	35,783,000.00
New Energy Automotive Air Conditioning Compressor 150,000 Project	27,094,549.39	27,094,549.39
Nanchang TE Series Performance Project	24,565,379.66	24,565,379.66
Electromechanical Shares new plant	20,587,000.00	20,587,000.00
Shanghai First Breakthrough and Demonstration Application of Advanced Intelligent Equipment (Demonstration Application)	19,140,660.60	19,140,660.60
New Casting Line in Anhui	18,026,811.00	18,026,811.00

Projects	Closing balance		
	Original value	Provision for impairment	Book value
Anhui THE Large Specification	15,895,671.64		15,895,671.64
First Machine Tool Port Engineering Phase III	13,976,000.00		13,976,000.00
ASD Air Conditioner DC Variable Frequency Compressor Motor Production Line Project	11,669,226.38		11,669,226.38
Construction of Feihang new factory building and its technical transformation project	10,116,000.00		10,116,000.00
Nanchang H Series Production and Transformation Project	8,306,151.44		8,306,151.44
Pudong Avenue 2748 House Renovation Project	6,845,088.42		6,845,088.42
Huaibei Biomass Thermal Power Project	5,496,000.00		5,496,000.00
Wuhe Biomass Thermal Power Project	1,400,000.00		1,400,000.00
Haian Hazardous Waste Project	1,126,000.00		1,126,000.00
Tianchang Agriculture and Forestry Biomass Power Generation Project	252,000.00		252,000.00
Military Project	5,366,130.00	5,366,130.00	
Huaishui North Water Distribution Project			
Haili Changyang Road Comprehensive Reconstruction Project			
Wheel forging manipulators, etc.	42,582,739.73	4,677,301.66	37,905,438.07
Huazhong Tianli Photovoltaic Project			
Nanchang Highly Technical R&D Center (Phase I)			
Wujiang Transformer Factory and Equipment			
Sichuan Fusheng High-efficiency and Energy-saving Intelligent Motor Construction Project			
Automated Intelligent System Development			
Blower Factory Guang Yue Road Reconstruction Project			
Zhongshan West Road Housing Demolition and Reconstruction Project	8,439,712.51	8,439,712.51	
Motor Low Speed Asynchronous Motor Test Platform			
Nanchang Highly Technical R&D Center (Phase 2)			
Shanghai Machine Tool Plant Project			
Others	361,032,314.86	6,790,160.32	354,242,154.54
Total	<u>2,253,534,308.97</u>	<u>25,273,304.49</u>	<u>2,228,261,004.48</u>

Continued:

Projects	Opening balance	
	Original value	Provision for impairment
Book value		
Wind Power Offshore Fan Manufacturing Base Project	145,070,000.00	145,070,000.00
Mitsubishi production Line Equipment Installation	206,992,000.00	206,992,000.00
Mengcheng County Agriculture and Forestry Biomass Power Generation Project	54,207,000.00	54,207,000.00
Ma'anshan Water Project		
Transmission and Distribution Equipment R&D Test Platform Construction Project	20,231,000.00	20,231,000.00
Jiyou overseas projects under construction	71,875,000.00	71,875,000.00
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project		
Taihu Wujiang Relocation Project		
Nanchang Large Scale Compressor Transfer and Reconstruction Project	59,558,217.74	59,558,217.74
Jiyou Technical Transformation Project	23,217,000.00	23,217,000.00
Compressor Intelligent Manufacturing Transformation Project	17,822,006.99	17,822,006.99
Kashibi Pump Main Pump Technology Use Engineering	35,783,000.00	35,783,000.00
New Energy Automotive Air Conditioning Compressor 150,000 Project	7,453,251.84	7,453,251.84
Nanchang TE Series Performance Project		
Electromechanical Shares new plant	12,298,000.00	12,298,000.00
Shanghai First Breakthrough and Demonstration Application of Advanced Intelligent Equipment (Demonstration Application)		
New Casting Line in Anhui		
Anhui THE Large Specification		
First Machine Tool Port Engineering Phase III	13,029,000.00	13,029,000.00
ASD Air Conditioner DC Variable Frequency Compressor Motor Production Line Project		
Construction of Feihang new factory building and its technical transformation project	88,618,000.00	88,618,000.00
Nanchang H Series Production and Transformation Project		
Pudong Avenue 2748 House Renovation Project		
Huaibei Biomass Thermal Power Project	194,924,000.00	194,924,000.00

Projects	Opening balance		
	Original value	Provision for impairment	Book value
Wuhe Biomass Thermal Power Project	176,989,000.00		176,989,000.00
Haian Hazardous Waste Project	106,283,000.00		106,283,000.00
Tianchang Agriculture and Forestry Biomass Power Generation Project	46,857,000.00		46,857,000.00
Military Project	5,366,130.00		5,366,130.00
Huaishui North Water Distribution Project	1,115,041,000.00		1,115,041,000.00
Haili Changyang Road Comprehensive Reconstruction Project	133,037,151.45		133,037,151.45
Wheel forging manipulators, etc.	42,582,739.73	4,677,301.66	37,905,438.07
Huazhong Tianli Photovoltaic Project	35,126,000.00		35,126,000.00
Nanchang Highly Technical R&D Center (Phase I)	21,751,126.92		21,751,126.92
Wujiang Transformer Factory and Equipment	18,554,000.00		18,554,000.00
Sichuan Fusheng High-efficiency and Energy-saving Intelligent Motor Construction Project	15,115,801.50		15,115,801.50
Automated Intelligent System Development	12,140,000.00		12,140,000.00
Blower Factory Guang Yue Road Reconstruction Project	11,386,000.00		11,386,000.00
Zhongshan West Road Housing Demolition and Reconstruction Project	8,439,712.51	8,439,712.51	
Motor Low Speed Asynchronous Motor Test Platform	8,055,000.00		8,055,000.00
Nanchang Highly Technical R&D Center (Phase 2)	7,360,139.44		7,360,139.44
Shanghai Machine Tool Plant Project	5,400,000.00		5,400,000.00
Others	252,598,254.32	6,904,260.32	245,693,994.00
Total	<u>2,973,159,532.44</u>	<u>20,021,274.49</u>	<u>2,953,138,257.95</u>

18.1 Changes in significant construction in progress (Top 10 disclosed)

Projects	Budget amount (thousand CNY)	Opening balance	Increase in the current period	Transfer to fixed assets	Other decreases	Closing balance
Wind Power Offshore Fan Manufacturing Base Project		145,070,000.00	452,981,000.00	241,956,000.00		356,095,000.00
Mitsubishi Production Line Equipment Installation		206,992,000.00	234,634,000.00	186,311,000.00		255,315,000.00
Mengcheng County Agriculture and Forestry Biomass Power Generation Project		54,207,000.00	203,802,000.00		3,095,000.00	254,914,000.00
Ma'anshan Water project			184,078,000.00			184,078,000.00
Transmission and Distribution Equipment R&D Test Platform Construction Project		20,231,000.00	90,836,000.00			111,067,000.00
Jiyou Overseas Projects under Construction		71,875,000.00	98,914,000.00	75,855,000.00	48,000.00	94,886,000.00
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project			93,875,000.00			93,875,000.00
Taihu Wujiang Relocation Project			95,347,000.00		13,389,000.00	81,958,000.00
Nanchang Large Scale Compressor Transfer and Reconstruction Project	619,650,000.00	59,558,217.74	256,458,936.50	246,176,671.89		69,840,482.35
Jiyou Technical Transformation Project		23,217,000.00	55,615,000.00	16,174,000.00	1,498,000.00	61,160,000.00
Total	<u>619,650,000.00</u>	<u>581,150,217.74</u>	<u>1,766,540,936.50</u>	<u>766,472,671.89</u>	<u>18,030,000.00</u>	<u>1,563,188,482.35</u>

Continued:

Projects	Ratio of the amount invested on the budget amount (%)	Project progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Wind Power Offshore Fan Manufacturing Base Project						Self-funded, funds raised
Mitsubishi Production Line Equipment Installation						Self-raised
Mengcheng County Agriculture and Forestry Biomass Power Generation Project			13,386,000.00	13,386,000.00		Self-funded, funds raised
Ma'anshan Water project						Self-raised
Transmission and Distribution Equipment R&D Test Platform Construction Project						Financing, SASAC funding
Jiyou Overseas Projects under Construction						Self-raised
Ningbo Haifeng Safety Landfill Comprehensive Treatment Project						Self-raised
Taihu Wujiang Relocation Project						Self- raised
Nanchang Large Scale Compressor Transfer and Reconstruction Project	65.98	65.98	3,469,849.73	3,469,849.73	4.99	Self-raised/borrowing
Jiyou Technical Transformation Project						Self-raised
Total			<u>16,855,849.73</u>	<u>16,855,849.73</u>		

19. Intangible assets

19.1 Classifications of intangible assets

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>9,707,243,830.78</u>	<u>2,049,181,969.47</u>	<u>285,583,358.68</u>	<u>11,470,842,441.57</u>
1. Land use rights	6,642,103,294.55	369,570,000.00	252,796,241.73	6,758,877,052.82
2. House use rights	33,089,388.19			33,089,388.19
3. Software	556,263,989.55	23,821,453.76	11,644,090.60	568,441,352.71
4. Patents	1,119,126,971.69	86,347,000.00	2,100,000.00	1,203,373,971.69
5. Trademarks	16,377,509.18			16,377,509.18
6. Non-patented technologies	538,842,500.02	185,000.00	10,233,000.00	528,794,500.02
7. Franchise	492,461,000.00	1,563,141,000.00	8,365,000.00	2,047,237,000.00
8. Others	308,979,177.60	6,117,515.71	445,026.35	314,651,666.96
II. Total accumulated amortization	<u>2,505,322,025.60</u>	<u>324,926,998.89</u>	<u>35,187,868.67</u>	<u>2,795,061,155.82</u>
1. Land use rights	1,054,831,163.93	157,779,521.00	27,691,710.32	1,184,918,974.61
2. House use rights	348,454.26	187,250.04		535,704.30
3. Software	273,140,553.23	49,356,079.51	2,526,698.01	319,969,934.73
4. Patents	388,517,172.69	39,325,549.09	4,530,000.00	423,312,721.78
5. Trademarks	6,651,563.70			6,651,563.70
6. Non-patented technologies	478,631,623.36	25,308,635.18		503,940,258.54
7. Franchise	148,854,000.00	28,818,000.00		177,672,000.00
8. Others	154,347,494.43	24,151,964.07	439,460.34	178,059,998.16
III. Total provision for impairment	<u>102,625,591.50</u>	<u>63,409,123.27</u>		<u>166,034,714.77</u>
1. Land use rights	26,609,854.77			26,609,854.77
2. House use rights	4,761,630.14			4,761,630.14
3. Software	2,930,000.00			2,930,000.00
4. Patents	67,875,999.90	2,019,294.55		69,895,294.45
5. Trademarks	227,659.18			227,659.18
6. Non-patented technologies		3,017,772.11		3,017,772.11
7. Franchise				
8. Others	220,447.51	58,372,056.61		58,592,504.12
IV. Total carrying amount of intangible assets	<u>7,099,296,213.68</u>			<u>8,509,746,570.98</u>

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Land use rights	5,560,662,275.85			5,547,348,223.44
2. House use rights	27,979,303.79			27,792,053.75
3. Software	280,193,436.32			245,541,417.98
4. Patents	662,733,799.10			710,165,955.46
5. Trademarks	9,498,286.30			9,498,286.30
6. Non-patented technologies	60,210,876.66			21,836,469.37
7. Franchise	343,607,000.00			1,869,565,000.00
8. Others	154,411,235.66			77,999,164.68

19.2 Other disclosures

Item	The original value of intangible assets
The land use rights in which property license has not been obtained at the end of the accounting period	12,333,000.00

20. Research and development expenses

Projects	Opening balance	Increase in the current period		Decrease in the current period			Closing balance
		Internal research and development	Others	Recognized as fixed assets	Recognized as intangible assets	Recorded into profits and losses	
CAP1400 reactor	83,511,000.00	11,114,000.00					94,625,000.00
Subtotal of other items of Electric Shares	20,443,000.00	28,062,000.00			20,145,000.00		28,360,000.00
Development of high-temperature compressors for heat pump water heaters	2,783,022.62	33,755.67			2,816,778.29		
Auto-instrument Limited Development Project	1,107,233.46	26,039,146.39		3,219,003.83	18,837,439.55	880,579.79	4,209,356.68
Photo Thermal Integrated Optimization Project		4,720,000.00			3,605,000.00		1,115,000.00
Industrial Automation Systems and Digital Systems	387,000.00	54,703,000.00			47,400,000.00		7,690,000.00
Others	10,371,278.25	5,834,642.18				6,042,162.60	10,163,757.83
Total	<u>118,602,534.33</u>	<u>130,506,544.24</u>		<u>3,219,003.83</u>	<u>92,804,217.84</u>	<u>6,042,162.60</u>	<u>146,163,114.51</u>

21. Goodwill

21.1 The book value of goodwill

Name of the investees or items resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Nedfast Investment B.V	1,489,279,288.31	7,629,000.01		1,496,908,288.32
TEC4AEROGmbH	1,054,672,000.00	2,565,000.00		1,057,237,000.00
Hangzhou Fusheng electrical Co. Ltd	317,639,344.17			317,639,344.17
Ningbo Haifeng Environmental Protection Co., Ltd.		576,047,000.00		576,047,000.00
Wujiang Taihu Industrial Waste Treatment Co., Ltd.		278,538,000.00		278,538,000.00
Shanghai Southbridge Transformer Co., Ltd.	73,234,000.00			73,234,000.00
Guoxuan New Energy (Suzhou) Co., Ltd.		49,480,000.00		49,480,000.00
Shanghai Cyeco Environmental Technology Co., Ltd,	41,966,048.72			41,966,048.72
Shanghai Dahua Electrical Equipment Co., Ltd.	28,654,000.00			28,654,000.00
Shanghai Schiak Testing Machine Co., Ltd.	22,340,376.17		22,340,376.17	
CTU Clean Technology Universe AG	20,252,000.00			20,252,000.00
Shanghai Maple Cable Co., Ltd.	19,446,000.00			19,446,000.00
Shanghai Tianhong Micro Bearing Co., Ltd.	16,193,355.95			16,193,355.95
Shanghai Nanhualanling Electric Co., Ltd.	14,464,000.00			14,464,000.00
Shanghai Ziguang Machinery Co., Ltd.	12,483,000.00		12,483,000.00	
Shanghai Nace Electric Sets Co., Ltd.	11,394,000.00			11,394,000.00
Shanghai United Bearing Co., Ltd.	8,818,307.02			8,818,307.02
Shanghai United Wood Industry Co., Ltd.	8,381,227.91			8,381,227.91
Shanghai Electric Wind Energy Equipment Co., Ltd.	7,093,000.00			7,093,000.00
Shanghai Flight Wire and Cable Co., Ltd.	6,577,000.00			6,577,000.00
Shanghai Highly (Group) Co. Ltd.	4,517,322.71			4,517,322.71

Name of the investees or items resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Anhui Highly Precision Casting Co., Ltd.	2,061,791.55			2,061,791.55
Wujiang Transformer Co., Ltd.	1,267,000.00			1,267,000.00
Shanghai No.5 Electrical Wire Factory Co., Ltd	272.32			272.32
Total	<u>3,160,733,334.83</u>	<u>914,259,000.01</u>	<u>34,823,376.17</u>	<u>4,040,168,958.67</u>

Note 1: The change in goodwill of Nedfast Investment B.V and TEC4AEROGmbH this year is due to the impact on translation of foreign currency statements.

Note 2: The increase in goodwill this year was due to the purchase of 100% equity interest in Ningbo Haifeng Environmental Protection Co., Ltd., Wujiang Taihu Industrial Waste Treatment Co., Ltd. and Guoxuan New Energy (Suzhou) Co., Ltd.

Note 3: The decrease in goodwill was mainly due to the disposal of asset groups of Shanghai Schiak Testing Machine Co., Ltd. and Shanghai Ziguang Machinery Co., Ltd.

21.2 Provision for impairment of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
TEC4AEROGmbH		151,731,000.00		151,731,000.00
CTU Clean Technology Universe AG	20,252,000.00			20,252,000.00
Shanghai Cyeco Environmental Technology Co., Ltd,	28,233,000.00			28,233,000.00
Shanghai Maple Cable Co., Ltd.	19,446,000.00			19,446,000.00
Shanghai Nanhuanling Electric Co., Ltd.	14,464,000.00			14,464,000.00
Shanghai Southbridge Transformer Co., Ltd.	73,234,000.00			73,234,000.00
Wujiang Transformer Co., Ltd.	1,267,000.00			1,267,000.00
Shanghai Schiak Testing Machine Co., Ltd.	22,340,376.17		22,340,376.17	
Shanghai United Wood Industry Co., Ltd.	8,381,227.91			8,381,227.91
Shanghai No.5 Electrical Wire Factory Co., Ltd		272.32		272.32
Total	<u>187,617,604.08</u>	<u>151,731,272.32</u>	<u>22,340,376.17</u>	<u>317,008,500.23</u>

Note: The group subsidiary Electric Shares determine the growth rate and profit margin rate based on historical

experience and forecasts for market development, and use the pre-tax interest rate that reflects the specific risk of the relevant asset group and asset group combination as the discount rate. The present value of the cash flow is less than the value of the relevant asset group to which the goodwill is allocated, and the impairment provision is produced for the goodwill of TEC4AEROGmbH.

22. Long-term prepaid expenses

Items	Opening balance	Increase in the period	Amortization for the period	Other decreases	Closing balance	Reasons of other decreases
Improvements	74,070,302.12	4,651,608.53	25,043,097.58		53,678,813.07	
Site development fee	17,527,000.00		422,000.00		17,105,000.00	
Rental fee	992,696.33		94,000.00		898,696.33	
Renovation	263,810,705.62	92,918,932.67	73,642,123.69		283,087,514.60	
Other long-term items to be amortized	274,293,356.21	56,324,364.51	53,725,274.47	53,101,357.73	223,791,088.52	Provision for impairment loss extracted
Total	<u>630,694,060.28</u>	<u>153,894,905.71</u>	<u>152,926,495.74</u>	<u>53,101,357.73</u>	<u>578,561,112.52</u>	

23. Deferred tax assets / deferred tax liabilities

23.1 Deferred tax assets and deferred tax liabilities are not presented at the net amount after offset

Items	Closing balance		Opening balance	
	Deferred tax assets/ liabilities	Deductible /taxable temporary differences	Deferred tax assets/ liabilities	Deductible /taxable temporary differences
I. Deferred tax assets	<u>7,157,311,915.01</u>	<u>34,400,008,887.43</u>	<u>6,380,971,832.48</u>	<u>31,135,247,538.43</u>
Impairment of assets	2,923,271,244.51	14,993,230,261.00	2,920,833,516.67	14,749,843,591.84
Recoverable losses confirmed by Taxation	517,069,039.21	2,165,186,046.74	188,888,627.57	915,124,541.58
Amortization of intangible assets	1,822,537,358.89	7,290,149,435.56	1,844,557,885.61	7,378,231,542.44
Accrued payroll	5,767,504.77	38,450,031.82	20,953.50	139,690.00
Estimated liabilities	13,104,910.80	63,343,077.25	5,523,073.25	22,732,471.93
Accrued expenses	1,616,495,641.53	8,538,503,610.20	1,221,249,292.72	7,102,245,284.80
Government grants	17,339,710.66	115,598,070.58	17,059,372.61	110,458,928.40
Others	241,726,504.64	1,195,548,354.28	182,839,110.55	856,471,487.44
II. Deferred tax liabilities	<u>2,093,804,859.26</u>	<u>8,528,558,806.21</u>	<u>2,812,969,023.46</u>	<u>11,474,808,623.12</u>
Changes in fair value of financial assets	1,559,613,283.53	6,271,413,029.64	2,047,090,880.56	8,188,752,522.20
The fair value adjustment on acquisition	163,739,456.11	720,295,824.42	178,640,436.76	833,155,245.06
Revaluation of assets	191,488,000.00	844,939,000.00	459,095,500.00	1,951,613,000.00
Others	178,964,119.62	691,910,952.15	128,142,206.14	501,287,855.86

23.2 Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	1,521,076,694.06	5,267,359,000.94
Deductible loss	4,585,238,694.48	4,808,775,878.97
Total	<u>6,106,315,388.54</u>	<u>10,076,134,879.91</u>

23.3 Due year of unrecognized deferred tax assets caused by carries forward deductible loss.

Year	Closing balance	Opening balance	Note
2018		324,303,646.27	
2019	301,604,350.96	477,121,965.64	
2020	1,162,269,219.19	1,375,100,432.04	
2021	980,039,916.05	1,134,596,591.61	

Year	Closing balance	Opening balance	Note
2022	1,253,630,240.57	1,497,653,243.41	
2023	887,694,967.71		
Total	<u>4,585,238,694.48</u>	<u>4,808,775,878.97</u>	

24. Other non-current assets

Items	Closing balance	Opening balance
Contract assets	8,133,980,000.00	1,895,103,000.00
Long-term borrowings	39,200,000.00	42,681,500.00
Entrusted loan	41,400,000.00	39,200,000.00
Prepaid investment		1,932,522,000.00
Others	1,310,600.00	
Total	<u>8,215,890,600.00</u>	<u>3,909,506,500.00</u>

25. Short-term borrowings

25.1 Classification of short term borrowings

Items	Closing balance	Opening balance
Pledged loan	536,757,019.06	674,865,180.30
Mortgage loan	169,991,000.00	222,239,000.00
Guaranteed loan	430,910,000.00	145,424,185.41
Credit loan	13,089,191,600.04	3,893,914,702.62
Total	<u>14,226,849,619.10</u>	<u>4,936,443,068.33</u>

25.2 The Group had no unpaid overdue short-term borrowings at the end of period.

26. Transactional financial liabilities

Items	Closing fair value	Opening fair value
Transactional financial assets	104,540,000.00	
Total	<u>104,540,000.00</u>	

On December 31, 2018, the transactional financial liabilities were the fair value of the shares held by other investors in the structured entities of the Group's subsidiary Electric Shares.

27. Financial liabilities measured at fair value through profits and losses

Items	Closing fair value	Opening fair value
Forward foreign exchange	13,125,682.11	
Total	<u>13,125,682.11</u>	

Note: The forward foreign exchange stipulates that Shanghai Highly (Group) Co., Ltd., a subsidiary of the Group, exchanged USD 46,500,000.00 for CNY 306,341,160.00 at a certain exchange rate in 2019.

28. Derivative financial liabilities

Items	Closing balance	Opening balance
Interest rate swaps		2,593,600.00
Forward foreign exchange contract	5,168,000.00	8,537,000.00
Forward contract payable		64,783,025.00
Total	<u>5,168,000.00</u>	<u>75,913,625.00</u>

29. Notes payable and accounts payable

Items	Closing balance	Opening balance
Notes payable	8,948,533,169.79	9,388,507,058.82
Accounts payable	42,592,172,535.56	37,490,719,356.35
Total	<u>51,540,705,705.35</u>	<u>46,879,226,415.17</u>

29.1. Details of notes payable

Items	Closing balance	Opening balance
Bank acceptances	2,679,624,051.25	3,071,415,656.61
Commercial acceptances	6,268,909,118.54	6,317,091,402.21
Total	<u>8,948,533,169.79</u>	<u>9,388,507,058.82</u>

29.2. Details of accounts payable

Aging	Closing balance	Opening balance
Within 1 year (Including 1 year)	35,500,545,876.35	30,038,126,598.53
1-2 years (Including 2 years)	3,213,073,395.47	2,934,762,393.16
2-3 years (Including 3 years)	1,033,338,847.57	2,997,504,268.20
More than 3 years	2,845,214,416.17	1,520,326,096.46
Total	<u>42,592,172,535.56</u>	<u>37,490,719,356.35</u>

Accounts payable with a significant amount and aging over one year:

Name of the creditors	Closing balance	Reasons for unpaid
Jiangsu Zhongli Group Co., Ltd.	584,507,482.87	Program in progress
Tianjin Electric Power Construction Co., Ltd.	207,298,603.54	Program in progress
China Energy Engineering Group Hunan Power Construction Co., Ltd.	270,961,624.44	Project in progress
Anhui Electric Power Construction 1st Engineering Co., Ltd.	115,182,298.50	Project in progress
China National Water Resources & Electric Power Materials & Equipment Co., Ltd.	75,201,705.61	Project in progress
Long Hung Trading-Services Co.	65,375,262.13	Project in progress
TBEA Hengyang Transformer Co., Ltd.	57,508,000.00	Unsettled
Shanghai Yongsheng Enterprise Development Co., Ltd.	23,130,925.70	Unsettled
Jiangsu Southern Heavy Industry Machinery Technology Co., Ltd.	8,389,264.14	Unsettled
China Coal No.5 Construction Co., Ltd.	6,840,104.22	Unsettled
Hubei First Electric Power Construction Engineering Company	6,496,045.23	Unsettled
Total	<u>1,420,891,316.38</u>	Unsettled

30. Receipts in advance

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	505,596,326.21	951,034,615.59
More than 1 year	293,848,553.44	
Total	<u>799,444,879.65</u>	<u>951,034,615.59</u>

Receipts in advance with a significant amount and aging over one year

Name of the creditors	Closing balance	Reasons for unsettlement
Baotou shan sheng new energy co. LTD.	86,222,789.85	Project not completed
Heilongjiang Difeng Polyester Co., Ltd.	26,950,067.57	Project not completed
China Power Construction Engineering Consulting Southwestern Co., Ltd.	20,514,000.00	Project not completed
Shanxi Zhangze Power Co., Ltd Zhangze Power Branch	10,630,000.00	Project not completed
Qinyang liansheng electric power Co., Ltd	8,678,000.00	Project not completed
Wellen Manufacturing Co.	7,358,888.47	Project not completed
Hangzhou Xiangsheng textile Co., Ltd.	7,153,629.25	Project not completed
Shanxi Shentou Power Generation Co., Ltd.	6,180,000.00	Project not completed
Shanghai Pronew Energy Co., Ltd.	5,887,350.00	Project not completed
China Coal Ordos Energy Chemical Co., Ltd.	5,555,919.72	Project not completed

Name of the creditors	Closing balance	Reasons for unsettlement
Shanghai Institute of Applied Physics Chinese Academy of Sciences	4,813,474.00	Project not completed
Shunfeng Import and Export Co., Ltd.	4,500,000.00	Project not completed
Heilongjiang Jinlong Polyester Chemical Fibre Co., Ltd.	2,930,000.00	Project not completed
Sinopec Yizheng Chemical Fibre Co., Ltd.	2,450,000.00	Project not completed
Shanghai Electric Nuclear Power Equipment Co., Ltd.	2,145,615.53	Project not completed
The People's Liberation Army 63839.	2,048,717.95	Project not completed
Shanghai Michelin Tyre Co., Ltd.	2,000,000.00	Project not completed
Shenhua Ningxia Coal Industry Group Co., Ltd.	1,582,722.99	Project not completed
Sanmenxia Gasification Salt Co.,	1,311,094.00	Project not completed
Urumqi Xinya Hengtong International Trade Co., Ltd.	1,256,674.00	Project not completed
Tangshan Youli Coking Co., Ltd.	1,235,875.00	Project not completed
Zhejiang Feida Electrical Engineering Co., Ltd.	1,120,000.00	Project not completed
Dongfeng Motor Co., Ltd. Dongfeng Nissan Passenger Vehicle Corp.	1,105,000.00	Project not completed
Yangzhou Sumeida International Trade Co., Ltd.	1,010,000.00	Project not completed
Wuhai Xinshengyuan Industry and Trade Co., Ltd.	1,000,000.00	Project not completed
Total	<u>215,639,818.33</u>	

31. Details of contract liabilities

Items	Closing balance	Beginning balance
Advance payment from sales of goods and services rendered	36,566,071,000.00	43,650,082,000.00
Total	<u>36,566,071,000.00</u>	<u>43,650,082,000.00</u>

On January 1, 2018, the balance of contract liabilities of the Group's subsidiary Electric Shares was CNY 43,650,082,000.00, of which, CNY 29,413,188,000.00 was transferred to operating income in 2018, including sales of goods of CNY 25,141,760,000.00, construction contract income of CNY 1,671,649,000.00, and income of providing labor of CNY. 2,573,159,000.00 as well as other operating income of CNY 26,620,000.00.

32. Employee benefits payable

32.1 Employee benefits payable

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short term employee benefits	3,130,793,050.46	9,260,384,296.24	9,196,092,481.71	3,195,084,864.99
II. Post-employment benefits - defined contribution plans	82,634,068.17	1,102,013,844.07	1,098,809,389.25	85,838,522.99

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
III. Termination benefits	23,172,174.74	101,135,955.11	96,184,358.99	28,123,770.86
IV. Other benefits due within one year				
V. Others				
Total	<u>3,236,599,293.37</u>	<u>10,463,534,095.42</u>	<u>10,391,086,229.95</u>	<u>3,309,047,158.84</u>

32.1. Short-term employee benefits

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Salaries, bonuses, allowances and subsidies	2,184,718,748.84	7,477,193,328.08	7,410,871,210.16	2,251,040,866.76
II. Employee benefits	821,875,816.75	611,819,593.51	617,358,566.51	816,336,843.75
III. Social insurance	<u>15,442,529.90</u>	<u>502,731,595.30</u>	<u>503,171,215.43</u>	<u>15,002,909.77</u>
Include: 1. Medical insurance	12,682,714.70	436,103,677.76	435,805,928.62	12,980,463.84
2. Injury insurance	1,556,527.03	27,122,321.08	27,427,787.73	1,251,060.38
3. Maternity insurance	1,203,288.17	38,560,898.34	38,992,800.96	771,385.55
4. Other		944,698.12	944,698.12	
IV. The Housing Fund	40,090,521.68	479,597,686.13	483,625,231.54	36,062,976.27
V. Labor union funds and employee education funds	64,961,330.84	150,335,916.01	139,493,685.14	75,803,561.71
VI. Short-term compensated absences				
VII. Short-term profit-sharing plan		32,832.96	32,832.96	
VIII. Others	3,704,102.45	38,673,344.25	41,539,739.97	837,706.73
Total	<u>3,130,793,050.46</u>	<u>9,260,384,296.24</u>	<u>9,196,092,481.71</u>	<u>3,195,084,864.99</u>

32.2. Defined contribution plans

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Basic senior insurance	29,038,484.89	948,689,255.91	946,810,515.49	30,917,225.31
II. Unemployment insurance	1,359,583.28	29,672,149.65	27,866,435.25	3,165,297.68
III. Enterprise annuity payment	52,236,000.00	123,652,438.51	124,132,438.51	51,756,000.00
Total	<u>82,634,068.17</u>	<u>1,102,013,844.07</u>	<u>1,098,809,389.25</u>	<u>85,838,522.99</u>

33. Taxes payable

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Value added tax	689,006,049.10	4,159,512,615.64	3,467,219,214.50	1,381,299,450.24
Business tax		81,602,664.35		81,602,664.35
Enterprise income tax	1,289,282,497.25	1,381,466,842.62	1,391,826,640.65	1,278,922,699.22
City construction and maintenance tax	16,165,133.88	198,117,567.05	157,022,943.39	57,259,757.54
Property tax	40,771,951.53	153,302,721.83	131,156,664.65	62,918,008.71
Land-use tax	7,820,760.03	80,215,181.94	77,503,846.14	10,532,095.83
Individual income tax	58,367,737.69	69,251,110.06	82,309,092.36	45,309,755.39
Education surcharge	30,122,461.48	126,589,812.40	128,448,977.05	28,263,296.83
Others	74,392,751.41	183,209,492.23	253,070,023.13	4,532,220.51
Total	<u>2,205,929,342.37</u>	<u>6,433,268,008.12</u>	<u>5,688,557,401.87</u>	<u>2,950,639,948.62</u>

34. Other payables

Items	Closing Balance	Opening balance
Interest payable	296,227,437.35	440,881,594.04
Dividends payable	506,898,382.15	418,752,611.77
Other payables	11,830,927,633.26	9,621,853,465.17
Total	<u>12,634,053,452.76</u>	<u>10,481,487,670.98</u>

34.1. Details of interest payable

Items	Closing Balance	Opening balance
Interest expenses of long-term borrowings with interest payable by installments and principal payable on maturity	9,544,698.31	2,732,632.63
Interest expenses on corporate debenture	230,788,927.88	383,599,481.27
Interest payable on short-term borrowings	7,716,003.49	43,122,310.77
Other interests	48,177,807.67	11,427,169.37
Total	<u>296,227,437.35</u>	<u>440,881,594.04</u>

34.2. Details of dividends payable

Name of entities	Closing balance	Opening balance
Dividends belonging to minority shareholder of subsidiary	307,099,706.41	270,328,977.24
The State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government	199,798,675.74	148,423,634.53

Name of entities	Closing balance	Opening balance
Total	<u>506,898,382.15</u>	<u>418,752,611.77</u>

34.3. Other payables

34.3.1 Listed by natures

Items	Closing balance	Opening balance
Collection and payment	1,182,726,155.93	1,258,466,786.47
Unit Current account	3,070,789,971.01	2,312,504,830.26
Elevator warranty maintenance costs	212,137,000.00	100,093,000.00
Technical commission	374,735,000.00	512,259,000.00
Trust management fees	4,331,853.80	4,331,853.80
Sales commission	1,551,146,712.54	1,273,142,000.00
Deposits and margin	585,927,123.01	354,551,802.01
Accrued expenses	72,037,172.70	54,544,290.24
Earmarks and use of funds	114,006,794.93	116,989,881.69
Rental fees	4,327,039.42	2,339,215.36
Clearance and compensation	200,590,798.59	174,868,412.37
Joint borrowings (Note)	1,008,582,000.00	
Factoring expenses	338,186,000.00	
Others	3,111,404,011.33	3,457,762,392.97
Total	<u>11,830,927,633.26</u>	<u>9,621,853,465.17</u>

Note: In December 2018, Shanghai Institute of Mechanical & Electrical Engineering (hereinafter referred to as "Institute of M&E"), a subsidiary of the Group, as joint borrower with Chungmin New Energy Mulei Electric Power Co., Ltd. (hereinafter referred to as "Mulei Electric") and Chungmin New Energy Mulei New Energy Co., Ltd. (hereinafter referred to as "Mulei New Energy") respectively, signed the CNY Fund Loan Contract with China Development Bank Corporation (hereinafter referred to as "CDB") with special use on construction of Chungmin New Energy Mulei Project. The group disclosure it as Other payables.

34.3.2 Significant amount of other payables with aging over 1 year

Name of creditors	Closing balance	Reasons for not being paid
Collection and payment of escrow funds.	850,290,380.77	Unsettled
Light Industry Holdings(Group) Company	513,051,575.99	Unsettled
Jiading Malu Town Construction Office	130,061,406.60	Unsettled
Alstom energy	126,448,367.73	Unsettled
Shanghai Huangpu District Real Estate Development	70,042,518.25	Unsettled

Name of creditors	Closing balance	Reasons for not being paid
Industry Corporation.		
Shanghai Shangling New Career Development Co., Ltd.	38,437,885.77	Unsettled
Shanghai Hongkou District Building Collection Center	34,883,909.50	Unsettled
Shanghai Third Switch Factory	28,979,475.51	Unsettled
Shanghai Bearing Group	18,063,031.96	Unsettled
Shanghai Second Pen Accessories Factory	10,947,125.38	Unsettled
Total	<u>1,821,205,677.46</u>	

35. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within 1 year	1,880,906,681.69	720,941,033.00
Bonds payable due within 1 year	2,500,000,000.00	2,599,381,210.00
Long-term payables due within 1 year	479,788,000.00	335,614,000.00
Other long-term liabilities due within 1 year	414,650,000.00	565,935,000.00
Total	<u>5,275,344,681.69</u>	<u>4,221,871,243.00</u>

36. Other current liabilities

Items	Closing balance	Opening balance
Short-term bonds payable	1,003,141,666.67	25,000,000.00
Deferred revenue within 1 year	24,417,963.13	22,382,330.01
Customer deposits	353,114,565.32	249,894,797.96
Estimated liabilities (Note)	4,110,855,000.00	3,988,576,000.00
Accrued expense	3,681,371,000.00	3,270,840,000.00
Borrowing funds		32,671,000.00
Total	<u>9,172,900,195.12</u>	<u>7,589,364,127.97</u>

Note: Details of the estimated liabilities hold by the subsidiary Electric Shares will be due within 1 year from the balance sheet date as below:

Project names	Opening balance	Increase in current period	Decrease in current period	Disposal of subsidiaries transferred	Closing balance
Product warranty	2,147,985,000.00	903,350,000.00	681,449,000.00		2,369,886,000.00
Expected contract Loss and litigation	1,789,037,000.00	1,082,028,000.00	1,296,057,000.00		1,575,008,000.00
Subtotal of other liabilities	51,554,000.00	166,950,000.00	52,543,000.00		165,961,000.00

Project names	Opening balance	Increase in current period	Decrease in current period	Disposal of subsidiaries transferred	Closing balance
Total	<u>3,988,576,000.00</u>	<u>2,152,328,000.00</u>	<u>2,030,049,000.00</u>		<u>4,110,855,000.00</u>

37. Long-term borrowings

Items	Closing balance	Opening balance	Interest rate range at 12.31.2018
Pledge loan	2,306,655,000.00	1,507,133,000.00	2-5.39
Mortgage loan	109,473,000.00	110,934,000.00	2.7-6.37
Guarantee loan	731,261,360.35	347,419,360.35	3.15-4.9
Credit loan	8,439,723,594.74	678,888,600.00	2.65-5.4625
Total	<u>11,587,112,955.09</u>	<u>2,644,374,960.35</u>	

38. Bonds payable

38.1. Bonds payable

Items	Closing balance	Opening balance
Electric convertible bonds (Note 1)	5,572,501,000.00	5,383,674,000.00
Electric Euro debt (Note 2)	4,704,244,000.00	4,674,353,000.00
The first phase of the electric shares (Note 3)	2,472,500,000.00	
The first phase of the electric (group) head office (Note 4)	2,500,000,000.00	
Morning Star Bonds (Note 4)	3,426,041,880.99	3,253,900,090.18
13 Shanghai Electric MTN1 (Note 6)		2,500,000,000.00
16 Electric liability (Note 7)		2,500,000,000.00
Total	<u>18,675,286,880.99</u>	<u>18,311,927,090.18</u>

Note 1: On February 2, 2015, Electric Share, a subsidiary of the Company, issued CNY 6 billion convertible bonds with maturity date of year 2021. The annual nominal interest rates are 0.2% for the first year, 0.5% for the second year, 1% for the third year, 1.5% for the fourth year, 1.5% for the fifth year and 1.6% for the sixth year, respectively with principal one-time payment due on maturity date.

The convertible bond issued can be converted into Electric Share's A Shares since August 3, 2015 with initial transferring price being CNY 10.72 per share. Since Electric Share started to implement Year 2014 cash bonus program in July of 2015 (with a cash bonus of CNY 0.05873 per share), the price of transferred share was adjusted to CNY 10.66 per share. Since Electric Share issued stock shares on August 29, 2016 to purchase the new added A Share, the price of converted shares for electric liability converting was adjusted to CNY 10.65 /share since from November 28, 2016. Since the issue of shares of Electric Shares in October 19, 2017 has purchased new a share of assets, the conversion price of electric convertible bonds has been adjusted to CNY

10.46/ share since October 24, 2017. Since the non-publicly issuance of new A Shares by Electric Shares on November 6, 2017, the conversion price of the Electric convertible bonds was adjusted to CNY 10.37/share from November 9, 2017. On August 28, 2018, the share price of the Electric Shares was revised down to CNY 10.28/share. On December 12, 2018, the conversion price of Electric convertible bond was revised downwards to CNY 5.19/share.

The convertible bonds are convertible bonds with repurchase terms. Since the last two interest-bearing years of the convertible bonds, if the closing price of the shares of the Electric Shares is lower than 70% of the current conversion price for 30 trading days in a row, the holder of the debt has the right to resell all or part of the convertible bonds held to Electric Shares at 103% of the face value (including the interest for the current interest-bearing year),.

After the issuance of convertible bonds of CNY 6 billion, deducting the issuance expenses, the debt component was CNY 4,745,903,000.00, which was included in the bonds payable, and the equity component was CNY 1,214,919,000.00, which was included in the capital reserve.

Note 2: On May 22, 2015, Shanghai electric New Times Co., Ltd., a subsidiary of the Group issued EUR 600 million bonds with 5 years, interest rate of 1.125% and traded on Ireland Stock Exchange on May 25, 2015, which were guaranteed by the Group.

Note 3: The Group's subsidiary Electric Shares issued the first phase of the 2018 mid-term notes on December 13, 2018, with the term of 5 years, the value date of December 17, 2017, and the redemption date of December 17, 2023. The total planned issuance amount is CNY 2.5 billion, the actual total is CNY 2.5 billion; the issuance interest rate is 4.15% (rising 1% of the 3-month Shanghai Interbank Offered Rate on December 14, 2018), issued at face value.

Note 4: On December 26, 2018, the Company issued the first mid-term notes for 2018, with a term of three years. The value date was December 26, 2018, and the redemption date was December 26, 2021. The total planned issuance amount is CNY 2.5 billion and the actual issuance amount is CNY 2.5 billion; the issuance interest rate was 3.90%.

Note 5: On 14 August 2014, the Group's subsidiary Shanghai Electric Group Global Investment Limited issued a 5 year bond with fixed coupon at par value of CNY 500 million with coupon rate 3%. Corporate bond called Morning Star.

Note 6: 13 Shanghai Electric MTN1 was issued on April 17, 2013 with the code of 1382178 at par value of CNY 2.5 billion with the annual interest rate of 4.70% and the duration of 5 years. It is matured and paid during this period.

Note 7: 16 Electric bond was issued on January 26, 2016 with the code of 136177 at par value of CNY 2.5 billion

with the annual interest rate of 3.00% and the duration of 3 years. The bond would due within 1 year. The Company reclassified it in Non-current liabilities due within 1 year.

38.2. Changes in bonds payable (Not including preferred shares classified as financial liabilities, perpetual debt and other financial instruments)

Name of bonds	Face value	Date of issuance	Bond period	Amount of issuance	Opening balance	Issuance in current period	Accrued interest by par value
Electric convertible bonds (Note 1)	6,000,000,000.00	2015-2-2	6 years	6,000,000,000.00	5,383,674,000.00		87,451,513.63
Electric bond of Europe (Note 2)	EUR 600,000,000.00	2015-5-22	5 years	4,681,920,000.00	4,674,353,000.00		52,969,816.17
The first phase of the electric shares (Note 3)	2,500,000,000.00	2018-12-13	5 years	2,500,000,000.00		2,472,500,000.00	4,264,000.00
The first phase of the electric (group) head office (Note 4)	2,500,000,000.00	2018-12-26	3 years	2,500,000,000.00		2,500,000,000.00	1,869,863.01
Morningstar (Note 5)	USD 500,000,000.00	2014-8-14	5 years	3,022,735,924.36	3,253,900,090.18		102,948,000.00
13 Shanghai Electric MTN1 (Note 6)	2,500,000,000.00	2013-4-17	5 years	2,500,000,000.00	2,500,000,000.00		117,500,000.00
16 Electric bond (Note 7)	2,500,000,000.00	2016-1-26	3 years	2,500,000,000.00	2,500,000,000.00		145,749,451.97
Total				<u>23,704,655,924.36</u>	<u>18,311,927,090.18</u>	<u>4,972,500,000.00</u>	<u>512,752,644.78</u>

Continued:

Name of bonds	Exchange gain or loss	Amortization of premiums and discounts	Repayment	Less: transfer to shareholders' equity	Less: transfer to interest payable	Less: the part due within one year	Closing Balance
Electric convertible bonds (Note 1)		188,858,188.31		30,647.14	87,452,054.80		5,572,501,000.00
Electric bond of Europe (Note 2)	26,959,296.10	2,931,162.73			52,969,275.00		4,704,244,000.00
The first phase of the electric shares (Note 3)					4,264,000.00		2,472,500,000.00
The first phase of the electric (group) head office (Note 4)					1,869,863.01		2,500,000,000.00
Morningstar (Note 5)		172,141,790.81	102,948,000.00				3,426,041,880.99
13 Shanghai Electric MTN1 (Note 6)			2,617,500,000.00				
16 Electric bond (Note 7)			75,000,000.00		70,749,451.97	2,500,000,000.00	
Total	26,959,296.10	363,931,141.85	2,795,448,000.00	30,647.14	217,304,644.78	2,500,000,000.00	18,675,286,880.99

39. Long-term payables

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Long-term payables	3,422,670,134.58	395,899,204.63	1,156,623,277.35	2,661,946,061.86
Specific payables	414,297,538.90	118,948,349.79	358,726,420.27	174,519,468.42
Total	<u>3,836,967,673.48</u>	<u>514,847,554.42</u>	<u>1,515,349,697.62</u>	<u>2,836,465,530.28</u>

39.1. Top five entities of closing long-term payables

Items	Closing balance	Opening balance
Total	<u>2,150,695,642.04</u>	<u>2,738,651,080.75</u>
Compensation for land demolition	1,831,557,696.04	2,370,024,306.97
Huaibei biomass financing lease	197,226,592.72	246,715,420.50
Rental deposit	60,000,000.00	60,000,000.00
Shanghai Jintai Construction Machinery Co., Ltd. - Financial Leasing Company deposit	36,937,817.76	36,937,817.76
Tianxiang merge into long-term payables	24,973,535.52	24,973,535.52

39.2. Top five closing Specific payables

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Total	<u>337,645,029.04</u>	<u>118,948,349.79</u>	<u>303,540,017.42</u>	<u>153,053,361.41</u>
Compensation for land demolition	299,682,000.00	118,948,349.79	299,682,000.00	118,948,349.79
Funding for the implementation of the AP1000 test instrument (National Ministry of Science and Technology)	17,241,818.00		21,176.00	17,220,642.00
Municipal Science and Technology Commission earmarks	13,199,032.99		1,950,923.68	11,248,109.31
Nuclear power severe condition control valve allocation	3,312,277.00		243,080.00	3,069,197.00
Science and technology project allocations	4,209,901.05		1,642,837.74	2,567,063.31

40. Long term employee benefits

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Post-employment benefits - defined benefit plans net debt	375,566,841.70	16,582,005.82	69,034,136.64	323,114,710.88
II. Termination benefits	134,410,900.00	12,769,910.07	11,316,000.00	135,864,810.07
III. Other long-term benefits	2,218,664,019.25	137,307,638.06	207,687,000.00	2,148,284,657.31
Total	2,728,641,760.95	166,659,553.95	288,037,136.64	2,607,264,178.26

Note: The net liability arises from defined benefit plans of the Company in this year set by Shanghai Prime Machinery Co., Ltd. for the operation of its European subsidiaries' qualified employees to set the benefit plan fund; the termination benefits and other long-term benefits set by the Company and different types of retired employees for sharing costs and living subsidies. The present value of the benefit plans set by Shanghai Prime Machinery Co., Ltd. is determined by reference of discount rate of high quality corporate bond yields, and the Company used 2.02% as annual discount rate in 2018 while future pension fund costs and salaries are expected to increase 1.75% and 2.25% respectively.

The present values of termination benefits and other long-term benefits are determined by Treasury bond rate in the same period and the anticipated growth rate is determined by reference to geometric average growth rate of the minimum wage and social security base in the recent 10 years.

41. Estimated liabilities

Items	Closing balance	Opening balance
Pending litigation	69,340,036.86	69,340,036.86
Product quality assurance	198,407,524.61	143,055,297.89
Restructuring obligations	10,315,504.20	22,101,932.50
Onerous contract to be executed		85,289,327.54
Others	43,606,865.81	28,111,113.04
Total	<u>321,669,931.48</u>	<u>347,897,707.83</u>

Note: Pending litigation was caused by contingency of Shanghai China Spinning Machine Machinery Co. Ltd., the subsidiary of the Company. According to the notice of execution of the court, the Company accrued CNY 69,340,036.86 as estimated liabilities.

42. Deferred revenue

Projects/ Categories	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Government grants related to assets:				
Capitalized government grants related to land demolition	421,474,505.23		14,135,861.99	407,338,643.24
Head office education center training program.	94,094,493.96	14,875,000.00	12,653,698.80	96,315,795.16
Prime Share relocation allowances	123,412,000.00		5,818,000.00	117,594,000.00
Electric Share turbine blade research and development subsidies for the purchase of assets	69,057,000.00		3,958,000.00	65,099,000.00
Electric Share Nantong Guohai comprehensive	57,574,000.00		2,662,000.00	54,912,000.00

Projects/ Categories	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
development support funds				
Electric Shares test tower project	49,500,000.00			49,500,000.00
Electric Shares two technical transformation project	39,867,000.00		1,533,000.00	38,334,000.00
Electric Shares relocation subsidies	20,977,000.00		512,000.00	20,465,000.00
Electric Shares Shanghai No.14 rail transportation subsidies		18,997,000.00		18,997,000.00
Electric Shares research and development and industrialization of pressure vessel and other nuclear island main equipment	21,955,000.00		4,141,000.00	17,814,000.00
Electric Shares other government grants related to assets	482,901,000.00	74,654,000.00	97,950,000.00	459,605,000.00
Automation Instrumentation Co., Ltd. government grants related to assets	29,601,862.48		1,399,250.00	28,202,612.48
Electrical Valve Company government grants related to assets		7,862,500.00	325,000.00	7,537,500.00
Schiak deferred revenue related with assets	20,877,611.20		20,877,611.20	
Pacific Mechatronic Baoshan textile base special funds	29,520,000.00		29,520,000.00	
Government grants related to income:				
Electric Share major projects of strategic emerging industries in Shanghai	84,223,000.00		40,420,000.00	43,803,000.00
Electrical Share special funds to support strategic emerging industries	20,940,000.00			20,940,000.00
Other government grants related to income	525,527,000.00	935,241,000.00	948,778,000.00	511,990,000.00
Less: deferred income due within one year	439,973,000.00		25,428,000.00	414,545,000.00
Total	1,651,528,472.87	1,051,629,500.00	1,159,255,421.99	1,543,902,550.88

Other information related to the government subsidies:

Items	Categories	Amount	Amount included in the current profit and loss	Amount for return in the current period	Reasons for return in the current period
Capitalized government grants related to land demolition	Related to asset	407,338,643.24			
Head office education center training program.	Related to asset	96,315,795.16	12,653,698.80		
Prime Share relocation allowances	Related to asset	117,594,000.00	5,818,000.00		
Electric Share turbine blade research and development subsidies for the purchase of assets	Related to asset	65,099,000.00	3,958,000.00		
Electric Share Nantong Guohai comprehensive development support funds	Related to asset	54,912,000.00	2,662,000.00		
Electric Shares test tower project	Related to asset	49,500,000.00			
Electric Shares two technical transformation project	Related to asset	38,334,000.00	1,533,000.00		
Electric Shares relocation subsidies	Related to asset	20,465,000.00	512,000.00		
Electric Shares Shanghai No.14 rail transportation subsidies	Related to asset	18,997,000.00			
Electric Shares research and development and industrialization of pressure vessel and other nuclear island main equipment	Related to asset	17,814,000.00	4,141,000.00		
Electric Shares other government grants related to assets	Related to asset	459,605,000.00	97,950,000.00		
Automation Instrumentation Co., Ltd. government grants related to assets	Related to asset	28,202,612.48	1,399,250.00		
Electrical Valve Company government grants related to assets	Related to asset	7,537,500.00	325,000.00		
Schiak deferred revenue related with assets	Related to asset		20,877,611.20		
Pacific Mechatronic Baoshan textile base special funds	Related to asset		29,520,000.00		
Electric Share major projects of strategic emerging industries in Shanghai	Related to asset	43,803,000.00	40,420,000.00		
Electric Shares special funds to support strategic emerging industries	Related to asset	20,940,000.00			
Other government grants related to income	Related to asset	511,990,000.00	948,778,000.00		
Total		<u>1,958,447,550.88</u>	<u>1,170,547,560.00</u>		

43. Other non-current liabilities

Items/Categories	Closing balance	Opening balance
Unamortized exchange gain	61,228,220.90	61,228,220.90
Others	345,476,635.21	334,276,623.46
Total	<u>406,704,856.11</u>	<u>395,504,844.36</u>

44. Paid in capital

Investor	Opening balance		Increase in current period	Decrease in current period	Closing balance	
	Investment Amount	Proportion (%)			Investment Amount	Proportion (%)
Total	<u>8,780,366,283.42</u>	<u>100.00</u>	<u>300,000,000.00</u>		<u>9,080,366,283.42</u>	<u>100.00</u>
The State-Owned Assets Supervision And Administration Commission Of Shanghai Municipal Government	8,780,366,283.42	100.00	300,000,000.00		9,080,366,283.42	100.00

Note: In July 2018, the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government increased its capital by CNY300 million. Up to December 31, 2018, the Company registered the increased capital CNY400 million and CNY30 million injected in August 2017 and December 2017 by the State-owned Assets Supervision and Administration Commission Of Shanghai Municipal Government. After the changes, the Company's registered capital is CNY 8,780,366,000.00.

45. Capital reserves

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Capital (share) premium	962,441,681.01			962,441,681.01
II. Other capital reserves	7,027,462,791.12	80,727,100.80	141,382,460.18	6,966,807,431.74
III. Surplus reserves of the old accounting system transfer in	1,112,433,027.20			1,112,433,027.20
Total	<u>9,102,337,499.33</u>	<u>80,727,100.80</u>	<u>141,382,460.18</u>	<u>9,041,682,139.95</u>

Including: state-owned exclusive capital reserves

Note: The main changes of other capital reserves are as follows:

Capital government subsidy amortization related to land in deferred revenue increased capital reserves by CNY 14,135,861.99.

During the current period, the minority shareholders of Shanghai Automation Instrument Co., Ltd., a subsidiary of the Group, increased its share capital. The proportion of its shares in the Company was passively diluted and the capital reserves increased by CNY 13,178,310.55.

During the current period, the changes of other rights and interests of investment units accounted for by equity method of Shanghai Automation Instrument Co., Ltd., a subsidiary of the Group, amounted to CNY 39,836,549.99.

During the current period, the Group's subordinate companies Electric Shares and Shanghai Highly (Group) Co., Ltd.'s capital reserves increased by CNY 13,576,378.27 due to other reasons.

During the current period, the acquisition of minority shareholders' equity and passive dilution of minority shareholders' equity resulted in a reduction of CNY 141,382,460.18 in capital reserves at the consolidation level.

46. Special reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Notes
Safety production costs	141,796,520.61	29,899,106.63	19,637,714.05	152,057,913.19	
Total	<u>141,796,520.61</u>	<u>29,899,106.63</u>	<u>19,637,714.05</u>	<u>152,057,913.19</u>	

47. Surplus reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	667,532,189.77	79,705,844.90		747,238,034.67
Total	<u>667,532,189.77</u>	<u>79,705,844.90</u>		<u>747,238,034.67</u>

Note: statutory surplus reserve is withdrawing at 10% of the Company's net profit.

48. Retained earnings

Items	Amount in the period	Amount in prior period
Closing balance for prior period	6,735,437,809.50	5,869,535,203.03
Changes in accounting policies(Note 1)	303,323,535.00	
Opening balance	<u>7,038,761,344.50</u>	<u>5,869,535,203.03</u>
Increase in the period	<u>1,241,908,106.70</u>	<u>1,287,230,468.33</u>
Including: Net profit attributable to owners of the Company for the period	1,410,136,216.51	1,287,230,468.33
Change of fair value of investment in other equity instruments into undistributed profit.(Note 2)	-168,228,109.81	
Other adjustments		
Decrease in the period	<u>357,353,993.05</u>	<u>421,327,861.86</u>
Including: Appropriation to surplus reserves	79,705,844.90	297,739,571.44
Appropriation to general risk reserves		
Declaration of cash dividends	249,273,220.21	92,954,740.64
Declaration of dividends transferred to capital		
Others (Note 3)	28,374,927.94	30,633,549.78
Closing balance	<u>7,923,315,458.15</u>	<u>6,735,437,809.50</u>

Note 1: On January 1, 2018, the undistributed profit of CNY 303,323,535.00 at the beginning of 2018 was adjusted due to the first implementation of the new revenue standard and the new financial instrument standard by the Group's subsidiary Electric Shares.

Note 2: The Group's subsidiary Electric Shares reclassifies its investment in Suzhou THVOW Technology Co.,Ltd. from other equity instruments to long-term equity investments. The changes in fair value during the holding period are regarded as reclassification of undistributed profits at disposal.

Note 3: Other decreases are due to provisions for employee bonus and welfare fund.

49. Revenue & operating cost

49.1 Details for revenue & operating cost

Items	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
1. Principal activities	109,262,274,680.55	89,084,527,683.59	87,306,648,300.62	69,865,486,399.67
2. Other operating activities	5,265,305,032.98	2,298,171,839.18	4,469,186,502.61	1,611,986,108.67
Total	<u>114,527,579,713.53</u>	<u>91,382,699,522.77</u>	<u>91,775,834,803.23</u>	<u>71,477,472,508.34</u>

49.2 Revenue classified by business types

Items	Amount for current period		Amount for prior period	
	Principle operating revenue	Principle operating cost	Principle operating revenue	Principle operating cost
Sale of goods	90,394,280,271.49	70,430,005,144.89	71,630,141,667.45	55,476,119,745.00
Construction contract	11,791,236,000.00	11,012,967,408.57	9,363,607,000.00	8,561,682,000.00
Services rendered	7,062,315,932.83	7,629,824,900.29	6,296,652,777.78	5,810,566,040.85
Others	14,442,476.23	11,730,229.84	16,246,855.39	17,118,613.82
Total	<u>109,262,274,680.55</u>	<u>89,084,527,683.59</u>	<u>87,306,648,300.62</u>	<u>69,865,486,399.67</u>

49.3 Other operating profit

Items	Amount for current period		Amount for prior period	
	Other operating profit	Other operating cost	Other operating profit	Other operating cost
Sales of material	1,584,201,387.95	1,440,455,370.46	1,270,739,654.70	1,114,578,285.50
Rental income	1,540,268,283.75	340,147,509.09	1,006,665,811.20	95,586,764.57
Non-industrial service	128,830,000.00		75,753,000.00	
Financial services revenue	1,334,911,599.72	78,328,914.68	1,255,496,050.66	41,984,434.66
Others	677,093,761.56	439,240,044.95	860,531,986.05	359,836,623.94
Total	<u>5,265,305,032.98</u>	<u>2,298,171,839.18</u>	<u>4,469,186,502.61</u>	<u>1,611,986,108.67</u>

49.4 Construction contract (The top 10 amount of revenue recognized in the period)

Contract project	Contract Price	Contract cost	Completion progress (%)	Accumulated revenue	Accumulated cost	Accumulated confirmed gross margin	Settled amounts	Accumulated collection amount	Revenue for current period	Cost for current period
Fixed price contract	<u>18,695,992,455.44</u>	<u>18,212,092,484.50</u>		<u>12,951,567,156.06</u>	<u>12,377,893,139.53</u>	<u>573,674,016.53</u>	<u>10,483,501,544.88</u>	<u>10,483,501,544.88</u>	<u>6,320,614,990.18</u>	<u>6,105,281,879.29</u>
Guangdong Yangxi project #5&#6	7,349,515,943.19	7,112,126,578.22	90.32	6,780,342,825.76	6,423,536,035.07	356,806,790.69	5,378,086,563.55	5,378,086,563.55	1,955,123,107.64	1,844,202,956.06
Shanxi Jiexiu Project	2,251,059,500.04	2,260,288,843.99	81.08	1,774,483,690.84	1,832,565,269.60	-58,081,578.76	1,489,468,659.84	1,489,468,659.84	1,365,869,852.46	1,371,469,918.85
Ningxia Guoxing Photovoltaic Project	1,231,909,585.10	1,225,010,891.42	86.57	1,095,257,783.22	1,060,520,461.31	34,737,321.91	1,012,330,919.32	1,012,330,919.32	1,095,257,783.22	1,089,124,339.63
Biomass Power Generation Project in Cuba	915,090,000.00	746,729,000.00	62.76	605,636,445.10	468,669,143.75	136,967,301.35	214,874,466.23	214,874,466.23	474,231,504.93	386,994,255.66
Ningxia Xingsheng Photovoltaic Project	553,083,750.43	550,041,789.80	73.38	417,309,678.95	403,607,453.49	13,702,225.46	404,585,784.69	404,585,784.69	417,309,678.95	415,014,475.72
Kuishan Pagoda Project in Xinjiang	2,180,436,300.60	2,142,060,621.71	68.67	1,529,462,071.74	1,470,987,837.65	58,474,234.09	1,334,217,571.89	1,334,217,571.89	289,333,596.88	284,241,325.58
NeimengguZhujiaping	3,676,144,721.47	3,673,203,805.69	6.93	261,290,636.22	254,408,363.08	6,882,273.14	182,634,656.39	182,634,656.39	261,290,636.22	261,081,603.71
Horqin Right Front Flag Photovoltaic Project	245,921,364.37	242,527,649.54	93.57	239,622,307.17	226,932,840.76	12,689,466.41	228,800,930.05	228,800,930.05	239,622,307.17	236,315,519.33
Horqin right flag photovoltaic project	111,257,785.97	109,766,931.64	93.42	108,193,932.03	102,548,851.40	5,645,080.63	103,194,688.47	103,194,688.47	108,193,932.03	106,744,133.34
DT Xiinhaote	181,573,504.27	150,336,372.49	89.21	139,967,785.03	134,116,883.42	5,850,901.61	135,307,304.45	135,307,304.45	114,382,590.68	110,093,351.41

50. Selling expenses

Items	Amount for current period	Amount for prior period
1. Packing expenses	41,518,994.12	30,670,035.20
2. Transportation expenses	420,606,109.43	373,637,991.21
3. Storage expenses		200,470.00
4. Insurance expenses	33,825,781.56	21,731,622.84
5. Exhibition fees	10,104,000.00	23,172,059.58
6. Advertisement expenses	38,196,121.81	32,259,650.13
7. Selling service fees	760,436,989.55	577,791,247.84
8. Employee salary	928,168,599.77	841,687,443.09
Including: Salary	802,465,878.19	717,065,091.14
Welfare expenses	117,711,856.56	116,338,621.82
9. Operating expenses	177,669,085.76	146,854,379.70
10. Commission fees		431,684.41
11. Depreciation expenses	25,960,695.23	28,740,111.43
12. Repair expenses	4,993,937.84	41,953,287.66
13. Quality guarantee deposit	748,902,587.13	809,298,000.00
14. Others	766,456,268.75	595,200,318.71
Total	<u>3,956,839,170.95</u>	<u>3,523,628,301.80</u>

51. Administrative expenses

Items	Amount for current period	Amount for prior period
1. Employee salary	4,104,506,011.28	4,091,496,385.38
2. Including: Salary	3,146,536,784.14	3,385,975,887.61
3. Welfare expenses	500,581,139.38	236,600,464.24
4. Depreciation expenses	735,975,935.38	666,719,443.16
5. Insurance expenses	48,594,959.12	12,925,974.21
6. Entertainment expenses	102,078,345.84	92,951,532.98
7. Conference expenses	888,039.57	1,462,556.45
8. Travelling expenses	184,425,349.48	184,876,558.51
9. Office supplies expenses	493,551,348.21	402,953,774.89
10. Amortization of intangible assets	173,894,503.66	231,937,043.82
11. Inventories loss		251,000.00
12. Rental expenses	254,193,538.28	212,242,595.03

Items	Amount for current period	Amount for prior period
13. Agency costs	525,499,741.92	505,719,573.51
14. Including: Annual auditing fee	47,217,000.00	28,176,994.31
15. Others	1,137,597,442.21	1,904,481,311.70
Total	<u>7,761,205,214.95</u>	<u>8,308,017,749.64</u>

52. Research and development expenses

Items	Amount for current period	Amount for prior period
1. Employee salary	1,631,696,403.55	1,396,460,260.48
2. Depreciation expenses	205,380,341.55	167,326,543.92
3. Amortization of intangible assets	19,567,859.13	23,065,390.33
4. Outsourcing research fees	219,021,000.00	193,490,000.00
5. Direct material fees	1,702,329,961.98	1,224,321,140.74
6. Repair expenses	3,626,223.50	3,964,012.36
7. Power fee	11,441,270.38	3,531,064.06
8. Testing fee	11,811,714.73	18,791,493.24
9. Others	407,049,623.39	375,846,299.66
Total	<u>4,211,924,398.21</u>	<u>3,406,796,204.79</u>

53. Financial expenses

Items	Amount for current period	Amount for prior period
Interest expense	1,609,384,658.16	1,070,703,992.11
Less: Interest income	238,995,727.89	230,405,193.32
Bank charge	1,773,828.59	5,950,290.67
Exchange gain or loss	-139,555,841.75	63,841,378.05
Others	364,653,249.43	137,468,496.13
Total	<u>1,597,260,166.54</u>	<u>1,047,558,963.64</u>

54. Impairment losses of assets

Items	Amount for current period	Amount for prior period
1. Impairment on bad debt	126,009,879.72	1,571,729,311.50
2. Impairment on inventories valuation	1,538,199,712.51	1,386,675,695.67
3. Impairment on available-for-sale financial assets	18,617,498.46	8,627,000.00
4. Impairment on long-term equity investments		7,008,000.00
5. Impairment on fixed assets	149,142,590.22	2,983,988.30

Items	Amount for current period	Amount for prior period
6. Impairment on construction in progress	5,725,030.00	1,297,000.00
7. Impairment on intangible assets	63,409,123.27	
8. Impairment on goodwill	151,731,272.32	15,731,000.00
9. Other impairment losses	53,101,357.73	438,413,362.05
Total	<u>2,105,936,464.23</u>	<u>3,432,465,357.52</u>

55. Credit impairment losses

Items	Amount for current period	Amount for prior period
Impairment on bad debt	-244,299,000.00	
Impairment on contract assets	372,434,000.00	
Others	67,550,700.00	
Total	<u>195,685,700.00</u>	

56. Other income

Items	Amount for current period	Amount for prior period
Year 2016 industrial park financial support		463,350.00
CAP1400 Control rod drive mechanism manufacturing technology research project.		6,348,000.00
Anhui projects subsidies	1,020,000.00	1,020,000.00
Financial support fund	2,450,000.00	8,719,000.00
Purchase of local commodities subsidy	1,810,000.00	1,690,700.00
Changning district financial support fund		52,210,000.00
Innovation development subsidy	2,046,424.32	1,948,598.16
Auxiliary machinery factory relocation compensation.	241,597,000.00	75,850,000.00
High efficiency and energy-saving electromechanical project award.	549,831.93	549,831.96
Financial support for the transformation project of high-tech achievements.	26,647,000.00	76,631,000.00
Nuclear power main pump localization development R&D project.		6,278,000.00
Technical reform national investment project.	5,111,000.21	11,244,000.21
Technology subsidies		9,700,000.00
Technical research project subsidy		9,178,000.00
Agricultural subsidy	65,690.00	113,820.00
Financial support for first set of comprehensive insurance.	27,230,000.00	29,913,000.00

Items	Amount for current period	Amount for prior period
Tax incentives	9,602,400.00	3,418,000.00
Small energy-saving and fluorine-free project subsidy.	2,600,000.00	2,600,000.18
Financial support fund related to equipment procurement	6,905,627.55	6,905,627.55
Government subsidies	428,762.00	4,752,500.00
Innovation program assisting fund		743,760.00
Others	405,400,066.07	261,108,341.90
Project Support Fund of Minhang Economic Commission	82,480,000.00	
Other asset-related government subsidies	74,348,000.00	
Changning district financial support fund	64,000,000.00	
Special support funds for electricity of shanghai minhang economic commission	63,110,000.00	
Zizhu development zone support fund	48,290,000.00	
Major projects of strategic emerging industries in shanghai	36,549,000.00	
Taxes refund	31,330,000.00	
Government subsidies for Baoshan base	29,520,000.00	
Major projects of strategic emerging industries in shanghai	26,180,000.00	
Export encouragement asset subsidies to India	13,834,690.67	
Total	<u>1,203,105,492.75</u>	<u>571,385,529.96</u>

57. Investment income

57.1 The details about income from investment

The sources of income from investment	Amount for current period	Amount for prior period
Long-term equity investment income calculated by equity method	668,606,134.50	1,354,236,729.88
The investment income from treating long-term equity investment	35,637,237.05	350,199,964.17
The investment income got during the period of holding salable financial assets	174,347,163.37	290,262,066.69
The investment income got from treating salable financial assets	120,413,444.74	2,100,922,797.96
Investment income from holding other creditor's rights	18,966,000.00	

The sources of income from investment	Amount for current period	Amount for prior period
Investment income from holding other non-current financial assets	733,000.00	
Investment losses from disposal of trading financial assets	-122,032,000.00	
Invest income from other creditor's right	254,430,000.00	
Investment income from disposal of other non-current financial assets	49,077,000.00	
Investment income from held to trading financial assets	15,813,000.00	
Others	145,178,524.70	139,252,410.12
Total	<u>1,361,169,504.36</u>	<u>4,234,873,968.82</u>

58. Gains/(Losses) from changes in fair values

Sources resulting in gains from changes in fair values	Amount for current period	Amount for prior period
Transactional financial assets (Applied for new accounting policies)	92,122,000.00	
Financial assets measured at fair value through profits and losses (Applied for old accounting policies)		-3,688,000.00
Derivative financial assets	1,189,503.47	
Transactional financial liabilities		
Financial liabilities measured at fair value through profits and losses		967,464.78
Derivative financial liabilities	-10,532,082.11	
Invested property evaluated by fair value		
Others		28,267,146.86
Total	<u>82,779,421.36</u>	<u>25,546,611.64</u>

59. Gains/(Losses) from assets disposal

Items	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Gains from assets disposal	622,263,280.31	586,542,469.49	622,263,280.31
Losses from assets disposal	-24,669,291.37	-148,492,564.66	-24,669,291.37
Total	<u>597,593,988.94</u>	<u>438,049,904.83</u>	<u>597,593,988.94</u>

60. Non-operating income

60.1 Details of Non-operating income

Items	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Total gains on disposal of non-current assets	1,409,366.56	2,662,854.52	1,409,366.56
Gains on debt restructuring	7,336,677.58	28,125,650.33	7,336,677.58
Government subsidies unrelated to business day-to-day activities	52,976,737.21	89,240,335.24	52,976,737.21
Others	289,348,797.33	424,130,616.89	289,348,797.33
Total	<u>351,071,578.68</u>	<u>544,159,456.98</u>	<u>351,071,578.68</u>

60.2 Details of Non-operating income

Items	Amount for current period	Amount for prior period
Financial-supporting fund	26,006,698.11	44,915,576.85
Tax refund	3,163.76	25,231.92
The shift of the deferred income of land compensation	4,564,627.71	
Subsidy for technology research and development	3,593,761.42	30,825,020.14
Others	18,808,486.21	13,474,506.33
Total	<u>52,976,737.21</u>	<u>89,240,335.24</u>

61. Non-operating expenses

Items	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Total loss from disposal of non-current assets	2,356,504.03	2,135,000.00	2,356,504.03
The loss from debt restructuring	819,318.01	4,554,183.23	819,318.01
Donation	6,333,500.00	15,390,600.00	6,333,500.00
Compensation, liquidated damages and fine expenditure	50,807,058.82	36,639,423.99	50,807,058.82
Others	53,090,558.97	153,837,126.02	53,090,558.97
Total	<u>113,406,939.83</u>	<u>212,556,333.24</u>	<u>113,406,939.83</u>

62. Income tax expenses

62.1 Income tax expense table

Items	Amount for current period	Amount for prior period
Current-stage income tax to be paid according to tax law and relevant regulations	1,381,466,842.62	2,425,291,283.84
Adjustment of deferred income taxes	-563,693,185.34	-1,737,721,971.35
Others		
Total	<u>817,773,657.28</u>	<u>687,569,312.49</u>

62.2 The process of adjusting accounting profit and income tax

Items	Amount for current period
Total profit	6,056,907,346.69
The income tax calculated by applicable tax rate	1,514,226,836.67
Effect of different tax rates applicable to subsidiaries	-425,279,396.97
The combined impact of offsetting profits	153,281,054.58
Effect of prior periods income tax adjustment	-86,405,068.09
Effect of non-taxable income	-137,134,822.41
Non-deductible cost, expense and losses	75,901,303.87
Before the end of the impact of deferred tax assets using the tax losses not recognized	-658,345,846.40
Effect of the current deferred tax assets unrecognized deductible temporary differences or deductible losses	659,845,504.30
Impact on investment income of joint ventures and associates	-167,151,533.63
Electric Share tax incentive from qualified expenses	-108,032,000.00
Electric Share write back deferred income tax asset of previous periods	506,000.00
Others	-3,638,374.64
Income tax expenses	<u>817,773,657.28</u>

63. Other comprehensive income

63.1 All item of other comprehensive income and how the income tax influenced and transferred to the profit and loss

Items	Amount for current period				Amount for prior period			
	Before-tax amount	Income tax	After-tax amount attributed to parent	After-tax amount attributed to minority shareholders	Before-tax amount	Income tax	After-tax amount attributed to parent	After-tax amount attributed to minority shareholders
I. Other comprehensive income cannot be transferred into profit and loss in the future	390.71	357.09	174,600.06	-174,566.44	13,328,171.21	1,732,000.00	8,587,516.27	3,008,654.94
1. Re-measured defined movement of benefit plan about net assets and liabilities	390.71	357.09	174,600.06	-174,566.44	4,745,694.20	1,732,000.00	5,039.26	3,008,654.94
2. Others					8,582,477.01		8,582,477.01	
II. Other comprehensive income can be transferred into profit and loss in the future	-3,603,411,426.72	-862,447,689.82	-2,557,282,019.96	-183,681,716.94	-3,169,980,407.06	-588,182,314.62	-2,180,876,387.44	-400,921,705.00
1. Changes of Accounts Receivable Measured at Fair Value and included in other comprehensive Income	-135,879,000.00	-33,970,000.00	-24,822,202.79	-77,086,797.21				
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								
Subtotal	-135,879,000.00	-33,970,000.00	-24,822,202.79	-77,086,797.21				
2. Gains and losses from changes in fair value of available for sale financial assets	-3,414,212,204.62	-829,064,280.55	-2,516,919,848.10	-68,228,075.97	-2,316,618,111.81	-599,031,961.60	-1,735,987,785.62	18,401,635.41

Items	Amount for current period			Amount for prior period				
	Before-tax amount	Income tax	After-tax amount attributed to parent	After-tax amount attributed to minority shareholders	Before-tax amount	Income tax	After-tax amount attributed to parent	After-tax amount attributed to minority shareholders
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								
Subtotal	-202,097.46	-33,346.06	-168,751.40		914,724,583.89	622,353.02	493,790,163.19	420,312,067.68
3. Changes in Fair Value of Other Creditor's Rights Investment								
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								
Subtotal	-3,414,010,107.16	-829,030,934.49	-2,516,751,096.70	-68,228,075.97	-3,231,342,695.70	-599,654,314.62	-2,229,777,948.81	-401,910,432.27
4. Cash flow hedging reserve (effective part of cash flow hedging gains against losses)								
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period								
Subtotal	-42,790,000.00	-10,697,000.00	-20,326,316.33	-11,766,683.67				
The hedged item to the initial recognition amount of adjustment								
	-10,711,242.82	-2,891,210.79	-5,127,436.26	-2,692,595.77	41,865,298.75	11,472,000.00	18,251,477.18	12,141,821.57
	1,297,000.00		789,775.22	507,224.78				
5. Translation differences of financial statements								
Subtotal	-12,008,242.82	-2,891,210.79	-5,917,211.48	-3,199,820.55	41,865,298.75	11,472,000.00	18,251,477.18	12,141,821.57
	1,275,923.26	14,141,455.46	10,534,807.34	-23,400,339.54	19,496,989.89		30,650,084.19	-11,153,094.30

Items	Amount for current period			Amount for prior period		
	Before-tax amount	Income tax	After-tax amount attributed to parent	After-tax amount attributed to minority shareholders	Before-tax amount	Income tax
denominated in foreign currencies						
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period						
Subtotal	<u>1,275,923.26</u>	<u>14,141,455.46</u>	<u>10,534,807.34</u>	<u>-23,400,339.54</u>	<u>19,496,989.89</u>	<u>30,650,084.19</u>
						<u>-11,153,094.30</u>
6. Others						
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period						
III. Total	<u>-3,603,411,036.01</u>	<u>-862,447,332.73</u>	<u>-2,557,107,419.90</u>	<u>-183,856,283.38</u>	<u>-3,156,652,235.85</u>	<u>-586,450,314.62</u>
						<u>-2,172,288,871.17</u>
						<u>-397,913,050.06</u>

63.2 Adjustment of other comprehensive income

Items	Re-measured movement of defined benefit plan about net assets and liabilities	Under the equity method , share of other comprehensive income can be transferred into profit or loss	Changes of Accounts Receivable Measured at Fair Value and included in other comprehensive Income	Gains and losses from changes in fair value of available for sale financial assets	Changes in Fair Value of Other Creditor's Rights Investment	Cash flow hedging reserve (effective part of cash flow hedging gains against losses)	Translation differences of financial statements denominated in foreign currencies	Others	Subtotal
I. The opening balance in prior year	<u>2,318,617.05</u>	<u>8,294,272.93</u>		<u>8,168,002,826.39</u>		<u>-1,495,698.70</u>	<u>-104,928,808.57</u>	<u>6,042,785.17</u>	<u>8,078,233,994.27</u>
II. The amount of change of prior year (decrease with " - " for loss)	5,039.26			-2,229,777,948.81		18,251,477.18	30,650,084.19	8,582,477.01	-2,172,288,871.17
III. Balance at the beginning of this year	<u>2,323,656.31</u>	<u>8,294,272.93</u>		<u>5,938,224,877.58</u>		<u>16,755,778.48</u>	<u>-74,278,724.38</u>	<u>14,625,262.18</u>	<u>5,905,945,123.10</u>
Influence from changes in accounting policies				-45,554,112.02	44,055,658.51				-1,498,453.51
IV. Increase or decrease in the amount of change in the year (decrease with " - " for loss)	174,600.06		-24,822,202.79	-2,516,751,096.70	-20,326,316.33	-5,917,211.48	10,534,807.34		-2,557,107,419.90
V. The year-end balance	<u>2,498,256.37</u>	<u>8,294,272.93</u>	<u>-24,822,202.79</u>	<u>3,375,919,668.86</u>	<u>23,729,342.18</u>	<u>10,838,567.00</u>	<u>-63,743,917.04</u>	<u>14,625,262.18</u>	<u>3,347,339,249.69</u>

64. Debt restructuring**64.1 Debtor disclosure**

Mode of debt restructuring	Debt restructuring Gained amount
Pay off debts with the cash which has lower value than that on debt account	7,336,677.58
Settlement of debts in non-cash assets	
Debt converted to capital	
Modification of other debt conditions	
Mixed reorganization	
Total	<u>7,336,677.58</u>

64.2 Creditor disclosure

Mode of debt restructuring	The amount lost in debt restructuring
Debt recovery in cash lower than the book value of receivables	819,318.01
Settlement of debts in non-cash assets	
Debt converted to capital	
Modification of other debt conditions	
Mixed reorganization	
Total	<u>819,318.01</u>

65. Gain or losses on foreign exchange

Gain or Loss on foreign currency exchange amounted to CNY 139,555,841.75 is recorded into current P&L

66. Lease**66.1 Details on lessor under finance lease**

Remaining lease term	Minimum lease receivable
Within 1 year (Including 1 year)	5,591,864,000.00
1-2 years (Including 2 years)	3,026,009,000.00
2-3 years (Including 3 years)	1,705,446,000.00
More than 3 years	1,153,463,000.00
Total	<u>11,476,782,000.00</u>

Note: The balance of unearned finance income is CNY 1,196,177,000.00.

66.2 Details on lessor under operating lease

Types of operating leased asset	Closing book-value	Opening book-value
1. Land asset	844,894,113.24	755,233,462.58
2. Buildings	920,475,770.33	1,239,896,978.55
3. Machinery and equipment	67,508,000.00	32,822,288.91
4. Office and other equipment	3,301,000.00	1,445,000.00
Total	<u>1,836,178,883.57</u>	<u>2,029,397,730.04</u>

66.3 Significant business information of operating lease

Remaining lease term	Minimum lease payment
Within 1 year (Including 1 year)	300,927,958.48
1-2 years (Including 2 years)	151,348,178.77
2-3 years (Including 3 years)	89,062,090.61
More than 3 years	157,510,916.75
Total	<u>698,849,144.61</u>

67. Segmental reporting

Items	New Energy and Environmental Protection		Efficient and Clean Energy		Industrial equipment	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
I. Operating income	<u>13,254,635,013.70</u>	<u>10,360,341,927.90</u>	<u>32,909,638,254.62</u>	<u>25,243,863,605.41</u>	<u>44,915,075,062.60</u>	<u>40,190,381,436.98</u>
Including: Revenue from external customers	12,224,959,013.70	9,394,729,454.15	28,972,653,693.81	20,648,837,322.79	42,372,424,953.65	38,204,433,903.38
Inter-segment trading income	1,029,676,000.00	965,612,473.75	3,936,984,560.81	4,595,026,282.62	2,542,650,108.95	1,985,947,533.60
II. Associates and joint venture investment income		233,220.25	199,231,929.81	337,307,757.87	627,094,420.83	842,515,434.63
III. Impairment losses	21,994,107.92	48,223,000.00	961,520,416.77	808,959,883.10	651,779,493.16	587,052,047.72
IV. Depreciation and amortization expenses	354,222,618.14	263,542,000.00	563,066,363.36	596,382,864.75	1,382,369,464.98	1,589,296,101.54
V. The total profit	363,359,628.35	217,599,155.27	1,614,065,504.55	-141,439,311.87	2,910,357,115.26	1,987,159,767.23
VI. Income tax expense	6,114,940.88	-113,539,520.90	74,255,147.15	-17,954,555.11	383,152,272.50	529,406,909.59
VII. Net profit	357,244,687.47	331,138,676.17	1,539,810,357.40	-123,484,756.76	2,527,204,842.76	1,457,752,857.64
VIII. Total assets	33,455,762,028.41	26,104,629,000.00	56,441,368,741.64	63,486,844,570.17	61,628,159,255.74	62,356,261,825.91
IX. Total liabilities	18,507,189,030.07	16,250,101,000.00	40,066,946,757.20	47,226,000,868.49	39,887,697,038.16	39,734,301,453.74
X. Other significant non-cash items	<u>1,011,425,000.00</u>	<u>1,016,529,000.00</u>	<u>763,249,000.00</u>	<u>1,058,493,000.00</u>	<u>141,065,000.00</u>	<u>236,361,666.66</u>
Including: Other non-cash expenses other than depreciation and amortization charges	1,011,425,000.00	1,016,529,000.00	763,249,000.00	1,058,493,000.00	141,065,000.00	236,361,666.66
Increase from associates and joint ventures long-term equity investment under equity method						

(Continued):

Items	Modern service		Head office and others		Net off		Total	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
I. Operating income	27,811,152,343.01	23,860,065,892.39	5,853,512,412.94	2,598,349,842.72	10,216,433,373.34	10,477,167,902.17	114,527,579,713.53	91,775,834,803.23
Including: Revenue from external customers	25,519,250,929.57	21,240,058,395.40	5,438,291,122.80	2,287,775,727.51			114,527,579,713.53	91,775,834,803.23
Inter-segment trading income	2,291,901,413.44	2,620,007,496.99	415,221,290.14	310,574,115.21	10,216,433,373.34	10,477,167,902.17		
II. Associates and joint venture investment income	-162,523,937.24	62,564,004.50	4,803,721.10	112,082,753.63			668,606,134.50	1,354,703,170.88
III. Impairment losses	440,329,163.99	2,110,304,629.07	415,892,181.68	165,875,462.68	189,893,199.29	287,949,665.05	2,301,622,164.23	3,432,465,357.52
IV. Depreciation and amortization expenses	52,152,173.72	116,483,277.61	602,399,346.86	669,635,476.06	89,055,345.30	99,102,889.51	2,865,154,621.76	3,136,236,830.45
V. The total profit	3,131,645,002.72	2,901,755,574.44	1,286,469,698.65	4,298,364,519.67	3,248,989,602.84	3,794,371,702.83	6,056,907,346.69	5,469,068,001.91
VI. Income tax expense	149,487,267.37	99,703,253.09	678,193,509.41	1,449,021,329.01	473,429,480.03	1,259,068,103.19	817,773,657.28	687,569,312.49
VII. Net profit	2,982,157,735.35	2,802,052,321.35	608,276,189.24	2,849,343,190.66	2,775,560,122.81	2,535,303,599.64	5,239,133,689.41	4,781,498,689.42
VIII. Total assets	101,118,191,618.23	97,511,984,947.34	109,113,635,602.53	86,599,994,849.13	110,960,827,324.71	105,026,191,669.36	250,796,289,921.84	231,033,523,523.19
IX. Total liabilities	86,062,568,113.66	80,482,994,148.14	66,090,086,519.61	42,879,717,005.76	73,944,385,393.11	69,615,351,540.87	176,670,102,065.59	156,957,762,935.26
X. Other significant non-cash items	269,442,000.00	452,000.00	14,069,000.00	8,216,333.53			2,199,250,000.00	2,320,052,000.19
Including: other non-cash expenses other than depreciation and amortization charges	269,442,000.00	452,000.00	14,069,000.00	7,682,000.00			2,199,250,000.00	2,319,517,666.66
Increase from associates and joint ventures long-term equity investment under equity method				534,333.53				534,333.53

Items	Year 2018	Year 2017
Sources of income		
In which: Mainland of China	101,021,857,857.89	79,805,488,515.24
Other countries and regions	13,505,721,855.64	11,970,346,287.99
Total	<u>114,527,579,713.53</u>	<u>91,775,834,803.23</u>
Non-current assets (not including financial assets, segregated account assets and deferred income taxes)		
In which: Located in mainland of China	49,256,512,150.71	50,037,520,450.06
Located in other countries and regions	6,584,294,053.83	6,246,342,524.20
Total	<u>55,840,806,204.54</u>	<u>56,283,862,974.26</u>

68. Consolidated cash flow

68.1 Reconciliation of net profit to cash flow from operating activities by indirect method

Supplementary information	Amount for current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	5,239,133,689.41	4,781,498,689.42
Add: Provision for impairment losses of assets	2,105,936,464.23	3,432,465,357.52
Impairment losses on credit assets	195,685,700.00	
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	2,512,362,579.90	2,590,057,764.57
Amortization of intangible assets	324,926,998.89	409,081,049.27
Amortization of long-term prepaid expenses	152,926,495.74	137,098,016.61
Losses on disposal of fixed assets, intangible assets and other long-term asset (gains are indicated by "-")	-597,593,988.94	-422,901,444.80
Losses on write-off of fixed assets (gains are indicated by "-")	-947,137.47	
Losses on changes in fair values (gains are indicated by "-")	-82,779,421.36	-25,546,611.64
Financial expenses (income is indicated by "-")	1,490,762,192.67	1,060,046,862.25
Interest income of financial companies and rental income of leasing companies	-1,335,145,297.45	-1,262,762,569.28
Losses arising from investments (gains are indicated by "-")	-1,361,169,504.36	-4,234,873,968.82
Decrease in deferred tax assets (increase is indicated by "-")	-726,898,238.76	-1,813,891,005.90

	Supplementary information	Amount for current period	Amount for the prior period
is	Increase in deferred tax liabilities (decrease indicated by "-")	54,908,517.13	-1,191,241.27
	Amortization of deferred revenue	1,159,255,421.99	574,271,153.99
	Decrease in inventories (increase is indicated by "-")	95,646,425.78	-8,622,733,966.96
	Decrease in receivables from operating activities (increase is indicated by "-")	-5,826,315,621.75	-4,902,401,499.64
	Increase in payables from operating activities (decrease is indicated by "-")	-1,337,051,325.01	1,498,834,979.87
	Others	-14,192,986.96	19,658,187.93
	Net cash flow from operating activities	<u>2,049,450,963.68</u>	<u>-6,783,290,246.88</u>
2.	Significant investing and financing activities that do not involve cash receipts and payments:		
	Conversion of debt into capital		
	Convertible bonds due within one year		
	Fixed assets acquired under finance leases		
3.	Net changes in cash and cash equivalents:		
	Closing balance of cash	36,965,238,141.82	23,898,090,296.20
	Less: Opening balance of cash	23,898,090,296.20	32,030,777,161.56
	Add: Closing balance of cash equivalents		
	Less: Opening balance of cash equivalents		
	Net increase in cash and cash equivalents	<u>13,067,147,845.62</u>	<u>-8,132,686,865.36</u>

68.2 Acquisition or disposal of subsidiaries or businesses during the period

Items	Amount
I. Company merger in the current period of cash or cash equivalents paid for the period	1,612,271,000.00
Less: Cash and cash equivalents held by the company on the date of acquisition	182,738,000.00
Plus: an enterprise incorporated during the previous period Payment of cash or cash equivalents	
Net cash paid to acquire subsidiaries	<u>1,429,533,000.00</u>
II. Cash or cash equivalents received by disposal of subsidiaries in the current period	
Less: Cash and cash equivalents held by the company on the day of loss of control	
Plus: cash or cash equivalents received from disposal of subsidiaries in the period prior periods	24,329,459.31
Net cash received from disposal of subsidiaries	<u>24,329,459.31</u>

68.3 Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	<u>36,965,238,141.82</u>	<u>23,898,090,296.20</u>
Including: 1. Cash	3,772,458.12	2,332,586.86
2. Can be used to pay bank deposits	36,221,104,052.20	23,277,943,698.71
3. Can be used to pay at any other monetary fund	740,361,631.50	617,814,010.63
4. Due from banks		
5. Placements with banks money		
6. Interbank dismantlement		
II. Cash equivalents		
Including: bond investment due within three months		
III. End of the period Cash and cash equivalents	<u>36,965,238,141.82</u>	<u>23,898,090,296.20</u>
Including: cash and cash equivalents restricted by the parent company or its subsidiaries within the Group		

69. Foreign currency monetary items

Items	Closing balance of foreign currency	Exchange rate	Closing balance CNY conversion
Currency fund			<u>4,263,867,708.95</u>
In which: US dollar	389,302,768.69	6.8632	2,671,862,762.07
Euro	77,051,247.05	7.8473	604,644,250.98
Hong Kong dollar	626,622,778.56	0.8762	549,046,878.57
Japanese yen	202,843,350.57	0.0619	12,556,003.40
India Rupee	575,745,000.00	0.0980	56,423,010.00
Rupee	1,284,950,415.46	0.0983	126,310,625.84
Pakistan rupee	127,451,530.26	0.0494	6,296,105.59
Malaysian ringgit	24,924,000.00	1.6479	41,072,259.60
Vietnamese Dong	131,153,333,000.00	0.0003	39,345,999.90
British Pound	7,663,000.00	8.6762	66,485,720.60
Serbian Dinar	1,201,158,000.00	0.0665	79,877,007.00
Swiss franc	1,177.79	6.9494	8,184.93
Singapore dollar	0.01	5.0000	0.05
Dirham	5,308,752.00	1.8679	9,916,217.86
South Korean Won	3,718,452.46	0.0061	22,682.56
Accounts Receivable			<u>5,438,368,300.67</u>

	Items	Closing balance of foreign currency	Exchange rate	Closing balance CNY conversion
In which:	US dollar	692,265,861.95	6.8632	4,751,159,063.74
	Euro	72,315,638.77	7.8473	567,482,512.12
	Japanese yen	108,324,357.35	0.0619	6,705,277.72
	Rupee	1,149,760,397.66	0.0983	113,021,447.09
	Interest receivables			<u>28,539,022.49</u>
In which:	US dollar	1,878,696.67	6.8632	12,893,870.99
	Hong Kong dollar	17,855,685.35	0.8762	15,645,151.50
	Other receivables			<u>132,943,243.80</u>
In which:	US dollar	1,558,000.00	6.8632	10,692,865.60
	Euro	14,729,000.00	7.8473	115,582,881.70
	Malaysian ringgit	524,000.00	1.6479	863,499.60
	Swiss franc	181,000.00	6.9494	1,257,841.40
	Dirham	665,943.00	1.8679	1,243,914.93
	Pakistan rupee	66,846,975.17	0.0494	3,302,240.57
	Contract assets			<u>31,295,032.40</u>
In which:	Euro	3,988,000.00	7.8473	31,295,032.40
	Short-term loan			<u>1,447,067,328.90</u>
In which:	US dollar	86,400,000.00	6.8632	592,980,480.00
	Euro	58,593,000.00	7.8473	459,796,848.90
	Hong Kong dollar	450,000,000.00	0.8762	394,290,000.00
	Accounts Payable			<u>1,238,116,388.90</u>
In which:	US dollar	10,647,000.00	6.8632	73,072,490.40
	Euro	126,679,000.00	7.8473	994,088,116.70
	British pound	118,000.00	8.6762	1,023,791.60
	Swiss franc	2,752,000.00	6.9494	19,124,748.80
	Japanese yen	136,640,000.00	0.0619	8,458,016.00
	Malaysian ringgit	22,548,000.00	1.6479	37,156,849.20
	Pakistan rupee	832,287,000.00	0.0494	41,114,977.80
	Kuwaiti Dinar	2,832,000.00	22.6262	64,077,398.40
	Contract liabilities			<u>34,755,691.70</u>
In which:	Euro	4,429,000.00	7.8473	34,755,691.70
	Employee salary			<u>2,628,600.00</u>
In which:	Hong Kong dollar	3,000,000.00	0.8762	2,628,600.00

Items	Closing balance of foreign currency	Exchange rate	Closing balance CNY conversion
Interests payable			<u>39,706,021.67</u>
In which: USD	5,785,351.10	6.8632	39,706,021.67
Other payables			<u>397,471,802.43</u>
In which: USD	19,553,664.05	6.8632	134,200,707.11
Euro	32,427,000.00	7.8473	254,464,397.10
Japanese Yen	5,687,000.00	0.0619	352,025.30
Hong Kong dollar	113,441.86	0.8762	99,397.76
Dirham	68,000.00	1.8679	127,017.20
Pakistan rupee	3,847,647.00	0.0494	190,073.76
India rupee	755,000.00	0.0980	73,990.00
Malaysian ringgit	1,746,000.00	1.6479	2,877,233.40
Swiss Franc	732,000.00	6.9494	5,086,960.80
Long-term loan due within one year			<u>1,026,903,745.60</u>
In which: US dollar	141,502,000.00	6.8632	971,156,526.40
Euro	7,104,000.00	7.8473	55,747,219.20
Long-term loan			<u>1,136,932,663.10</u>
In which: US dollar	73,515,000.00	6.8632	504,548,148.00
Euro	77,240,000.00	7.8473	606,125,452.00
Hong Kong dollar	29,969,257.13	0.8762	26,259,063.10
Bond payables			<u>8,130,286,353.89</u>
In which: US dollar	499,190,156.34	6.8632	3,426,041,880.99
Euro	599,473,000.00	7.8473	4,704,244,472.90

70. Asset ownership and use restricted

Items	Term-end book value	The reason of being limited
Cash and cash equivalents-collateral	837,832,016.59	Guarantee (note 1)
Cash and cash equivalents - central bank reserves	2,577,728,000.00	Guarantee (note 2)
Note receivables	335,089,753.11	Guarantee (note 3)
Fixed assets	554,128,000.00	Guarantee (note 4)
Currency fund	7,999,829.97	Other reasons (note 5)
Available for sale financial assets	8,437,954.20	Other reasons (note 5)
Intangible assets	40,825,000.00	Pledge (note 6)
Long-term investment	8,192,829,766.84	Pledge (note 7)

Note 1: On December 31, 2018, the restricted cash and cash equivalents at the amount of CNY 837,832,016.59 were used for guarantees, banking acceptance bill, letters of credit margin and security clearing margin.

Note 2: Shanghai Electric Group Finance Co., Ltd., a subsidiary of the Group, banked statutory reserve not available for daily operations according to the provisions of the People's Bank of China.

Note 3: On December 31, 2018, Shanghai Highly (Group) Co. Ltd., the subsidiary of the Group used bill receivable CNY 335,089,753.11 as mortgage to get short-term loan CNY 335,089,753.11.

Note 4: On December 31, 2018, the Group's subsidiary Electric Shares used its fixed assets with book value of CNY 554,128,000.00 as collateral to obtain short-term loans of CNY 169,991,000.00, long-term loans of CNY 167,123,000.00 and long-term loans maturing within one year of CNY 57,650,000.00.

Note 5: On December 31, 2018, the Group's monetary fund of CNY 6,821,400.50 was frozen due to litigation. The ownership of monetary fund CNY 1,178,429.47 and available-to-sale financial assets CNY 8,437,954.20 are restricted by other reasons.

Note 6: On December 31, 2018, the subsidiary of the Group, Electric Shares pledged the land use right with book value of CNY 40,825,000.00 to obtained long-term loan of CNY 570,000,000.00 with additional pledge of project fee right after the completion of the project

Note 7: On December 31, 2018, Group's subordinate company Shanghai Prime Machinery Co., Ltd. obtained short-term loans CNY 126,733,000.00 and long-term loans CNY 611,406,000.00 by pledging the part of equity rights of its subordinate company, the Nedschroef Central branch, whose total net assets are Euro 1,044,031,675.46 on 31 December, 2018.

IX. CONTINGENCIES

1. Guarantee

Guarantor	Vouchee	Nature of vouchee	Total amount of guarantee	Amount overdue	Nature of guarantee	Status of vouchee
I. Inside Group						
Shanghai Electric (Group) Corporation	Shanghai Automation Instrumentation Co., Ltd.	State Holding	65,630,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Heavy Machinery Co., Ltd.	State Holding	2,667,660,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Heavy Machinery Co., Ltd.	State Holding	10,000,000.00		Bank guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Highly (Group) Co. Ltd.	Listed company	100,000,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Highly (Group) Co. Ltd.	Listed company	100,000,000.00		Bank guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Highly (Group) Co. Ltd.	Listed company	1,000,000,000.00		Bond guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Electric Widespread Portfolios Co., Ltd.	State Holding	USD 500,000,000.00		Bond guarantee	Continuous operation

Guarantor	Vouchee	Nature of vouchee	Total amount of guarantee	Amount overdue	Nature of guarantee	Status of vouchee
II. Outside group						
Shanghai Electric (Group) Corporation	Shanghai Shen Xin Wind Power Co., Ltd.	State Holding	20,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Electric (Group) Corporation	Shanghai Dianji University	Institution	30,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Electric Group Co., Ltd.	Nabtesco (China) Precise Machine Co., Ltd.	Joint Venture	51,150,000.00		Bond Guarantee	Continuous Operation
Shanghai Electric Group Co., Ltd.	Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.	State Holding	300,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Electric Group Co., Ltd.	Suzhou THVOW Technology Co., Ltd.	Listed Holding	4,000,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Gongxin Investment Management Co., Ltd.	Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.	State Holding	97,020,000.00		Bond Guarantee	Continuous Operation
Shanghai Gongxin Investment Management Co., Ltd.	Xinxing Fang Shang Ying Company	State Holding	87,500,000.00		Bond Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Highly Electrical Appliances Co., Ltd.	State Holding	107,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Highly Electrical Appliances Co., Ltd.	State Holding	606,514,620.90		Note Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Hangzhou Fusheng Electrical Appliances Co., Ltd.	State Holding	290,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Hangzhou Fusheng Electrical Appliances Co., Ltd.	State Holding	118,176,200.00		Note Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Nanchang Highly Electrical Appliances Co., Ltd.	State Holding	124,951,500.00		Bond Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Nanchang Highly Electrical Appliances Co., Ltd.	State Holding	387,100,600.00		Note Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Mianyang Haili Electrical Appliances Co., Ltd.	State Holding	18,303,400.00		Note Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Shanghai New Energy Technology Co., Ltd.	State Holding	20,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Shanghai New Energy Technology Co., Ltd.	State Holding	17,552,300.00		Note Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Haili Foundry Co., Ltd.	State Holding	29,960,000.00		Note Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Anhui Highly Precision Casting Co., Ltd.	State Holding	13,800,000.00		Note Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Haili Special Cooling Equipment Co., Ltd.	State Holding	2,000,000.00		Bond Guarantee	Continuous Operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Haili Special Cooling Equipment Co., Ltd.	State Holding	2,140,000.00		Note Guarantee	Continuous Operation

Note 1: The guarantee amount listed in above table is the highest amount of guarantee to the units guaranteed by December 31, 2018.

Note 2: On 3 December, 2018, Shanghai Highly (Group) Co. Ltd. the Company's subsidiary issued a short-term coupon with a maturity of 270 days, interest rate of 3.9%, and face value of CNY 1 billion. The Company provided full, unconditional, and irrevocable guarantee of joint and several liabilities for the short-term coupon.

Note 3: On August 14, 2014, Shanghai Electric Widespread Portfolios Co., Ltd., the Company's subsidiary issued corporate bonds, Morning star, with 5 year fixed coupon rate of 3% at par value of USD 0.5 billion. The Group provides full amount unconditional and irrevocable joint and several liability guarantees for the bond.

Note 4: When Suzhou THVOW Technology Co.,Ltd. is using the corresponded guarantee amount, it would provide Electric Shares, the subsidiary of our Group the counter-guarantee measures

2. Current significant litigation cases involved

2.1 Disputes over Housing Sale Contract between our Company and Shanghai Lujiazui Urban Construction and Development Co., Ltd.

In 1997, Shanghai Lujiazui City Construction and Development Co., Ltd. (hereinafter referred to as "Lujiazui City Construction Company") purchased 47 sets of houses from the company. The payment for the transfer was the right to use the relocation housing system, and Lujiazui City Construction Co., Ltd. obtained the transfer documents. In August 2016, Lujiazui City Construction Company was informed that the houses involved were military property, unable to handle large-scale property certificates, and unable to obtain housing rental certificates. The company has been cancelled, and its creditor's rights and debts are ultimately inherited by our Company. In 2017, Lujiazui City Construction Company filed a lawsuit in the First Intermediate People's Court of Shanghai, demanding that our Company compensate for its losses. The case was decided in the first instance on August 29, 2018, rejecting all the appeals of Lujiazui City Construction Company. Lujiazui City Construction Company refused to accept this judgment and appealed to Shanghai Higher People's Court. As of 31 December 2018, the second instance of the case is still in progress.

On January 14, 2019, the Shanghai Higher People's Court issued a civil judgment No. 507 (2018), rejecting the appeal of Lujiazui City Construction Company and upholding the original judgment.

2.2 Loan contract dispute: Shanghai Nanyang Motor Co. Ltd. vs the Company

The cumulative amount of loan which the Company lent to Shanghai Nanyang Motor Co. Ltd. (referred to as "Nanyang Motor") is CNY 86.1953 million. The Company filed a lawsuit with Jiading District People's Court of Shanghai in 2015 to request for repayment. The Court issued (2016) Shanghai 02 Minzhong No. 9997 Civil Verdict, which required Nanyang to repay CNY 86.1953 million and interest thereon on September 18, 2016. Nanyang Motor appealed. On February 6, 2017, the Court rejected the appeal. As of December 31, 2018, Nanyang Motor has not yet repaid the amount associated.

2.3 Creditor's dispute: Shanghai Shuangjiu Investment Management Co., Ltd. vs the Company

Shanghai Shuangjiu Investment Management Co., Ltd. brought a case against Shanghai Tianlibao Industry Company (referred to as "Tianlibao Company") on creditor's dispute. The Company's subsidiary, Shanghai Electric (Group) Import and Export Corporation (referred to as "Import and Export Co.") merged Tianlibao Company's shareholder, Shanghai Heavy Mining Machinery Company. Tianlibao Company's business license was revoked, and the Import and Export Co was de-registered in 2015, therefore, Shanghai Shuangjiu Investment Management Co., Ltd. demand the Company to be liable for the compensation of CNY 5.06 million

as obligation of guarantor to the de-registration of the Import and Export Co. This case is on trial as of December 31, 2018.

2.4 Disputes over Housing Lease Contract between Shanghai INESA (Group) Co., Ltd. and Shanghai Linggang Holdings Co., Ltd.

Shanghai INESA (Group) Co., Ltd. prosecuted Shanghai Linggang Holdings Co., Ltd. (referred to as "Lingang Holdings") for the lease contract dispute of house located at No.157 Changji Road, District. Although Lingang Holdings, which is listed on the shell of Shanghai Automation Instrumentation Holdings Co., Ltd. (referred to as "Automation Instrumentation Holdings"), is the tenant, the actual user of the house is Shanghai Automation Instrumentation Co., Ltd. (referred to as "Automation Instrumentation Limited"). Since the contractual relative is Automation Instrumentation Holdings, Lingang Holdings is the appropriate defendant. The first trial verdict is that Lingang Holdings shall pay plant rental fees from October 1, 2016 to March 31, 2017, amounting to CNY 678,299.20, to INESA (Group). Automation Instrumentation Limited, who is the third party related to case, raised objection and filed a lawsuit, requesting for revoking the original verdict and dismiss the plaintiff's claim. As of December 31, 2018, the case is in process of second-trial.

2.5 Outlook design patent infringement dispute case: Shanghai Automation Instrument Co., Ltd against Shanghai Hua'ao Instrument Manufacturing Co., Ltd.

On September 25, 2017, Shanghai Hua'ao Instrument Manufacturing Co., Ltd. brought a case against Automation Instrument Limited for their infringing of 4 outlook design patents. The case number is (2017) Shanghai 73 Minchu No. 670-673. It requested that Automation Instrument Limited compensate its operating loss and reasonable expense, amounted to CNY 4 million. As of December 31, 2018, the case is still in first trial.

2.6 Shanghai Electric Group Real Estate Co., Ltd.: Contract dispute case

2.6.1 Shanghai Electric Group Real Estate Co., Ltd. brought a lawsuit against Shanghai Guanshun Investment Management Co., Ltd. for the lease contract dispute of the house located at No. 948 Wanrong Road. The lease term was from July 1, 2014 to November 30, 2021. Shanghai Guanshun Investment Management Co., Ltd. did not pay for the lease since October, 2014. Shanghai Electric Group Real Estate Co., Ltd. requested Shanghai Guanshun Investment Management Co., Ltd. to pay rental and utility expense CNY 27,236,100.00. Shanghai Jing'an District People's Court decided in the first instance that Shanghai Guanshun Investment Management Co., Ltd. should pay all the expenses related to electrical property. Shanghai Guanshun Investment Management Co., Ltd. refused to accept Shanghai Jing'an District People's Court (2017) Shanghai 0106 Renchu 21080 Civil Judgment and appealed to Shanghai Second Intermediate People's Court. As of December 31, 2018, the case is still in second trial

On February 28, 2019, the Second Intermediate People's Court of Shanghai issued the civil judgment No. 11199 of Shanghai 02 People's Final, rejecting the appeal and upholding the original judgment.

2.6.2 Shanghai Xia's Catering Management Co., Ltd. subleased house on No. 948 Wanrong Road from Shanghai Guanshun Investment Management Co., Ltd. The lease term is from September 20, 2014 to

September 19, 2019. Since Shanghai Xia's Catering Management Co., Ltd. was enforced to close for the housing relocation in June 2016, they required Shanghai Guanshun Investment Management Co., Ltd. to pay CNY 4.76 million as housing relocation reimbursement, which Shanghai Electric Group Real Estate Co., Ltd. is jointly and severally liable. As of December 31, 2018, the case is still in first trial.

2.7 Contract dispute case: Pacific mechatronic (Group) Co. Ltd. vs. Heilongjiang Difeng Polyester Co., Ltd.

Pacific mechatronic (Group) Co. Ltd. (referred to as "Pacific Mechatronic"), the Group's subsidiary, signed sales agreement with Heilongjiang Difeng Polyester Co., Ltd. (referred to as "Difeng Corp."). Difeng Corp. prepaid CNY26,950,067.57 and the project suspended subsequently because Difeng Corp came across financial difficulties. Since Difeng Corp. could not pay off their external debts, the debtor, Yingjie Li, filed a lawsuit with Heilongjiang Harbin Intermediate People's Court requesting to freeze on Pacific Mechatronic's account (Account No. 8012100049610) of Pingan Bank of Shanghai Changshu Road branch (The balance of the account was CNY 357,341.67 on December 31, 2017), and transferring CNY8.72 million from this account. Pacific Mechatronic raised objection and filed a lawsuit. As of December 31, 2018, the lawsuit is still in process.

3. Contingent liability

Items	Opening Balance	Current period Amount of increase	Current period Amount of decrease	Closing Balance	Reasons of formation	Expectant amount of compensation	Amount of compensation has been confirmed in the current period.
External guarantee	259,691,000.00	2,407,443,000.00		2,667,134,000.00			
Pending lawsuit	62,357,000.00	112,336,000.00		174,693,000.00			
The contingent liability formed from outward offering letter of guarantee	2,631,000.00	4,174,000.00		6,805,000.00			
Total	<u>324,679,000.00</u>	<u>2,523,953,000.00</u>		<u>2,848,632,000.00</u>			

On December 31, 2018, the contingent liabilities of the Group's subsidiary Electric Shares due to pending litigation and arbitration amounted to CNY 174,693,000.00. The contingent liabilities of Shanghai Electric Group Finance Co., Ltd. due to the issuance of a letter of guarantee to the outside party amounted to CNY 6,805,000.00 and the non-financial guarantee letter issued by financial institutions for the Electric Shares amounted to CNY 27,126,815,000.00.

4. Contingent asset

None

X. EVENTS AFTER BALANCE SHEET DATE

1. The acquisition of shares of Suzhou THVOW Technology Co.,Ltd. by Shanghai Electric Group Co.,

Ltd., the subsidiary of the Group

On February 1, 2019, Suzhou THVOW Technology Co.,Ltd. (hereinafter referred to as "Tianwo Technology") held its first temporary shareholders' meeting in 2019, electing directors appointed by Electric shares as non-executive directors of the Company. At the date of this report, Electric shares hold 132,458,814 shares of Tianwo Technologies, accounting for 15% of the total shares. By way of voting rights entrusted, it holds the corresponding voting rights of 131,290,074 shares of Tianwo Technologies, accounting for 14.87% of the total shares. Aggregately, Electric shares held total 263,748,888 voting shares in Tianwo Technologies those are accounting for 29.87% of the total share capital. It can directly control the production and operation activities of Tianwo Technologies and begin to incorporate them into the consolidation scope.

2. Restrictive stock incentives for Group's subsidiary, Shanghai Electric Group Co., Ltd.

On January 22, 2019, the Electric Share announced "Shanghai Electric Group Co., Ltd. A Share Restrictive Stock Incentive Plan (Draft)" plans to award 147.25118 million restricted stocks, accounting for around 1% of the total share capital of the Electric Share at the time of the announcement of the Draft Incentive Plan. The total number of incentives granted by the incentive plan would not exceed 2,500 people, including senior managers and middle managers and core technology (business) backbone. The grant price of restricted stock is CNY 3.03 per share. After achieving the granting conditions, the incentive object can purchase the additional A-share's restricted stock offered by the Electric Share at the price of CNY 3.03 per share.

3. Profits distribution of the subsidiary Shanghai Electric (Group) Co., Ltd

On March 29, 2019, Electric Shares held 10th meeting of the 5th board of directors, approving the 2018 profit distribution scheme. The scheme proposed to release cash dividend of CNY 0.6146 cum-tax per 10 shares, and the total cash dividend is CNY 905,010,000.00. This dividend distribution scheme is pending discussion and approval by general meeting of shareholders of Electric Shares.

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Information on the parent company

Name of the parent	Registered capital	Proportion (%)
The State-Owned Assets Supervision And Administration Commission Of Shanghai Municipal Government	8,780,366,283.42	100

2. Information on the subsidiaries

Full name of subsidiaries	Places of incorporation	Nature of business	Registered capital (in ten thousands)	Percentage of holding (%)	Percentage of voting (%)
Shanghai Machine Tool (Group) Co. Ltd.	No.218 Fengxian Road, Jing'an District	Manufacturing industry	32,795.63	100.00	100.00
Pacific Mechatronic (Group) Co. Ltd.	No.554 Kaixuan Road	Manufacturing industry	170,414.00	100.00	100.00

Full name of subsidiaries	Places of incorporation	Nature of business	Registered capital (in ten thousands)	Percentage of holding (%)	Percentage of voting (%)
Shanghai Electric Enterprise Development Co. Ltd.	Room 1201, No.1346 Gonghe New Road, Jing'an District	Management consultation	41,694.21	100.00	100.00
Shanghai Electric (Group) Changjiang Company	Room 203, No.3 Building, No.112 Yingchun South Road, Chengnan Street, Wuzhong Economic Development District, Suzhou	Manufacturing industry	500.00	100.00	100.00
Shanghai Hydraulic Pneumatic Limited Corporation	Room 304-306, east part of Floor 2, No.89 Fuzhou Road	Manufacturing industry	15,057.30	100.00	100.00
Shanghai Electric Human Resource Co. Ltd.	No.465 Tiantongan Road, Zhabei District	Consultation service	140.00	100.00	100.00
Shanghai Tool Company	Room 107, 470 East Beijing Road, Huangpu District	Commerce industry	1,214.61	100.00	100.00
Shanghai United Wood Industry Co., Ltd.	No.50 Middle Fuxing Road	Manufacturing industry	10,231.00	100.00	100.00
Shanghai Electric Light Industry Asset Management Co., Ltd.	No.1712 North Shaanxi Road, Putuo District	Manufacturing industry	14146.00	100.00	100.00
Shanghai Hero Industrial Co. Ltd.	Room 205, No. 39, 1249 Long, Xikang Road, Pudong District, Shanghai	Cultural and office supplies	48,478.10	100.00	100.00
Shanghai Highly (Group) Co. Ltd.	No.888 Ningqiao Road, Jinqiao Export Processing Zone, Pudong District	Manufacturing industry	86,631.07	24.44	27.60
Shanghai Electric Group Co., Ltd.	Floor 30, Maxdo Center, No.8 Xingyi Road, Shanghai	Manufacturing industry	1,472,518.80	60.67	60.89
Shanghai Heavy Machinery Co., Ltd.	No. 1800 Jiangchuan Road, Minhang District	Manufacturing industry	247,321.40	100.00	100.00
Shanghai Gongxin Investment Management Co., Ltd.	Building 1, No. 1301 New Gonghe Road, Jingan District, Shanghai	Enterprise of commercial services	1,000.00	100.00	100.00
Shanghai Electric Machine Tool Complete Engineering Co., Ltd.	681 Huai'an Road, Jing'an District	Mechanical and Electrical Services	4,983.79	100.00	100.00
Shanghai No.3 Machine Tool Plant	No.1171, Xieshi Road	Manufacturing industry	15,023.77	100.00	100.00
Shanghai Electric Group Hong Kong Limited	Room 2602, No.1 Building, Lippo Center, No.89 Queensway, Hong Kong	Investment management	USD9,996.00	100.00	100.00
Shanghai Electric Sodium Sulfur Energy Storage Technology Co., Ltd.	Jiazhu Highway 1997	Technical advisory services	40,000.00	60.00	60.00
Shanghai Hoisting And Conveying Machinery Factory Co., Ltd.	18, 28 Changji Road, Anting Town, Jiading District	Manufacturing industry	44,420.00	100.00	100.00

Full name of subsidiaries	Places of incorporation	Nature of business	Registered capital (in ten thousands)	Percentage of holding (%)	Percentage of voting (%)
Shanghai Automation Instrumentation Co., Ltd.	Building 7, No.191 West Guangzhong Road, Jing'an District	Manufacturing industry	9,802.00	51.01	51.01
Shanghai Lianhe Instrumentation Co., Ltd	Building 110, 191 South Guangzhong Road, Jing'an District	Manufacturing industry	7,000.00	100.00	100.00
Shanghai Electric Bearing Co., Ltd.	No. 1161 Humin Road, Minhang District	Manufacturing industry	10,000.00	100.00	100.00
Shanghai Electric Intelligent Rehabilitation Medical Technology Co., Ltd.	104 Block 1, No. 960 Xingxing Road, Jing'an District	Technical Promotion and Application Services	500.00	100.00	100.00
Shanghai Electric Valve Co., Ltd.	333 Qinqiao Road, China (Shanghai) Free Trade Pilot Area	Manufacturing industry	6,150.00	100.00	100.00

3. Details of the Company's joint operations and associated enterprise

Please refer to "Note 8, 14 Long-term Equity Investments".

4. Related party transactions

4.1 Purchases and sales

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
I. Purchase of goods/ receipt of services							
Inventory purchase, Receipt services of	Gree Electrical Appliance, INC. of Zhuhai	Significant minority shareholder	1,651,199,372.25	1.81	733,872,234.25		Negotiated price
Inventory purchase, Receipt services of	Shanghai Highly Nakano Refrigerators Co., Ltd	Associated company	27,758.62	Minor			Negotiated price
Inventory purchase, Receipt services of	SHANGHAI-FA NUC Robotics Co., Ltd.	Associated enterprise	92,267.46	Minor	247,415.00		Negotiated price
Inventory purchase	Shanghai Dongmao Trading Co., Ltd.	Significant minority shareholder	32,793,420.95	0.04			Negotiated price
Inventory purchase	Japan MITSUBISHI Elevator Corporation	Significant minority shareholder	293,192,471.56	0.32			Negotiated price

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Inventory purchase	MITSUBISHI Electric Shanghai Electric Elevator Co., Ltd.	Associated company	2,796,146,134.08	3.06			Negotiated price
Inventory purchase	Nabtesco (China) Precision Machine Co., Ltd.	Associated company	126,433,799.12	0.14			Negotiated price
Inventory purchase	Shanghai Nabtesco Hydraulic Co., Ltd.	Associated company	1,443,413.66	Minor			Negotiated price
Inventory purchase	Shanghai Nabtesco Hydraulic Equipment Trade Co., Ltd.	Associated company	103,418.80	Minor			Negotiated price
Inventory purchase	Shanghai KSB Pumps Ltd.	Associated enterprise	5,626,164.86	0.01	265,253.77		Negotiated price
Inventory purchase	German Siemens	Significant minority shareholder	7,002,072.27	0.01			Negotiated price
Inventory purchase	Morgan Advanced Materials (Shanghai) Co., Ltd.	Associated company	828,068.53	Minor			Negotiated price
Inventory purchase	Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint venture	8,373,103.46	0.01			Negotiated price
Inventory purchase	State Grid Corporation of China	Significant minority shareholder	15,671,354.55	0.02			Negotiated price
Inventory purchase	Ansaldo Energia S.P.A ("AEN")	Joint venture	545,760,133.59	0.60			Negotiated price
Inventory purchase	Siemens Wind Turbine (Shanghai) Co., Ltd.	Significant minority shareholder	1,320,001,599.44	1.44			Negotiated price
Inventory purchase	SIEMENS Aktiengesellschaft	Significant minority shareholder	1,842,550.00	Minor			Negotiated price
Inventory purchase	Siemens Gamesa Renewable	Significant minority shareholder	189,830,590.31	0.21			Negotiated price
Inventory purchase	Jinan Siemens Transformer	Significant minority	8,268,185.00	0.01			Negotiated price

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
	Co., Ltd.	shareholder					
Inventory purchase	Siemens Electric Co., Ltd.	Drive Air Conditioning Service (Shanghai) Co., Ltd.	98,354,751.05	0.11			Negotiated price
Receipt of services	Kaili	Associated company	115,838,280.61	0.13	68,000,000.00		Negotiated price
Receipt of services	Nabtesco Hydraulic Ltd.	Co., Associated company	52,493.00	Minor			
II. Sales of goods/ rendering of services							
Sale of goods, Rendering of service	Gree Electrical Appliance, INC. of Zhuhai	Significant minority shareholder	3,027,798,561.15	2.64	1,315,626,543.85		Negotiated price
Sale of goods	Shanghai Samarium Machine Co., Ltd.	New Tool with key personnel	9,601,797.61	0.01	1,164,338.22		Negotiated price
Sale of goods	Shanghai Electric Research Concrete (Xuzhou) Heavy Engineering Technology Co., Ltd	Associated company	14,041,379.30	0.01			Negotiated price
Sale of goods	Shanghai Mitsubishi Motor Conditioner Electric Co., Ltd	Air Co., Associated company	2,014,716.99	Minor			Negotiated price
Sale of goods	Shanghai Dongmao Trading Ltd.	Co., Significant minority shareholder	709,492,108.53	0.62			Negotiated price
Sale of goods	Shanghai Nabtesco Hydraulic Equipment Trading Ltd.	Co., Associated company	118,603,849.55	0.10	15,149,621.41		Negotiated price
Sale of goods	Shanghai Jintai Engineering Machinery Co., Ltd.	Co., Associated company	771,763.15	Minor			Negotiated price

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Sale of goods	Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint venture	6,581,196.52	0.01	1,972,188.00		Negotiated price
Sale of goods	Siemens AG	Significant minority shareholder	22,117,000.00	0.02			Negotiated price
Sale of goods	Shanghai Anzaldo Gas Turbine Technology Co. Ltd.	Associated company	1,915,819.48	Minor	397,147.05		Negotiated price
Sale of goods	Shanghai KSB Pumps Ltd.	Associated company	2,716,507.51	Minor	13,658,440.01		Negotiated price
Sale of goods	State Grid Corporation of China	Significant minority shareholder	4,552,068,350.87	3.97	991,570,026.89		Negotiated price
Rendering of Service	Yangxi Coastal Electric Power Development Co Ltd	Non-consolidated subsidiaries	1,880,066,050.36	1.64			Negotiated price
Rendering of service	Shanghai Nabtesco Hydraulic Co., Ltd.	Associated company	838,479.65	Minor			Negotiated price
Rendering of service	Shanghai Anzaldo Gas Turbine Technology Co. Ltd.	Associated company	188,679.25	Minor			Negotiated price
Rendering of service	Shanghai Blower Factory Qidong Co., Ltd.	Associated company	68,965.52	Minor	4,000,000.00		Negotiated price
Rendering of service	Neimenggu Huaxia Zhujiaping Electric Power Co., Ltd.	Significant minority shareholder	182,634,656.39	0.16			Negotiated price
Rendering of service	Shanghai Siemens Switchgear Co., Ltd.	Associated company	16,981.13	Minor			Negotiated price
Rendering of service	Shanghai Danfoss Hydraulic Transmission Co., Ltd.	Associated company	4,949,800.01	Minor			Negotiated price
Rendering of service	Shanghai ANEST IWATA Painting Machinery Co.,	Associated company	57,408.49	Minor			Negotiated price

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
	Ltd						
Rendering of service	Shanghai Electric Power Clean Energy Technology Co., Ltd.	Associated company	308,166.68	Minor			Negotiated price
III.	Other transactions						
Interest income	Shanghai Electric Research Concrete (Xuzhou) Heavy Engineering Technology Co., Ltd	Associated company	0.65	Minor			Negotiated price
Interest income	Shanghai Electric Power Clean Energy Technology Co., Ltd.	Associated company	69.01	Minor			Negotiated price
Interest income	Shanghai Pudong New Area Zhangjiang Science and Technology Microfinance Co., Ltd.	Associated company	825.80	Minor			Negotiated price
Interest income	Shanghai Tanzhen Laser Technology Co., Ltd	Associated company	3,619.03	Minor			Negotiated price
Interest income	Shanghai Clyde Bergemann Machinery Co., Ltd.	Associated company	65,170.75	0.03			Negotiated price
Interest income	Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint venture	31,001.80	0.01			Negotiated price
Interest income	Shanghai Jintai Engineering Machinery Co., Ltd.	Associated company	45,439.42	0.02			Negotiated price
Interest income	Shanghai Rail Traffic Equipment Development Co., Ltd.	Associated company	148,205.67	0.06			Negotiated price

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Interest income	Shanghai Shenxin Wind Power Co., Ltd.	Associated company	663.08	Minor			Negotiated price
Interest income	Shanghai Zibo Zhidian Enterprise Management Co., Ltd.	Associated company	8,519.12	Minor			Negotiated price
Interest income	Shanghai Hino Engine Co., Ltd.	Associated company	26.23	Minor			Negotiated price
Interest income	Shanghai Road and Bridge Construction Machinery Co., Ltd.	Associated company	989.49	Minor			Negotiated price
Interest income	Shanghai Directional Investment Management Co., Ltd.	Associated company	190.99	Minor			Negotiated price
Interest income	Shanghai Yunzhong Core Enterprise Development Co., Ltd.	Joint venture	166,216.52	0.07			Negotiated price
Interest expense	Shanghai Pudong New Area Zhangjiang Science and Technology Microfinance Co., Ltd.	Associated company	463,213.45	0.03			Negotiated price
Interest expense	Shanghai Tanzhen Laser Technology Co., Ltd	Associated company	96,666.67	0.01			Negotiated price
Interest expense	Shanghai Clyde Bergemann Machinery Co., Ltd.	Associated company	6,259,750.96	0.39			Negotiated price
Interest expense	Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint venture	763,812.89	0.05			Negotiated price
Rental income	Shanghai Anzaldo Gas Turbine Technology Co. Ltd.	Associated company	5,651,512.36	0.37			Negotiated price

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Rental income	Shanghai Dalong Machinery Co., Ltd.	Associated company	2,280,887.08	0.15			Negotiated price
Rental income	Shanghai Babai show Enterprise Management Co., Ltd.	Associated company	12,733,874.28	0.83			Negotiated price
Rental income	Shanghai Dalong Machinery Co., Ltd.	Associated company	9,086,392.00	0.59	8,757,276.71		Negotiated price
Rental income	Shanghai Digital Entertainment Industry Management Co., Ltd.	Associated company	3,330,215.24	0.22			Negotiated price
Rental income	SHANGHAI-FA NUC Robotics Co., Ltd.	Joint venture	1,264,724.92	0.08			Negotiated price
Rental income	Shanghai Tanzhen Laser Technology Co., Ltd	Associated company	188,679.24	0.01			Negotiated price
Rental income	Shanghai Xinyefang Shangying Enterprise Development Co., Ltd.	Associated company	17,453,971.96	1.13	4,581,667.65		Negotiated price
Rental income	Pacific Electromechanical Group (Shanghai) Technology Co., Ltd.	Associated company	48,408.00	Minor			Negotiated price
Credit interest income	Shanghai Dahao Properties Co., Ltd.	Associated company	2,397,540.81	1.00			Negotiated price
Credit interest income	Shanghai Paihui Investment Management Ltd.	Associated company	922,836.08	0.39	38,062.50		Negotiated price
Credit interest income	Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.	Associated company	1,781,001.04	0.75	367,227.78		Negotiated price

Transaction types	Related parties	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Credit interest expense	Shanghai Directional Investment Management Co., Ltd.	Associated company	1,922,470.82	0.80			Negotiated price
Credit interest expense	Shanghai Zibo Zhidian Enterprise Management Co., Ltd.	Associated company	3,718,463.30	1.56			Negotiated price
Property management	SHANGHAI-FA NUC Robotics Co., Ltd.	Joint venture	216,933.96	Minor			Negotiated price
Energy consumption income	SHANGHAI-FA NUC Robotics Co., Ltd.	Joint venture	1,561,562.17	Minor			Negotiated price

4.2 Balances with related parties

Items and companies	Relationship	Closing balance	Proportion of the items (%)
Accounts receivable			
Shanghai Puen Import and Export Co., Ltd.	Associated company	12,794.60	Minor
Jiangsu Port Qingneng Bioenergy Co., Ltd.	Associated company	8,204,960.00	0.03
Shanghai Dalong Machinery Co., Ltd.	Associated company	15,000.00	Minor
Shanghai Xinyefang Shangying Enterprise Development Co., Ltd.	Associated company	4,581,667.65	0.02
Gree Electrical Appliance, INC. of Zhuhai	Significant minority shareholder	1,315,626,543.85	4.33
Shanghai Ansaldo Gas Turbine Technology Co. Ltd.	Associated company	397,147.05	Minor
Siemens Ag Power Generation	Other	133,874.15	Minor
Shanghai KSB Pumps Ltd.	Associated company	13,658,440.01	0.04
Shanghai Blower Factory Qidong Co., Ltd.	Associated company	3,547,465.29	0.01
Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint venture	1,544,188.00	0.01
Shanghai Nabtesco Hydraulic Equipment Trade Co., Ltd.	Associated company	15,149,621.41	0.05
State Grid Corporation of China	Significant minority shareholder	991,570,026.89	3.26
Zhangjiagang Jiangnan Forging Co., Ltd.	Associated company	838,810.00	Minor
Zhongji Guoneng Electric Power Engineering Co., Ltd.	Associated company	47,966,005.00	0.16

Items and companies	Relationship	Closing balance	Proportion of the items (%)
Shanghai New Samarium Machine Tool Co., Ltd.	Relatives with key personnel	1,164,338.22	Minor
Notes receivable			
Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint venture	428,000.00	0.01
Shanghai Electric Research Concrete (Xuzhou) Heavy Engineering Technology Co., Ltd	Associated company	9,819,600.00	0.12
Zhangjiagang Jiangnan Forging Co., Ltd.	Associated company	2,500,000.00	0.03
Other receivables			
Jiangsu Port Qingneng Bioenergy Co., Ltd.	Associated company	2,104,500.00	0.03
Shanghai Clean Energy Investment Co. Ltd.	Associated company	1,764,769.90	0.02
Jiangsu Shangdian Qingneng Bioenergy Co., Ltd.	Associated company	673,400.00	0.01
Shanghai Clyde Bergemann Machinery Co., Ltd.	Associated company	226,432.37	Minor
Ansaldo Energia S.P.A(mann M	Joint venture	1,102,732.68	0.01
Shanghai Siemens Switchgear Co., Ltd.	Associated company	1,108,340.00	0.01
Shanghai Cooper Power Capacitor Co., Ltd.	Associated company	7,605.64	Minor
Shanghai Electric Power Clean Energy Technology Co., Ltd.	Associated company	51,550,000.00	0.66
Shanghai Dalong Machinery Co., Ltd.	Associated company	28,000,000.00	0.36
Suzhou THVOW Technology Co.,Ltd.	Associated company	2,000,000,000.00	25.67
Dividends receivable			
Shanghai Clyde Bergemann Machinery Co., Ltd.	Associated company	12,117,416.17	4.45
Shanghai Schneider Distributing Apparatus Ltd.	Associated company	60,000,000.00	22.05
Shanghai Aimuyi electromechanical equipment chain Co. Ltd.	Associated company	750,000.00	0.28
Shanghai Siemens High Voltage Switchgear Co., Ltd.	Associated company	22,050,000.00	8.10
Shanghai Cooper Power Capacitor Co., Ltd.	Associated company	2,275,000.00	0.84
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	Associated company	150,766,000.00	55.41
Shanghai General Bearing Co., Ltd.	Associated company	22,329,000.00	8.21
Interests receivable			
Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.	Associated company	367,227.78	0.32
Shanghai Paihui Investment Management Ltd.	Associated company	38,062.50	0.03

Items and companies	Relationship	Closing balance	Proportion of the items (%)
Other payables			
Shanghai Pacific Second Textile Machine Chemical Fiber Complete Equipment Co., Ltd.	Associated company	97,109.57	Minor
Shanghai Clean Energy Investment Co. Ltd.	Associated company	299,489.78	Minor
Shanghai Electric Power Clean Energy Technology Co., Ltd.	Associated company	1,000.00	Minor
Shanghai Xinyefang Shangying Enterprise Development Co., Ltd.	Associated company	4,000,000.00	0.03
SHANGHAI-FANUC Robotics Co., Ltd.	Associated company	216,325.00	Minor
Ansaldo Energia S.P.A(icsN")	Joint venture	10,042,012.86	0.08
German Siemens	Significant minority shareholder	78,271,401.79	0.66
Siemens AG	Associated company	31,732,100.60	0.27
Accounts Payable			
Gree Electrical Appliance,INC.of Zhuhai	Significant minority shareholder	733,872,234.25	1.72
SHANGHAI-FANUC Robotics Co., Ltd.	Joint venture	31,090.00	Minor
Shanghai KSB Pumps Ltd.	Associated company	265,253.77	Minor
Notes Payable			
Shanghai Blower Factory Qidong Co., Ltd.	Associated company	12,620,000.00	0.14
Shanghai Zhongzhao Bidding Co., Ltd.	Joint venture	59,400.00	Minor
Kaili Air Conditioning Sales Service (Shanghai) Co., Ltd.	Associated company	68,000,000.00	0.76
Other Non-current assets			
Shanghai Changyang Chuangu Enterprise Development Co., Ltd.	Associated company	39,200,000.00	0.48
Shanghai KSB Pumps Ltd.	Associated company	3,616,763.01	0.04
Other current assets			
Shanghai Paihui Investment Management Ltd.	Associated company	30,000,000.00	0.22
Shanghai Xinyefang Shangying Enterprise Development Co., Ltd.	Associated company	10,000,000.00	0.07
Advances to suppliers			
Ansaldo Energia S.P.A	Joint venture	69,773,340.25	0.58
Shanghai Blower Factory Qidong Co., Ltd.	Associated company	4,000,000.00	0.03
Shanghai KSB Pumps Ltd.	Associated company	92,123,500.00	0.77
Shanghai Clyde Bergemann Machinery Co., Ltd.	Associated company	121,600.00	Minor
Shanghai ABB Transformer Co., Ltd.	Associated company	343,000.00	Minor

Items and companies	Relationship	Closing balance	Proportion of the items (%)
Shanghai CCI Power Control Equipment Co., Ltd.	Associated company	2,614,457.00	0.02
Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint venture	4,318,640.00	0.04
German Siemens	Significant minority shareholder	79,693,848.68	0.66
Shanghai Siemens Switchgear Co., Ltd.	Associated company	199,600.00	Minor
Shanghai Nabtesco Hydraulic Co., Ltd.	Associated company	342,761.44	Minor
Kaili Air Conditioning Sales Service (Shanghai) Co., Ltd.	Associated company	12,501,709.15	0.10
Mitsubishi Electric Shanghai Electric Elevator Co., Ltd.	Associated company	200,379,721.40	1.67
State Grid Corporation of China	Significant minority shareholder	849,347.60	0.01
Contracts Liability			
Neimenggu Huaxia Zhujiaping Electric Power Co., Ltd.	Other	400,132,262.97	1.09
Simens SIEMENSAGPOWER	Other	4,467,291.09	0.01
Swiss Siemens Westinghouse Co., Ltd.	Other	10,205,255.20	0.03
Shanghai KSB Pumps Ltd.	Associated company	1,506,200.00	Minor
Shanghai Electric Fuji Electric Technology Co., Ltd.	Associated company	115,110.00	Minor
Advances to suppliers			
State Grid Corporation of China	Significant minority shareholder	708,923.08	0.09
Long-term payables			
Shanghai Jintai Engineering Machinery Co., Ltd.	Associated company	36,937,817.76	1.30

XII. INFORMATION THAT HELPS USERS OF FINANCIAL STATEMENTS EVALUATE THE OBJECTIVES, POLICIES AND PROCEDURES OF ENTERPRISE MANAGEMENT CAPITAL

None

XIII. NOTES TO THE MAIN ITEM IN THE PARENT COMPANY'S FINANCIAL STATEMENT

1. Notes receivable and Accounts receivable

Items	Closing balance	Opening balance
Notes receivable	4,126,990.31	
Accounts receivable	209,550.26	2,470,852.26
Total	<u>4,336,540.57</u>	<u>2,470,852.26</u>

1.1 Details of Notes receivable

Item	Closing balance			Opening balance		
	Carrying amount	Provision for bad debt	Book Value	Carrying amount	Provision for bad debt	Book Value
Bank Acceptance Bill	4,126,990.31		4,126,990.31			
Total	<u>4,126,990.31</u>		<u>4,126,990.31</u>			

1.2 Details of Accounts receivable

Items	Closing balance			
	Carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually	137,280,533.68	98.06	137,280,533.68	100.00
Accounts receivable for which bad debt provision has been assessed by aging analysis	1,929,000.11	1.38	1,929,000.11	100.00
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	789,451.38	0.56	579,901.12	73.46
Total	<u>139,998,985.17</u>	<u>100</u>	<u>139,789,434.91</u>	

(Continued)

Items	Opening balance			
	Carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually	132,458,129.61	96.38	132,458,129.61	100.00
Accounts receivable for which bad debt provision has been assessed by aging analysis	1,929,000.11	1.40	1,929,000.11	100.00
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	3,050,753.38	2.22	579,901.12	19.01
Total	<u>137,437,883.10</u>	<u>100</u>	<u>134,967,030.84</u>	

- i. Accounts receivable that are individually significant and for which bad debt provision that has been assessed individually

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Reliance Energy Ltd.	100,599,159.78	100,599,159.78	More than 5 years	100.00	Withdraw full amount of overdue quality guarantee deposit
Donglin Power Plant	15,508,900.00	15,508,900.00	More than 5 years	100.00	Predicted to be uncollectible
Qinyang Power Plant	21,172,473.90	21,172,473.90	More than 5 years	100.00	Predicted to be uncollectible
Total	<u>137,280,533.68</u>	<u>137,280,533.68</u>			

- ii. Aging analysis method is used to withdraw the receivables of bad-debt provision

Aging	Closing balance			Opening balance		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
More than 3 years	1,929,000.11	100.00	1,929,000.11	1,929,000.11	100.00	1,929,000.11
Total	<u>1,929,000.11</u>	<u>100</u>	<u>1,929,000.11</u>	<u>1,929,000.11</u>	<u>100</u>	<u>1,929,000.11</u>

- iii. Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai Huatong Switch Factory Co., Ltd.	97,820.00	97,820.00	More than 5 years	100.00	Predicted to be uncollectible
Shenzhen Lideng Automobile Trade Co., Ltd.	404,402.60	404,402.60	More than 5 years	100.00	Predicted to be uncollectible
Others	287,228.78	77,678.52	Within 1 year, more than 5 years	27.04	Expected to be partially recoverable
Total	<u>789,451.38</u>	<u>579,901.12</u>			

iv. The receivables of top 5 ending balance collected by debtors

Names of the debtors	Closing balance	Percentage in total receivables (%)	Bad debt provision
Reliance Energy Ltd.	100,599,159.78	71.86	100,599,159.78
Qinyang Power Plant	21,172,473.90	15.12	21,172,473.90
Donglin Power Plant	15,508,900.00	11.08	15,508,900.00
Nan'ao wind energy development company	1,513,000.11	1.08	1,513,000.11
Shenzhen Lideng Automobile Trade Co., Ltd.	404,402.60	0.29	404,402.60
Total	<u>139,197,936.39</u>	<u>99.43</u>	<u>139,197,936.39</u>

2. Other Receivables

Items	Closing balance	Opening balance
Interest receivables		
Dividend receivables		6,981,729.17
Other receivables	2,666,973,333.07	1,536,035,180.09
Total	<u>2,666,973,333.07</u>	<u>1,543,016,909.26</u>

2.1 Dividend receivables

Items	Closing balance	Opening balance	Reasons for non-collected	Impairment provision and corresponded judgment basis
Within one year				
More than one year		<u>6,981,729.17</u>		
Including: Shanghai Automation Instrumentation				
Thales Transportation Automation System Co., Ltd.		6,981,729.17		
Total		<u>6,981,729.17</u>		

2.2 Other receivables

Items	Closing balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision that has been assessed individually	4,061,000,870.09	98.19	1,421,237,892.61	35.00
Other receivables for which bad debt provision has been assessed by aging analysis	6,778,517.34	0.16	6,778,517.34	100.00
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	68,055,625.06	1.65	40,845,269.47	60.02
Total	<u>4,135,835,012.49</u>	<u>100</u>	<u>1,468,861,679.42</u>	

(Continued)

Items	Opening balance			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision that has been assessed individually	2,933,162,603.57	97.61	1,421,237,892.61	48.45
Other receivables for which bad debt provision has been assessed by aging analysis	6,778,517.34	0.23	6,778,517.34	100.00
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	64,955,738.60	2.16	40,845,269.47	62.88
Total	<u>3,004,896,859.51</u>	<u>100</u>	<u>1,468,861,679.42</u>	

2.2.1 Other receivables that are individually significant at the end of the period and for which bad debt provision has been assessed individually

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai SVA (Group) Co., Ltd.	776,250,000.00	776,250,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Heavy machinery Co., Ltd.	932,800,200.00		Within 1 year, 1-2 years, 2-3 years		Expected to be fully recoverable
Shanghai Lianhe Instrumentation Co., Ltd	873,093,086.53		Within 1 year, 1-2 years		Expected to be fully recoverable
Shanghai Machine Tool (Group) Co. Ltd.	581,088,783.22	581,088,783.22	4-5 years More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric Enterprise Development Co. Ltd.	186,220,334.51		2-3 years		Expected to be fully recoverable
Shanghai Gongxin Investment Management Co., Ltd.	199,880,000.00		Within 1 year, 1-2 years		Expected to be fully recoverable
Shanghai Nanyang Motor Co., Ltd	92,534,448.03		3-4 years, 4-5 years		Expected to be fully recoverable
Shanghai Electric Power Clean Energy Technology Co., Ltd.	51,550,000.00		Within 1 year		Expected to be fully recoverable
Shanghai Electric Light Industry AMC	50,784,913.46		4-5 years, More than 5 years		Expected to be fully recoverable
Shanghai Union Timber Industry Co., Ltd.	69,699,993.00		More than 5 years		Expected to be fully recoverable
Shanghai Hero Industrial Co. Ltd.	46,312,187.03		More than 5 years		Expected to be fully recoverable
Shanghai Dalong Machinery Factory Co., Ltd.	28,000,000.00		1-2 years, 2-3 years, 3-4 years		Expected to be fully recoverable
Shanghai Shenhua SVA SMEG Football Club Inc.	27,500,000.00	27,500,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Motor Co., Ltd.	23,926,436.54	23,926,436.54	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric (Group) Hongkang Company	26,259,063.10		4-5 years		Expected to be fully recoverable
Shanghai Electric (Group) Changjiang Company	16,000,000.00		More than 5 years		Expected to be fully recoverable
Shanghai Enamel Stainless Steel Product Joint Company	15,390,000.00		More than 5 years		Expected to be fully recoverable
Shanghai Long Electric Tool Co.,Ltd.	12,472,672.85	12,472,672.85	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Air Blower Co., Ltd.	10,850,599.00		3-4 years		Expected to be fully recoverable
Shanghai Electric Valve Co., Ltd.	40,388,152.82		Within one year		Expected to be fully recoverable
Total	<u>4,061,000,870.09</u>	<u>1,421,237,892.61</u>			

2.2.2 Other receivables for which bad debt provision has been assessed by aging analysis

Aging	Closing balance			Opening balance		
	Carrying amount		Bad debt provision	Carrying amount		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
More than 3 years	6,778,517.34	100.00	6,778,517.34	6,778,517.34	100.00	6,778,517.34
Total	<u>6,778,517.34</u>	<u>100</u>	<u>6,778,517.34</u>	<u>6,778,517.34</u>	<u>100</u>	<u>6,778,517.34</u>

2.2.3 Other receivables that are not individually significant at the end of the period but for which bad debt provision has been assessed individually

Names of debtors	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai SVA (Group) Co., Ltd.	9,808,074.70	9,808,074.70	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Heavy machinery Co., Ltd.	9,000,000.00		More than 5 years		Expected to be fully recoverable
Fuxi Investment Holding Co., Ltd	8,441,382.79	8,441,382.79	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Xinguo Instrument Company	8,379,778.77	8,379,778.77	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Reduction Box Company	8,127,831.15	8,127,831.15	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric (Group) Shanghai Motor Co., Ltd.	4,448,082.28		Within one year		Expected to be fully recoverable
Shanghai Electric Heavy Milling Equipment Co., Ltd.	2,760,700.00		Within one year		Expected to be fully recoverable
Shanghai electric power station equipment Co., Ltd.	2,323,201.66		Within one year		Expected to be fully recoverable
Shanghai Jingdiao Hoisting Equipment Plant	1,040,364.16		More than 5 years		Expected to be fully recoverable
Shanghai Auxiliary Power Plant Co., Ltd	941,614.80		More than 5 years		Expected to be fully recoverable
Petty cash	264,431.93		Within one year		Expected to be fully recoverable
Shanghai Shenhua SVA Kangqiao Football Co., Ltd	238,500.00		1-2 years, 2-3 years		Expected to be fully recoverable
Other Several Companies	12,281,662.82	6,088,202.06	Within one year	49.57	Expected to be partly recoverable
Total	<u>68,055,625.06</u>	<u>40,845,269.47</u>			

2.2.4 Top five entities of closing receivable according to collectors

Names of debtors	Nature	Closing balance	Aging	Accounts for proportion of total other receivables (%)	Provision for bad debt
Shanghai Heavy Machinery Works Co., Ltd	Fund lending	932,800,200.00	Within 1 year, 1-2 years, 2-3 years	22.55	
Shanghai Lianhe Instrument Co., Ltd.	Fund lending	809,077,538.46	Within 1 year, 1-2 years	19.56	
Shanghai SVA (Group) Co., Ltd.	Current account	776,250,000.00	More than 5 years	18.77	776,250,000.00
Shanghai Machine Tool (Group) Co., Ltd	Current account	581,088,783.22	4-5 years, more than 5 years	14.05	581,088,783.22
Shanghai Electric Corporation Development Co., Ltd.	Current account	186,220,334.51	2-3 years	4.50	
Total		<u>3,285,436,856.19</u>		<u>79.43</u>	<u>1,357,338,783.22</u>

3. Long-term equity investments

3.1 Details of investments

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Investment to subsidiaries	27,396,125,395.76	838,741,094.36	523,069,503.88	27,711,796,986.24
Investment in joint ventures				
Investment in associated enterprises	708,674,650.20	-3,914,200.68	8,518,943.93	696,241,505.59
Subtotal	<u>28,104,800,045.96</u>	<u>834,826,893.68</u>	<u>531,588,447.81</u>	<u>28,408,038,491.83</u>
Less: provision for impairment loss	1,009,678,589.87	68,819,567.24	498,740,044.57	579,758,112.54
Total	<u>27,095,121,456.09</u>	<u>766,007,326.44</u>	<u>32,848,403.24</u>	<u>27,828,280,379.29</u>

3.2 Details of Long-term Equity Investments

	Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
				Increase	Decrease	Investment losses confirmed based on equity method	
	Total	<u>28,676,167,903.75</u>	<u>27,095,121,456.09</u>	<u>838,741,094.36</u>	<u>24,329,459.31</u>	<u>-3,914,200.68</u>	
I. Subsidiaries		<u>28,234,866,490.12</u>	<u>26,386,446,805.89</u>	<u>838,741,094.36</u>	<u>24,329,459.31</u>		
	Shanghai Highly (Group) Co. Ltd.(Note 1)	1,041,836,529.58	653,001,418.33	388,835,111.25			
	Shanghai No.3 Machine Tool Plant	118,345,894.57	118,345,894.57				
	Shanghai Electric Machine Tool Complete Engineering Co. Ltd.	55,138,493.09	55,138,493.09				
	Shanghai Electric Group Co., Ltd	22,953,212,894.38	22,953,212,894.38				
	Shanghai Electric Group Hong Kong Co., Ltd.(Note 2)	656,464,886.24	448,212,465.82	208,252,420.42			
	Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.	240,000,000.00	240,000,000.00				
	Shanghai Electric Enterprise Development Co. Ltd.	619,503,949.81	571,211,303.34				
	Shanghai Electric Light Industry Asset Management Co., Ltd.	10,625,000.00	10,625,000.00				
	Shanghai Electric Human Resource Co. Ltd.	1,373,586.61	1,373,586.61				
	Shanghai Machine Tool (Group) Co. Ltd.	289,631,534.48	1,000,000.00				
	Shanghai Union Timber Industry Co., Ltd.	36,695,636.25	35,251,908.69				
	Shanghai Hoisting and Conveying Machinery Factory Co., Ltd.	324,823,106.79	324,823,106.79				

Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
			Increase	Decrease	Investment losses confirmed based on equity method	
Shanghai Schiack Testing Machine Co., Ltd.(Note 3)	69,000,000.00	69,000,000.00				
Shanghai Metallurgy Mine Machinery Factory(Note 4)	523,069,503.88	24,329,459.31		24,329,459.31		
Shanghai Hydraulic Pneumatic Limited Company (Note 5)	140,473,847.86	140,473,847.86				
Shanghai Hero Industrial Co. Ltd.	22,570,636.79					
Shanghai Automation Instrumentation Co., Ltd.	94,677,638.45	94,677,638.45				
Shanghai Lianhe Instrumentation Co., Ltd	70,241,301.20	70,241,301.20				
Pacific Mechatronic (Group) Co. Ltd.	704,140,000.00	554,140,000.00				
Shanghai Electric (Group) Changjiang Company						
Shanghai Electric Light Tool Co., Ltd.						
Shanghai Gongxin Investment Management Co., Ltd.	21,388,486.45	21,388,486.45				
Shanghai Heavy Machinery Co., Ltd.	1.00	1.00				
Shanghai Electric Bearing Co., Ltd.(Note 6)	58,848,620.03		58,848,620.03			
Shanghai Electric Intelligent Rehabilitation Medical Technology Co., Ltd.(Note 7)	3,500,000.00		3,500,000.00			
Shanghai Neles Jamesbury Valve Co., Ltd (Note 8)	179,304,942.66		179,304,942.66			
II. Associated enterprises	<u>441,301,413.63</u>	<u>708,674,650.20</u>			-3,914,200.68	
Shanghai Cable 10th Factory	16,271,937.13	6,395,166.78				-1,587,057.51
Shanghai Electric Group Henglian Enterprise	7,000,000.00	44,151,644.63				9,771,788.98

Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
			Increase	Decrease	Investment losses confirmed based on equity method	
Development Co., Ltd.						
Shanghai Hino Engine Co., Ltd.	21,406,679.32	81,184,982.42			4,857,831.35	
Shanghai Pu Qing gas turbine Co., Ltd.	9,800,000.00	10,063,817.17			66,988.45	
Shanghai Proton Heavy Ion Hospital Co., Ltd.	100,000,000.00	66,712,389.45			-3,659,831.29	
Shanghai Dalong Machinery Co., Ltd.	21,776,669.74	18,816,251.02			-4,219,107.75	
Shanghai Shenxin Wind Power Co., Ltd.	11,700,000.00	11,619,237.69			824,802.63	
Shanghai Microelectronics Equipment Co., Ltd.	253,346,127.44	469,731,161.04			-9,969,615.54	

(Continued)

Investees	Changes in current period			Closing balance	Provision for impairment balance
	Other changes in equity	Declared cash dividends or interest	Provision for impairment		
Total		<u>8,518,943.93</u>	<u>68,819,567.24</u>	<u>27,828,280,379.29</u>	<u>579,758,112.54</u>
I. Subsidiaries					
Shanghai Highly (Group) Co. Ltd.(Note 1)			<u>68,819,567.24</u>	<u>27,132,038,873.70</u>	<u>579,758,112.54</u>
Shanghai No.3 Machine Tool Plant				1,041,836,529.58	
Shanghai Electric Machine Tool Complete Engineering Co. Ltd.				118,345,894.57	
				55,138,493.09	
Shanghai Electric Group Co., Ltd				22,953,212,894.38	
Shanghai Electric Group Hong Kong Co., Ltd.(Note 2)				656,464,886.24	
Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.				240,000,000.00	
Shanghai Electric Enterprise Development Co. Ltd.				571,211,303.34	48,292,646.47
Shanghai Electric Light Industry Asset Management Co., Ltd.				10,625,000.00	
Shanghai Electric Human Resource Co. Ltd.				1,373,586.61	
Shanghai Machine Tool (Group) Co. Ltd.				1,000,000.00	288,631,534.48
Shanghai Union Timber Industry Co., Ltd.				35,251,908.69	1,443,727.56
Shanghai Hoisting and Conveying Machinery Factory Co., Ltd.				324,823,106.79	
Shanghai Schiack Testing Machine Co., Ltd.(Note 3)			68,819,567.24	180,432.76	68,819,567.24
Shanghai Metallurgy Mine Machinery Factory(Note 4)					

Investees	Other changes in equity	Changes in current period		Closing balance	Provision for impairment balance
		Declared cash dividends or interest	Provision for impairment		
Shanghai Hydraulic Pneumatic Limited Company (Note 5)				140,473,847.86	
Shanghai Hero Industrial Co. Ltd.					22,570,636.79
Shanghai Automation Instrumentation Co., Ltd.				94,677,638.45	
Shanghai Lianhe Instrumentation Co., Ltd				70,241,301.20	
Pacific Mechatronic (Group) Co. Ltd.				554,140,000.00	150,000,000.00
Shanghai Electric (Group) Changjiang Company					
Shanghai Electric Light Tool Co., Ltd.					
Shanghai Gongxin Investment Management Co., Ltd.				21,388,486.45	
Shanghai Heavy Machinery Co., Ltd.				1.00	
Shanghai Electric Bearing Co., Ltd.(Note 6)				58,848,620.03	
Shanghai Electric Intelligent Rehabilitation Medical Technology Co., Ltd.(Note 7)				3,500,000.00	
Shanghai Neles Jamesbury Valve Co., Ltd (Note 8)				179,304,942.66	
II. Associated enterprises		<u>8,518,943.93</u>		<u>696,241,505.59</u>	
Shanghai Cable 10th Factory				4,808,109.27	
Shanghai Electric Group Henglian Enterprise Development Co., Ltd.		8,050,000.00		45,873,433.61	
Shanghai Hino Engine Co., Ltd.		468,943.93		85,573,869.84	
Shanghai Pu Qing gas turbine Co., Ltd.				10,130,805.62	

Investees	Changes in current period			Closing balance	Provision for impairment balance
	Other changes in equity	Declared cash dividends or interest	Provision for impairment		
Shanghai Proton Heavy Ion Hospital Co., Ltd.				63,052,558.16	
Shanghai Dalong Machinery Co., Ltd.				14,597,143.27	
Shanghai Shenxin Wind Power Co., Ltd.				12,444,040.32	
Shanghai Microelectronics Equipment Co., Ltd.				459,761,545.50	
Note 1: In 2018, the Company increased its shares in Shanghai Highly (Group) Co., Ltd. and its proportion of share-holding increased to 24.44%.					
Note 2: In 2018, the Company increased its investment by CNY 208,252,420.42 to Shanghai Electric Group Hong Kong Co., Ltd.					
Note 3: In 2018, Shanghai Sink Testing Machine Co., Ltd. has completed deregistration of operation and taxation, but because the company has not yet hold the meeting of board of directors, the investment has not yet been written off. This year, the impairment reserve is drawn according to the difference between recoverable value and net book value.					
Note 4: In November 2017, Shanghai Metallurgical Mine Machinery Factory completed deregistration of operation and taxation. This year, the company held a meeting of board of directors to write off the company's long-term equity investment and prepare the long-term equity investment's impairment.					
Note 5: In 2018, the Company's subsidiary, Shanghai Hydraulic Pneumatic Corporation, was renamed to Shanghai Hydraulic Pneumatic Co., Ltd.					
Note 6: In 2018, the Company acquired 100% equity of Shanghai Electric Bearing Co., Ltd. held by Shanghai Prime Machinery Co., Ltd. at the appraisal price of CNY 58,848,620.03 by means of non-public agreement transfer					
Note 7: In 2018, the Company established Shanghai Electrical Intelligent Rehabilitation Medical Technology Co., Ltd. and on July 24, 2018 and injected capital CNY 3,500,000.00 in one time.					
Note 8: In 2018, the Company acquired 100% shares of Shanghai Neles Jamesbury Valve Co., Ltd. held by Shanghai Electric International Economic and Trade Co., Ltd., a subsidiary of the Company, at the appraisal price of CNY 179,304,942.66 by means of non-public agreement transfer.					

3.3 The main financial information of the important associate enterprises

Items	Amount in current period			
	Shanghai Hino Engine Co., Ltd.	Shanghai Micro Electronics Equipment (Group) Co., Ltd. (SMEE)	Shanghai Proton Heavy Ion Hospital Co., Ltd.	Shanghai Electric Group Henglian Enterprise Development Co., Ltd.
Current assets	1,028,767,885.09	2,663,647,036.86	335,654,742.07	134,277,747.22
Non-current assets	221,206,811.71	1,550,727,104.09	17,676,015.11	110,479,589.89
Total assets	<u>1,249,974,696.80</u>	<u>4,214,374,140.95</u>	<u>353,330,757.18</u>	<u>244,757,337.11</u>
Current liabilities	631,365,046.81	752,219,276.84	32,748,042.94	113,690,383.94
Non-current liabilities	190,740,300.78	2,029,264,360.99	5,319,923.45	
Total liabilities	<u>822,105,347.59</u>	<u>2,781,483,637.83</u>	<u>38,067,966.39</u>	<u>113,690,383.94</u>
Net assets	427,869,349.21	1,432,890,503.12	315,262,790.79	131,066,953.17
Net assets calculated by shares	85,573,869.84	459,761,545.50	63,052,558.16	45,873,433.61
Adjusting events				
The book value of equity investments in associated enterprises	<u>85,573,869.84</u>	<u>459,761,545.50</u>	<u>63,052,558.16</u>	<u>45,873,433.61</u>
The fair value of publicly quoted equity investments				
Revenue	969,755,845.71	554,549,099.65	323,503,770.36	142,808,398.43
Net profit	21,891,749.09	27,613,438.73	-18,299,156.45	2,272,512.19
Other comprehensive income				
Total comprehensive income	<u>21,891,749.09</u>	<u>27,613,438.73</u>	<u>-18,299,156.45</u>	<u>2,272,512.19</u>
Dividends received from associated enterprises	468,943.93			8,050,000.00

(Continued)

Items	Amount in prior period			
	Shanghai Hino Engine Co., Ltd.	Shanghai Micro Electronics Equipment (Group) Co., Ltd. (SMEE)	Shanghai Proton Heavy Ion Hospital Co., Ltd.	Shanghai Electric Group Henglian Enterprise Development Co., Ltd.
Current assets	753,872,607.37	2,366,184,482.00	368,593,109.42	298,664,736.11
Non-current assets	230,667,434.27	3,867,521,163.16	42,170,447.57	107,591,411.15
Total assets	<u>984,540,041.64</u>	<u>6,233,705,645.16</u>	<u>410,763,556.99</u>	<u>406,256,147.26</u>
Current liabilities	424,567,250.89	605,405,013.05	50,174,952.93	280,108,591.18
Non-current liabilities	154,047,878.66	4,164,338,875.69		
Total liabilities	<u>578,615,129.55</u>	<u>4,769,743,888.74</u>	<u>50,174,952.93</u>	<u>280,108,591.18</u>
Net assets	<u>405,924,912.09</u>	<u>1,463,961,756.42</u>	<u>360,588,604.06</u>	<u>126,147,556.08</u>
Net assets calculated by shares	81,184,982.42	469,731,161.04	66,712,389.45	44,151,644.63
Adjusting events				
The book value of equity investments in associated enterprises	<u>81,184,982.42</u>	<u>469,731,161.04</u>	<u>66,712,389.45</u>	<u>44,151,644.63</u>
The fair value of publicly quoted equity investments				
Revenue	626,772,158.73	417,569,232.16	273,156,056.92	36,375,720.06
Net profit	1,562,563.26	48,502,356.23	-114,085,281.17	24,017,051.95
Other comprehensive income				
Total comprehensive income	<u>1,562,563.26</u>	<u>48,502,356.23</u>	<u>-114,085,281.17</u>	<u>24,017,051.95</u>
Dividend received from associated enterprises				8,050,000.00

3.4 The collected information about unimportant joint ventures and associated enterprises

Items	Amount for current period	Amount for prior period
Associated enterprises:		
Total book value of investment	41,980,098.48	46,894,472.66
The following items are calculated according to holding proportion.		
Net profit	-4,914,374.18	-2,358,424.60
Other comprehensive income		
Total comprehensive income	-4,914,374.18	-2,358,424.60

4. Revenue and operating cost

Items	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
1. Subtotal of main business	<u>2,760,589.62</u>	<u>1,899,118.44</u>	<u>2,069,369.97</u>	<u>907,937.00</u>
Others	2,760,589.62	1,899,118.44	2,069,369.97	907,937.00
1. Subtotal of other business	<u>177,640,456.82</u>	<u>5,022,756.60</u>	<u>179,760,549.49</u>	<u>13,599,145.42</u>
Including: Rental income	175,293,166.18	2,712,311.77	174,654,505.76	8,598,202.02
Others	2,347,290.64	2,310,444.83	5,106,043.73	5,000,943.40
Total	<u>180,401,046.44</u>	<u>6,921,875.04</u>	<u>181,829,919.46</u>	<u>14,507,082.42</u>

5. Investment income

5.1 Details of income from investment

The sources of income from investment	Amount for current period	Amount for prior period
Income of long-term equity investment calculated by cost method	878,495,135.14	56,216,239.05
Long-term equity investment income calculated by equity method	-3,914,200.68	-8,962,424.75
Investment income from treating long-term equity investment (Note 1)	-35,807,614.70	2,540,060,135.30
The investment income got during the period of holding available-to-sale financial assets	138,815,513.06	140,254,429.54
The investment income got from disposal of available for sale financial assets	115,050,688.60	709,312,202.91
Others (Note 2)	1,083,077.39	7,512,167.94
Total	<u>1,093,722,598.81</u>	<u>3,444,392,749.99</u>

Note 1: The Company transferred 3.23% of the shares of Shanghai Electric Wind Power Group Co., Ltd. to Shanghai Electric Group Co., Ltd. and generated an investment income of negative CNY 35,807,614.70.

Note 2: Other investment incomes are produced from the interest of entrusted loan and the investment income from securities loan business.

6. Net profit adjusts to operating cash flow by indirect method

Supplementary information	Amount for current period	Amount for prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	797,058,448.97	2,977,395,714.39
Add: Provision for impairment losses of assets	73,641,971.31	49,306,594.08
Impairment losses on credit assets		
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	84,244,939.99	106,388,243.87
Amortization of intangible assets	11,474,082.33	28,136,787.84
Amortization of long-term prepaid expenses		108,937.81
Losses on disposal of fixed assets, intangible assets and other long-term asset (gains are indicated by "-")	-449,578,326.59	-1,593,852,354.59
Losses on write-off of fixed assets (gains are indicated by "-")	4,946.10	
Losses on changes in fair values (gains are indicated by "-")		
Financial expenses (income is indicated by "-")	370,653,143.15	281,094,576.17
Losses arising from investments (gains are indicated by "-")	-1,093,722,598.81	-3,444,392,749.99
Decrease in deferred tax assets (increase is indicated by "-")		
Increase in deferred tax liabilities (decrease is indicated by "-")		
Decrease in inventories (increase is indicated by "-")		
Decrease in receivables from operating activities (increase is indicated by "-")	10,677,776.56	-260,061,089.30
Increase in payables from operating activities (decrease is indicated by "-")	-142,862,899.92	1,369,109,552.06
Others		
Net cash flow from operating activities	<u>-338,408,516.91</u>	<u>-486,765,787.66</u>
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	4,781,714,642.55	1,162,925,556.57
Less: Opening balance of cash	1,162,925,556.57	344,302,137.56
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	<u>3,618,789,085.98</u>	<u>818,623,419.01</u>

XIV. OTHER DISCLOSURES ACCORDING TO FINANCIAL AND ACCOUNTING SYSTEM

1. Commitments

1.1 Capital commitment

Categories	Amount for current period	Amount for prior period
Signed but unperformed	358,526,263.51	34,477,803.52
Approved by board of director but unsigned		
Total	<u>358,526,263.51</u>	<u>34,477,803.52</u>

1.2 Lease commitment

Details refer to "Note VIII and 66. Leasing"

1.3 Other Commitments

Details refer to "Note VIII and 68. Asset ownership and use restricted".

XV. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and notes to the financial statements for year 2018 have been approved by the Board of Directors and authorized to issue.

[No text on this page]

Company Name: Shanghai Electric (Group) Corporation

Person in charge of company: Zheng Jianhua

Person in charge of finance: Xu Jianguo

Date: April 15,2019

Date: April 15,2019



姓名 王兴华
Full name
性别 男
Sex
出生日期 1976-01-30
Date of birth
工作单位 天职国际会计师事务所(特殊普通合伙)上海分所
Working unit
身份证号码 320106760130321
Identity card No.



年度检验登记 Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



2017年4月30日

年度检验登记 Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



王兴华(310000422265)
您已通过2018年年检
上海市注册会计师协会
2018年04月30日



王兴华(310000422265)
您已通过2019年年检
上海市注册会计师协会
2019年05月31日



姓 名 马 昱
Full name
性 别 男
Sex
出 生 日 期 1977-11-27
Date of birth
工 作 单 位 天职国际会计师事务所(特殊普
Working unit 通合伙) 上海分所
身 份 证 号 码 342201197711271253
Identity card No.



年度检验登记 Annual Renewal Registration

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this renewal.



2017年 4月 30日

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this renewal.



马昱(110101504923)
您已通过2018年年检
上海市注册会计师协会
2018年04月30日



马昱(110101504923)
您已通过2019年年检
上海市注册会计师协会
2019年05月31日



统一社会信用代码

911101085923425568

营业执照

(副本) (15-1)

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“国家企业信用
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名称 天职国际会计师事务所 (特殊普通合伙)

类型 特殊普通合伙企业

执行事务合伙人 邱靖之

经营范围

审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务；软件开发、技术咨询、技术服务；应用软件开发；软件服务；计算机系统服务；数据处理（数据处理中的银行卡中心、PUE值在1.4以上的云计算数据中心除外）；企业管理咨询；销售计算机、软件及辅助设备。（下期出资时间为2019年06月30日，依法须经批准的项目，经相关部门批准后方可开展经营活动。）

成立日期 2012年03月05日

合伙期限 2012年03月05日至 长期

主要经营场所 北京市海淀区车公庄西路19号68号楼A-1和A-5区域

天职国际会计师事务所
与原件核对一致
(印)



登记机关

国家企业信用信息公示系统网址:

<http://www.gsxt.gov.cn>

市场主体应当于每年1月1日至6月30日通过
国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

证书序号:0000175

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



发证机关:

二〇一一年七月二十六日

中华人民共和国财政部制

会计师事务所

执业证书

天职国际会计师事务所（特殊普通合伙）

名称:

邱靖之

首席合伙人:

主任会计师:

经营场所:

北京市海淀区车公庄西路19号68号楼A-1和A-5区域

特殊普通合伙

组织形式:

11010150

执业证书编号:

京财会许可[2011]0105号

批准执业文号:

2011年11月14日

批准执业日期:

天职国际会计师事务所(特殊普通合伙)
与原件核对一致
(11)



证书序号: 000406

会计师事务所 证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查, 批准
天职国际会计师事务所(特殊普通合伙) 执行证券、期货相关业务。

首席合伙人: 邱靖之



证书号: 08 发证时间: 二〇一〇年五月二十六日

证书有效期至: 二〇一〇年五月二十六日

Shanghai Electric (Group) Corporation

Auditor's Report

Baker Tilly China [2018] No. 8282

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AUDITOR'S REPORT

(English version for reference only)

Baker Tilly China [2018] No. 8282

State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government:

1. Opinion

We have audited the accompanying financial statements of Shanghai Electric (Group) Corporation ("the Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2017, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in owners' equity and the Company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2017, and the consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (the "ASBE").

2. Basis of opinion

We conducted our audit in accordance with China Standards on Auditing (the "CSA"). 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 are independent of the company in accordance with the CSA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of management and those charged with governance for the financial statements

Management of the Company is responsible for the preparation of financial statements that give a true and fair view in accordance with the ASBE and for design, implement and maintain such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 the management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S REPORT

(English version for reference only)

Baker Tilly China [2018] No. 8282

Those charged with governance are responsible for overseeing the Company's financial reporting process.

4. Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism 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 sufficient 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, but not for expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw users' attention in our auditor's report to the related disclosures in the 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 the company to cease to continue as a going concern.

AUDITOR'S REPORT

(English version for reference only)

Baker Tilly China [2018] No. 8282

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence on financial information of the entities or operating activities of the Company so as to express an audit opinion on the financial statements. We are responsible for guidance, supervision and execution of the group audit, and we assume full responsibility to the audit opinion thereon.

We communicate to those charged with governance, among other matters, on the planned audit scope, timing and significant audit findings, including significant deficiencies in internal controls that we identified during our audit.

We communicate to those charged with governance, among other matters, on the planned audit scope, timing and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.



Chinese Certified Public

Accountant:



Chinese Certified Public

Accountant:



This auditor's report and the accompanying notes to the financial statements are English translation of the Chinese auditor's report. In case any inconsistencies exist between the two reports, the Chinese version shall prevail.

Shanghai state-owned companies consolidated financial statements of Year 2017

Name of the enterprise	Shanghai Electric (Group) Corporation	(official seal)
Head of the enterprise	Zheng Jianhua	(official seal)
Director of finance	Dong Jianhua	(official seal)
CFO(chief accountant)	Dong Jianhua	(official seal)
The person in charge of the accounting office	Xu Jianguo	(official seal)
preparer	Zhou Min	

Consolidated Balance Sheet

Prepared by: Shanghai Electric (Group) Corporation

31 December 2017

Monetary unit: CNY

ITEM	Row	31 December 2017	31 December 2016
Current Assets:	1		
Cash and cash equivalents	2	38,769,027,475.02	45,841,392,813.27
△Settlement reserve	3		
△Loans to banks and other financial institutions	4		
Financial assets calculated at fair value with their variance recorded into current profits and losses	5	518,550,000.00	898,093,000.00
Derivative financial assets	6	80,511,295.86	67,061,264.38
Notes receivable	7	13,015,356,804.79	9,032,951,999.76
Accounts receivable	8	31,011,382,074.03	32,036,945,405.78
Prepayments	9	9,728,404,749.14	8,965,921,284.64
△Premiums receivable	10		
△Reinsurance accounts receivable	11		
△Reinsurance contract reserves receivable	12		
Interest receivable	13	47,091,439.79	126,929,499.82
Dividends receivable	14	81,460,000.00	63,835,124.30
Other receivables	15	2,079,814,660.06	2,702,289,396.97
△Buying back the sale of financial assets	16		
Inventories	17	37,448,107,398.28	29,887,532,409.86
Including: Raw materials	18	4,517,774,421.89	3,979,243,421.10
Finished goods	19	11,984,970,273.03	9,407,967,116.86
Assets classified as held for sale	20		318,784,207.81
Non-current assets due within one year	21	4,815,509,000.00	4,466,830,000.00
Other current assets	22	3,237,830,989.12	8,211,235,270.39
Total current assets	23	140,833,045,886.09	142,619,801,676.98
Non-current assets:	24		
△Loans released and money advanced	25		
Available-for-sale financial assets	26	25,565,149,029.20	21,611,096,599.65
Held-to-maturity investment	27	0.00	
Long-term receivables	28	8,755,971,000.00	6,979,629,000.00
Long-term equity investment	29	11,774,553,801.16	10,621,106,489.51
Investment real estate	30	960,047,973.38	1,073,482,104.92
Fixed assets	31	42,750,839,100.14	42,413,556,849.51
Less: Accumulated depreciation	32	21,772,045,968.65	20,255,307,225.71
Net fixed assets	33	20,978,793,131.49	22,158,249,623.80
Less: fixed asset impairment	34	612,553,427.60	641,959,895.84
Net fixed assets	35	20,366,239,703.89	21,516,289,727.96
Construction in progress	36	2,953,138,257.95	2,261,806,703.03
Construction materials	37		
Disposal of fixed assets	38		
Productive biological assets	39		
Oil and gas assets	40		
Intangible assets	41	7,099,296,213.68	7,194,119,567.44
Development expenditures	42	118,602,534.33	144,388,670.18
Goodwill	43	2,973,115,730.75	2,879,045,019.17
Long-term prepaid expenditures	44	630,694,060.28	589,763,087.29
Deferred income tax assets	45	6,197,852,832.48	4,394,695,870.67
Other non-current assets	46	2,014,403,500.00	348,307,000.00
Including: Special reserve material	47		
Total Non-current Assets	48	89,409,064,637.10	79,613,729,839.82
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Total Assets	72	230,242,110,523.19	222,233,531,516.80

Consolidated Balance Sheet (Con'd)

Prepared by: Shanghai Electric (Group) Corporation

31 December 2017

Monetary unit: CNY

ITEM	Row	31 December 2017	31 December 2016
Current liability:	73		
Short-term loan	74	4,936,443,068.33	4,459,558,587.96
△Loans from the Central Bank	75		
△Deposits from customers and interbank	76		
△Loans from other banks	77		
Financial liabilities measured at fair value with their variance recorded into current profits and losses	78		
Derivative financial liabilities	79	75,913,625.00	100,865,005.77
Notes payable	80	9,388,507,058.82	8,456,007,774.90
Accounts payable	81	37,490,719,356.35	35,508,722,977.79
Receipts in advance	82	44,601,116,615.59	44,705,836,906.10
△Financial assets sold for repurchase	83		
△Handling charges and commissions payable	84		
Employee benefits payable	85	3,236,599,293.37	2,870,901,007.06
Including: wages payable	86	2,184,718,748.84	1,806,691,124.71
Benefit payable	87	821,875,816.75	827,555,149.33
Including: employee bonus and welfare	88	817,759,000.00	822,566,971.03
Taxes and surcharges payable	89	2,205,929,342.37	2,652,331,009.33
Including: tax payable	90	2,101,414,129.48	2,541,906,188.07
Interest payable	91	440,881,594.04	279,733,074.60
Dividends payable	92	418,752,611.77	466,466,201.78
Other payables	93	9,621,853,465.17	9,580,374,761.04
△Reinsurance accounts payable	94		
△Reserve fund for insurance contracts	95		
△Funds from securities trading agency	96		
△Funds from underwriting securities agency	97		
Liabilities classified as held for sale	98		
Non-current liabilities due within one year	99	4,221,871,243.00	1,715,635,473.14
Other current liabilities	100	7,589,364,127.97	7,224,317,696.58
Total Current Liabilities	101	124,227,951,401.78	118,020,750,476.05
Non-current Liabilities:	102		
Long-term loans	103	2,644,374,960.35	1,939,789,389.69
Bonds payable	104	18,311,927,090.18	20,745,872,103.26
Long-term payables	105	3,422,670,134.58	3,380,111,021.04
Long-term employee benefit payable	106	2,728,641,760.95	2,473,399,015.20
Specific payables	107	414,297,538.90	370,606,493.93
Estimated liabilities	108	347,897,707.83	204,007,704.83
Deferred revenues	109	1,651,528,472.87	1,579,454,189.90
Deferred tax liabilities	110	2,472,434,023.46	2,990,642,427.23
Other non-current liabilities	111	395,504,844.36	444,831,500.62
Including: Reserve fund under special permission	112		
Total Non-current Liabilities	113	32,389,276,533.48	34,128,713,845.70
Total Liabilities	114	156,617,227,935.26	152,149,464,321.75
Owner's equity (or shareholder's equity):	115		
Paid-in capital (share capital)	116	8,780,366,283.42	7,896,366,283.42
State-owned shares	117	8,780,366,283.42	7,896,366,283.42
Including: State-owned legal person capital	118	8,780,366,283.42	7,324,766,283.42
Collectively owned capital	119		
Domestic-owned shares	120		
Including: Shares held by individuals	121		
Foreign-owned shares	122		
Less: returned investment	123		
Net paid-in capital (share capital)	124	8,780,366,283.42	7,896,366,283.42
Other equity instruments	125		
Including: Preferred stocks	126		
Perpetual bond	127		
Capital reserve	128	9,102,337,499.33	10,591,766,504.80
Less: Treasury shares	129		
Other comprehensive incomes	130	5,905,945,123.10	8,078,233,994.27
Including: Translation differences arising on translation of financial statements denominated in foreign currencies	131	-74,278,724.38	-104,928,808.57
Special reserve	132	141,796,520.61	122,150,419.66
Surplus reserve	133	667,532,189.77	369,792,618.33
Including: Statutory surplus reserves	134	667,532,189.77	369,792,618.33
Discretionary surplus reserves	135		
Reserves funds	136		
Enterprise development funds	137		
Profit return investment	138		
△General risk reserve	139		
Retained earnings	140	6,735,437,809.50	5,869,535,203.03
Total owners' equity attributable to parent	141	31,333,415,425.73	32,927,845,023.51
*Minority shareholders' interest	142	42,291,467,162.20	37,156,222,171.54
Total Owners' Equity	143	73,624,882,587.93	70,084,067,195.05
Total Liabilities and Owners' Equity	144	230,242,110,523.19	222,233,531,516.80

Consolidated Income Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2017

Monetary unit: CNY

ITEM	Row	Year 2017	Year 2016
I. Total operating revenue	1	91,775,834,803.23	97,804,292,274.03
Including: operating revenue	2	91,775,834,803.23	97,804,292,274.03
△Interest income	3		
△Earned premium	4		
△Handling charges and commission revenue	5		
II. Total operating costs	6	91,908,225,940.31	96,379,344,440.22
Including: operating costs	7	71,477,472,508.34	76,772,759,660.67
△Interest expenditures	8		
△Handling charges and commission expenses	9		
△Surrender value	10		
△Net amount of compensation expenses	11		
△Net amount of reserves for insurance contract	12		
△Policy dividend expenditures	13		
△Reinsurance expenses	14		
Tax and surcharges	15	712,286,854.58	807,687,065.77
Selling expenses	16	3,523,628,301.80	3,879,772,106.30
Administrative expenses	17	11,714,813,954.43	11,115,241,203.21
Including: Research and development fee	18	3,406,796,204.79	3,337,933,239.88
Funds for Party construction work	19		
Financial expenses	20	1,047,558,963.64	714,705,210.39
Including: interest expense	21	1,070,703,992.11	1,004,134,199.44
Interest revenue	22	230,405,193.32	288,720,110.65
Foreign exchange for profit and loss (Net profit is indicated as "-")	23	63,841,378.05	-136,316,076.66
Asset impairment loss	24	3,432,465,357.52	3,089,179,193.88
Others	25		
Plus: income from changes in fair value (loss to be listed with "-")	26	25,546,611.64	-4,449,798.44
Investment income (loss to be listed with "-")	27	4,234,873,968.82	2,183,120,776.36
Including: income from investment into associated enterprises and joint ventures	28	1,354,236,729.88	895,812,755.86
△Exchange income (loss to be listed with "-")	29		
Other income	30	571,385,529.96	
III. Operating profits (losses to be listed with "-")	31	4,699,414,973.34	3,603,618,811.73
Plus: non-operating income	32	1,130,701,926.47	2,969,643,229.28
Including: Gains from disposal of non-current assets	33	573,529,009.46	1,979,577,748.60
Gains from exchange of non-monetary assets	34		3,241,101.41
Government grants	35	89,240,335.24	733,726,105.13
Gains from debts restructuring	36	28,125,650.33	5,085,494.16
Less: non-operating expenditures	37	361,048,897.90	411,931,644.62
Including: Losses from disposal of non-current assets	38	150,627,564.66	31,762,329.61
Losses from exchange of non-monetary assets	39		
Losses from debts restructuring	40	4,554,183.23	285,826,920.66
IV. Total profits (Total Loss to be listed with "-")	41	5,469,068,001.91	6,151,330,396.39
Less: Income tax expenses	42	687,569,312.49	1,572,368,228.28
V. Net profits (Net loss to be listed with "-")	43	4,781,498,689.42	4,578,962,168.11
Net profit attributable to parent company	44	1,287,230,468.33	1,254,930,946.35
*Minority interest income	45	3,494,268,221.09	3,324,031,221.76
Net profit from continuing operations	46	4,781,498,689.42	4,578,962,168.11
Net profit from discontinued operations	47		
VI. Net other comprehensive income after tax	48	-2,673,266,653.41	-1,656,153,640.93
*Net other comprehensive income after tax attributable to parent company	49	-2,172,288,871.17	-1,613,501,837.27
(I) Other comprehensive earning that cannot be reclassified into profits or losses in future	50	5,039.26	-2,747,642.36
Including: 1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan	51	5,039.26	-2,747,642.36
2. Shares enjoyed in other comprehensive income that cannot be reclassified into profits or losses in the invested entity under equity law	52		
(II) Other comprehensive income to be reclassified to profit or loss in future	53	-2,172,293,910.43	-1,610,754,194.91
Including: 1. Shares enjoyed in other comprehensive income to be reclassified to loss or profit in investment-receiving company under equity law	54		
2. Variable profit and loss of fair value of available-for-sale financial assets	55	-2,229,777,948.81	-1,675,231,253.11
3. Profit and loss of held-to-maturity investment reclassified to available-for-sale financial assets	56		
4. Effective part of cash flow hedging profit and loss	57	18,251,477.18	10,214,247.69
5. Conversion difference in foreign currency statements	58	30,650,084.19	53,622,091.56
*Net other comprehensive income after tax attributable to the minority shareholders	59	-500,977,782.24	-42,651,803.66
VII. Total comprehensive income	60	2,108,232,036.01	2,922,808,527.18
Total comprehensive income attributable to parent company	61	-885,058,402.84	-358,570,890.92
*Total comprehensive income attributable to the minority shareholders	62	2,993,290,438.850	3,281,379,418.100
VIII. Earnings per share	63		
Basic earnings per share	64		
Diluted earnings per share	65		

Consolidated Cash Flow Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2017

Monetary unit: CNY

ITEM	Row	Year 2017	Year 2016
I. Cash flow generated from operating activities:	1		
Cash received from sales of goods or rendering of services	2	98,738,294,605.30	113,077,105,428.48
△Net increase in customer's deposits and interbank placements	3		
△Net increase in loans from the Central Bank	4		
△Net increase in loans from other financial institutions	5		
△Cash received from receiving premium of original insurance contract	6		
△Net cash received from reinsurance business	7		
△Net increase from policyholders' deposits and deposits of investment	8		
△Net increase in disposal of financial assets measured at fair value with their variance recorded into current profits and losses	9		
△Cash received from interests, handling charges and commissions	10		
△Net increase in loans from other banks	11		
△Net increase in repurchase business capital	12		
Receipts of tax refunds	13	239,514,562.87	396,167,443.94
Other cash received related to business activities	14	4,361,979,207.10	3,094,240,107.64
Sub-total of cash inflows from operating activities	15	103,339,788,375.27	116,567,512,980.06
Cash paid to purchase commodities and receive labor services	16	84,117,400,671.78	81,052,662,918.61
△Net increase in loans and advances to customers	17		
△Net increase in balances with the Central Bank and other banks	18		
△Cash paid for compensation under original insurance contract	19		
△Cash paid for interests, handling charges and commissions	20		
△Cash paid for policy dividend	21		
Cash paid to and on behalf of employees	22	9,724,154,939.01	9,965,772,298.34
Payments of taxes and surcharges	23	5,426,578,657.99	5,330,027,007.96
Other cash paid related to business activities	24	10,854,944,353.37	9,880,134,074.88
Sub-total of cash outflows from operating activities	25	110,123,078,622.15	106,228,596,299.79
Net cash flows from operating activities	26	-6,783,290,246.88	10,338,916,680.27
II. Cash Flows from Investing Activities:	27		
Cash received from disposal of investments	28	5,006,598,117.27	3,601,497,687.56
Cash received from returns on investments	29	2,692,957,449.30	2,541,913,235.43
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	30	1,732,266,489.16	666,668,386.30
Net cash received from disposal of subsidiaries and other business units	31	26,959,582.38	256,920,827.47
Other received cash related to investing activities	32	5,947,342,433.25	2,296,141,218.24
Sub-total of cash inflows from investing activities	33	15,406,124,071.36	9,363,141,355.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	3,823,709,608.12	3,022,165,119.57
Cash paid to acquire investments	35	12,483,063,518.65	5,213,486,614.58
△Net increase of pledge loans	36		
Net cash paid for acquisitions of subsidiaries and other business units	37	77,122,387.60	1,238,381,000.00
Other cash paid related to investing activities	38	594,678,000.00	14,135,989,303.79
Sub-total of cash outflows from investing activities	39	16,978,573,514.37	23,610,022,037.94
Net cash flows from investing activities	40	-1,572,449,443.01	-14,246,880,682.94
III. Cash flows from financing activities:	41		
Cash received from investments	42	1,736,135,539.09	874,369,220.00
Including: cash received for subsidiaries' absorbing minority shareholder investment	43	1,306,135,539.09	302,769,220.00
Cash received from loans	44	9,751,420,407.78	8,741,850,389.82
△Cash received from issuing bonds	45		
Other received cash related to financing activities	46	44,338,125.67	
Sub-total of cash inflows from financing activities	47	11,531,894,072.54	9,616,219,609.82
Cash paid for debt repayment	48	8,569,950,356.75	6,651,980,038.67
Cash for distributing dividends and profits or paying interest	49	2,396,158,744.18	2,368,798,558.14
Including: dividends and profits paid to minority shareholders by subsidiary	50	1,504,503,392.05	27,339,685.31
Other paid cash related to financing activities	51	280,031,717.28	434,439,707.99
Sub-total of cash outflows from financing activities	52	11,246,140,818.21	9,455,218,304.80
Net cash flows from financing activities	53	285,753,254.33	161,001,305.02
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	54	-62,700,429.80	167,367,981.74
V. Net increase in cash and cash equivalents	55	-8,132,686,865.36	-3,579,594,715.91
Plus: Balance of cash and cash equivalents at the beginning of the period	56	32,030,777,161.56	35,610,371,877.47
VI. Balance of cash and cash equivalents at the end of the period	57	23,898,090,296.20	32,030,777,161.56

Consolidated Statement of Changes in Owners' Equity

Prepared by: Shanghai Electric (Group) Corporation

Year 2017

Monetary unit: CNY

Item	Row	Year 2017										
		Total owners' equity attributable to the company										
		Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Unappropriated profits	Others	Subtotal	Minority interests
Column		1	3	4	5	6	7	8	9	10	11	12
II. Closing balance of the preceding year	1	7,895,365,283.42	10,591,716,504.80		8,079,233,994.27	122,150,419.56	365,792,571.44		5,895,532,023.03		32,387,745,023.51	37,162,221,715.44
Adjust Changes in accounting policies	2											
Corrections of prior period errors	3											
Others	4											
III. Opening balance of the current year	5	7,895,365,283.42	10,591,716,504.80		8,079,233,994.27	122,150,419.56	365,792,571.44		5,895,532,023.03		32,387,745,023.51	37,162,221,715.44
III. Change for the year (Decrease is indicated by "-")	6	884,000,000.00	-1,489,420,005.47		-2,172,288,871.17	18,646,102.95	297,739,571.44		865,902,606.47		-1,894,420,937.18	5,133,244,990.66
(I) Total comprehensive income	7				-2,172,288,871.17				1,387,230,668.33		4,863,584,623.84	2,693,295,438.65
(II) Owners' contributions and withdrawals in capital	8	884,000,000.00	-1,489,420,005.47								4,863,584,623.84	2,108,232,086.01
1. Common share contributions from owners	9	884,000,000.00									4,863,584,623.84	2,108,232,086.01
2. Capital contribution from other equity instruments holders	10											
3. Share-based payments recognized in owners' equity	11											
4. Others	12		-1,489,420,005.47									
(III) Special reserves	13					18,646,102.95					18,646,102.95	-7,985,000.00
1. Transfer to special reserves in the period	14					33,690,094.89					33,690,094.89	5,904,000.00
2. Amortized in the period	15					-15,044,893.94					-16,034,883.94	-13,000,000.00
(IV) Profit distribution	16						297,739,571.44		421,132,861.86		-123,583,259.42	-1,649,335,803.90
1. Transfer to surplus reserves	17						297,739,571.44		-297,739,571.44			
Including: Statutory surplus reserves	18						297,739,571.44		-297,739,571.44			
Dividends/ Surplus Reserve	19											
Reserve funds	20											
Enterprise expansion funds	21											
Capital redemption	22											
2. Transfer to general reserves	23											
3. Contributions to owners' shareholdings	24								492,354,140.64		492,354,140.64	-1,488,003,810.40
4. Others	25								-30,033,549.78		-30,033,549.78	-143,309,993.50
(V) Transfer to owners' equity	26											-4,691,650.96
1. Capitalization of capital reserves	27											
2. Capitalization of surplus reserves	28											
3. Loss-allowance surplus reserves	29											
4. Carry forward to measuring national plan change of outside-of equity	30											
5. Others	31											-4,691,650.96
IV. Closing balance of the current year	32	8,780,365,283.42	9,102,337,499.33		5,905,945,123.10	141,796,520.51	667,532,149.77		6,756,437,695.00		31,333,415,453.73	42,291,149,162.20
												73,824,882,897.93

Consolidated Statement of Changes in Owners' Equity (Continued)

Monetary unit: CNY

Prepared by Shanghai Electric (Group) Corporation

Year 2017

Year 2016

Year 2016														
ITEM	Row	Total owners' equity attributed to the company											Minority interests	Total owner's equity
		Total owners' equity attributed to the company												
		Paid-in capital (Share capital)	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Unappropriated profits	Others	Subtotal		
Column	—	14	15	16	17	18	19	20	21	22	23	24	25	26
Closing balance of the preceding year	1	7,324,762,233.42		10,995,402,811.21		9,691,733,631.56	101,742,339.70			5,900,819,931.11		33,306,609,416.98	35,033,406,086.06	68,339,105,503.04
Add: Changes in accounting policies	2													
Correcting errors of prior period errors	3													
Others	4													
II. Opening balance of the current year	5	7,324,762,233.42		10,995,402,811.21		9,691,733,631.56	101,742,339.70			5,900,819,931.11		33,306,609,416.98	35,033,406,086.06	68,339,105,503.04
III. Changes for the year (Decrease is indicated by "-")	6	571,600,000.00		-404,774,306.41		-1,613,801,637.27	26,403,079.96	360,762,613.33		678,716,001.92		-377,164,338.47	2,122,726,086.48	1,744,961,682.01
(I) Total comprehensive income	7					-1,613,801,637.27				1,254,930,946.35		-358,870,690.92	3,293,379,418.10	2,622,868,527.18
(II) Owners' contributions and withdrawals of capital	8	571,600,000.00		-404,774,306.41						11,691,651.70		17,917,542.29	612,530,246.89	790,247,296.18
1. Common share contribution from owners	9	571,600,000.00										571,600,000.00	17,309,288.00	588,909,288.00
2. Capital contribution from other equity instrument holders	10													
3. Share based payment recognized in owner's equity	11													
4. Others	12				-404,774,306.41					11,691,651.70		-388,692,616.17	593,866,346.75	200,163,691.04
(III) Special reserves	13						26,403,079.96					26,403,079.96	-1,885,000.00	18,518,079.96
1. Transfer to special reserves in the period	14						43,310,384.28					43,310,384.28	13,390,000.00	56,700,364.28
2. Amount allocated in the period	15						-22,907,314.32					-22,907,314.32	-14,276,000.00	-38,182,314.42
(IV) Profit distribution	16							360,762,613.33		-6,872,056,645.13		-27,519,977.86	-1,769,098,582.51	-1,866,615,913.31
1. Transfer to surplus reserves	17									-3,489,762,613.33				
including: Statutory surplus reserves	18									-3,489,762,613.33				
Discretionary Surplus Reserves	19													
Reserve funds	20													
Enterprise expansion funds	21													
Capital reduction	22													
2. Transfer to general reserves	23													
3. Distribution to owner shareholders	24									-1,082,239,641.96		-1,082,239,641.96	-1,646,393,209.36	-1,834,632,851.31
4. Others	25									-29,744,066.66		-29,744,066.66	-122,705,209.16	-151,970,579.00
(V) Transfers within owner's equity	26													
1. Capitalization of capital reserves	27													
2. Capitalization of surplus reserves	28													
3. Loss offset by surplus reserves	29													
4. Carry forward to measuring and benefit plan change of net debt or equity	30													
5. Others	31													
IV. Closing balance of the current year	32	7,896,362,233.42		10,591,776,504.80		8,078,233,994.27	127,154,419.66	360,762,613.33		5,869,535,203.03		32,697,845,023.51	37,186,222,171.54	70,084,067,196.05

Balance Sheet

Prepared by: Shanghai Electric (Group) Corporation

31 December 2017

Monetary unit: CNY

ITEM	Row	31 December 2017	31 December 2016
Current Assets:	1		
Cash and cash equivalents	2	1,164,925,556.57	344,702,137.56
△Settlement reserve	3		
△Loans to banks and other financial institutions	4		
Financial assets calculated at fair value with their variance recorded into current profits and losses	5		
Derivative financial assets	6		
Notes receivable	7		
Accounts receivable	8	2,470,852.26	316,700.00
Prepayments	9	3,845,633.06	10,368,693.32
△Premiums receivable	10		
△Reinsurance accounts receivable	11		
△Reinsurance contract reserves receivable	12		
Interest receivable	13		
Dividends receivable	14	6,981,729.17	56,981,729.17
Other receivables	15	1,536,035,180.09	1,727,914,763.59
△Buying back the sale of financial assets	16		
Inventories	17		
Including: Raw materials	18		
Finished goods	19		
Assets classified as held for sale	20		318,784,207.81
Non-current assets due within one year	21		
Other current assets	22	131,550,000.00	950,986,374.68
Total current assets	23	2,845,808,951.15	3,410,054,606.13
Non-current assets:	24		
△Loans released and money advanced	25		
Available-for-sale financial assets	26	11,738,903,669.16	13,361,415,505.72
Held-to-maturity investment	27		
Long-term receivables	28		
Long-term equity investment	29	27,095,121,456.09	20,580,297,737.31
Investment real estate	30		
Fixed assets	31	2,664,482,640.69	3,452,850,536.81
Less: Accumulated depreciation	32	765,463,225.18	898,150,635.61
Net fixed assets	33	1,899,019,415.51	2,554,699,901.20
Less: fixed asset impairment	34	174,056,733.79	174,056,733.79
Net fixed assets	35	1,724,962,681.72	2,380,643,167.41
Construction in progress	36	2,594,621.22	426,862.00
Construction materials	37		
Disposal of fixed assets	38		
Productive biological assets	39		
Oil and gas assets	40		
Intangible assets	41	1,735,590,232.11	2,237,776,574.33
Development expenditures	42		
Goodwill	43		
Long-term prepaid expenditures	44		108,937.81
Deferred income tax assets	45		
Other non-current assets	46	179,409,983.40	
Including: Special reserve material	47		
Total Non-current Assets	48	42,476,582,643.70	38,560,668,784.58
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资 产 总 计	72	45,322,391,594.85	41,970,723,390.71

Balance Sheet (Continued)

Prepared by: Shanghai Electric (Group) Corporation

31 December 2017

Monetary unit: CNY

ITEM	Row	31 December 2017	31 December 2016
Current liability:	73		
Short-term loan	74	3,080,000,000.00	2,050,000,000.00
△Loans from the Central Bank	75		
△Deposits from customers and interbank	76		
△Loans from other banks	77		
Financial liabilities measured at fair value with their variance recorded into current	78		
Derivative financial liabilities	79		
Notes payable	80		
Accounts payable	81	137,372,763.66	152,222,025.17
Receipts in advance	82	2,063,533.96	7,786,716.01
△Financial assets sold for repurchase	83		
△Handling charges and commissions payable	84		
Employee benefits payable	85	1,034,436.00	
Including: wages payable	86	1,034,436.00	
Benefit payable	87		
Including: employee bonus and welfare	88		
Taxes and surcharges payable	89	52,478,497.22	53,561,535.72
Including: tax payable	90	51,137,529.87	52,103,736.73
Interest payable	91	153,730,725.87	
Dividends payable	92	148,423,634.53	188,239,642.89
Other payables	93	2,294,178,555.13	3,097,385,746.71
△Reinsurance accounts payable	94		
△Reserve fund for insurance contracts	95		
△Funds from securities trading agency	96		
△Funds from underwriting securities agency	97		
Liabilities classified as held for sale	98		
Non-current liabilities due within one year	99		
Other current liabilities	100		
Total Current Liabilities	101	5,869,282,146.37	5,549,195,666.50
Non-current Liabilities:	102		
Long-term loans	103		
Bonds payable	104	5,000,000,000.00	5,153,730,725.92
Long-term payables	105	1,209,477,073.81	857,431,433.30
Long-term employee benefit payable	106	2,218,664,019.25	2,001,643,946.23
Specific payables	107		10,489,471.57
Estimated liabilities	108		
Deferred revenues	109	515,568,999.19	529,535,953.13
Deferred tax liabilities	110	1,745,455,720.54	2,256,526,380.18
Other non-current liabilities	111		
Including: Reserve fund under special permission	112		
Total Non-current Liabilities	113	10,689,165,812.79	10,809,357,910.33
Total Liabilities	114	16,558,447,959.16	16,358,553,576.83
Owner's equity (or shareholder's equity):	115		
Paid-in capital (share capital)	116	8,780,366,283.42	7,896,366,283.42
State-owned shares	117	8,780,366,283.42	7,896,366,283.42
Including: State-owned legal person capital	118	8,780,366,283.42	7,896,366,283.42
Collectively owned capital	119		
Domestic-owned shares	120		
Including: Shares held by individuals	121		
Foreign-owned shares	122		
Less: returned investment	123		
Net paid-in capital (share capital)	124	8,780,366,283.42	7,896,366,283.42
Other equity instruments	125		
Including: Preferred stocks	126		
Perpetual bond	127		
Capital reserve	128	9,729,043,706.73	8,812,498,879.83
Less: Treasury shares	129		
Other comprehensive incomes	130	5,359,888,646.24	6,893,100,625.08
Including: Translation differences arising on translation of financial statements	131		
Special reserve	132		
Surplus reserve	133	667,532,189.77	369,792,618.33
Including: Statutory surplus reserves	134	667,532,189.77	369,792,618.33
Discretionary surplus reserves	135		
Reserves funds	136		
Enterprise development funds	137		
Profit return investment	138		
△General risk reserve	139		
Retained earnings	140	4,227,112,809.53	1,640,411,407.22
Total owners' equity attributable to parent	141		
*Minority shareholders' interest	142		
Total Owners' Equity	143	28,763,943,635.69	25,612,169,813.88
Total Liabilities and Owners' Equity	144	45,322,391,594.85	41,970,723,390.71

Income Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2017

Monetary unit: CNY

ITEM	Row	Year 2017	Year 2016
I. Total operating revenue	1	181,829,919.46	207,610,645.52
Including: operating revenue	2	181,829,919.46	207,610,645.52
△Interest income	3		
△Earned premium	4		
△Handling charges and commission revenue	5		
II. Total operating costs	6	1,333,604,276.62	2,425,589,467.72
Including: operating costs	7	14,507,082.42	441,614.31
△Interest expenditures	8		
△Handling charges and commission expenses	9		
△Surrender value	10		
△Net amount of compensation expenses	11		
△Net amount of reserves for insurance contract	12		
△Policy dividend expenditures	13		
△Reinsurance expenses	14		
Tax and surcharges	15	75,446,536.97	62,433,150.77
Selling expenses	16		
Administrative expenses	17	865,490,618.21	959,581,822.29
Including: Research and development fee	18		84,905,660.42
Funds for Party construction work	19		
Financial expenses	20	328,853,444.94	294,536,680.75
Including: interest expense	21	279,158,524.95	244,931,785.24
Interest revenue	22	6,168,324.53	4,631,691.77
Foreign exchange for profit and loss (Net profit is indicated as "-")	23	7,840,198.20	-7,642,978.58
Asset impairment loss	24	49,306,594.08	1,108,596,199.60
Others	25		
Plus: income from changes in fair value (loss to be listed with "-")	26		
Investment income (loss to be listed with "-")	27	3,444,392,749.99	3,188,037,734.77
Including: income from investment into associated enterprises and joint ventures	28	-8,962,424.75	-31,619,310.95
△Exchange income (loss to be listed with "-")	29		
Other income	30		
III. Operating profits (losses to be listed with "-")	31	2,292,618,392.83	970,058,912.57
Plus: non-operating income	32	1,651,646,179.09	3,920,815,485.90
Including: Gains from disposal of non-current assets	33	1,593,956,445.68	3,580,205,336.47
Gains from exchange of non-monetary assets	34		
Government grants	35	45,170,573.83	31,040,297.52
Gains from debts restructuring	36		
Less: non-operating expenditures	37	10,868,962.03	34,355,171.13
Including: losses from disposal of non-current assets	38	104,091.09	450,071.11
Losses from exchange of non-monetary assets	39		
Losses from debts restructuring	40		
IV. Total profits (Total Loss to be listed with "-")	41	3,933,395,609.89	4,856,519,227.34
Less: Income tax expenses	42	955,999,895.50	1,158,593,044.10
V. Net profits (Net loss to be listed with "-")	43	2,977,395,714.39	3,697,926,183.24
Net profit attributable to parent company	44		
*Minority interest income	45		
Net profit from continuing operations	46	3,933,395,609.89	4,856,519,227.34
Net profit from discontinued operations	47		
VI. Net other comprehensive income after tax	48	-1,533,211,978.84	-1,654,419,669.52
(I) Other comprehensive earning that cannot be reclassified into profits or losses in future	49		
Including: 1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan	50		
2. Shares enjoyed in other comprehensive income that cannot be reclassified into profits or losses in the invested entity under equity law	51		
(II) Other comprehensive income to be reclassified to profit or loss in future	52	-1,533,211,978.84	-1,654,419,669.52
Including: 1. Shares enjoyed in other comprehensive income to be reclassified to loss or profit in investment-receiving company under equity law	53		
2. Variable profit and loss of fair value of available-for-sale financial assets	54	-1,533,211,978.84	-1,654,419,669.52
3.Profit and loss of held-to-maturity investment reclassified to available-for-sale financial assets	55		
4. Effective part of cash flow hedging profit and loss	56		
5. Conversion difference in foreign currency statements	57		
VII. Total comprehensive income	58	1,444,183,735.55	2,043,506,513.72
Total comprehensive income attributable to parent company	59	1,444,183,735.55	2,043,506,513.72
*Total comprehensive income attributable to the minority shareholders	60		
VIII. Earnings per share	61		
Basic earnings per share	62		
Diluted earnings per share	63		

Cash Flow Statement

Prepared by: Shanghai Electric (Group) Corporation

Year 2017

Monetary unit: CNY

ITEM	Row	Year 2017	Year 2016
I. Cash flow generated from operating activities:	1		
Cash received from sales of goods or rendering of services	2	2,374,298.84	5,708,019.74
△Net increase in customer's deposits and interbank placements	3		
△Net increase in loans from the Central Bank	4		
△Net increase in loans from other financial institutions	5		
△Cash received from receiving premium of original insurance contract	6		
△Net cash received from reinsurance business	7		
△Net increase from policyholders' deposits and deposits of investment	8		
△Net increase in disposal of financial assets measured at fair value with their variance recorded into current profits and losses	9		
△Cash received from interests, handling charges and commissions	10		
△Net increase in loans from other banks	11		
△Net increase in repurchase business capital	12		
Receipts of tax refunds	13		
Other cash received related to business activities	14	875,824,952.48	585,153,025.21
Sub-total of cash inflows from operating activities	15	878,199,251.32	590,861,044.95
Cash paid to purchase commodities and receive labor services	16	5,701,937.00	21,161,597.18
△Net increase in loans and advances to customers	17		
△Net increase in balances with the Central Bank and other banks	18		
△Cash paid for compensation under original insurance contract	19		
△Cash paid for interests, handling charges and commissions	20		
△Cash paid for policy dividend	21		
Cash paid to and on behalf of employees	22	83,558,393.06	80,868,029.15
Payments of taxes and surcharges	23	256,996,522.32	354,547,862.53
Other cash paid related to business activities	24	1,018,708,186.60	705,903,305.88
Sub-total of cash outflows from operating activities	25	1,364,965,038.98	1,162,480,794.74
Net cash flows from operating activities	26	-486,765,787.66	-571,619,749.79
II. Cash Flows from Investing Activities:	27		
Cash received from disposal of investments	28	707,475,889.58	255,719,208.11
Cash received from returns on investments	29	260,125,884.73	1,086,812,263.83
Net cash received from disposal of fixed assets, intangible assets and other	30	639,063,328.70	313,186,165.40
Net cash received from disposal of subsidiaries and other business units	31		
Other received cash related to investing activities	32	5,034,356,896.75	412,414,048.69
Sub-total of cash inflows from investing activities	33	6,641,021,999.76	2,068,131,686.03
Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	583,265,339.13	299,149,086.28
Cash paid to acquire investments	35	2,002,802,128.74	1,716,326,596.50
△Net increase of pledge loans	36		
Net cash paid for acquisitions of subsidiaries and other business units	37		
Other cash paid related to investing activities	38	3,795,700,000.00	2,034,998,689.81
Sub-total of cash outflows from investing activities	39	6,381,767,467.87	4,050,474,372.59
Net cash flows from investing activities	40	259,254,531.89	-1,982,342,686.56
III. Cash flows from financing activities:	41		
Cash received from investments	42	430,000,000.00	571,600,000.00
Including: cash received for subsidiaries' absorbing minority shareholder investment	43		
Cash received from loans	44	9,890,000,000.00	5,987,250,000.00
△Cash received from issuing bonds	45		
Other received cash related to financing activities	46		
Sub-total of cash inflows from financing activities	47	10,320,000,000.00	6,558,850,000.00
Cash paid for debt repayment	48	8,860,000,000.00	6,736,076,988.00
Cash for distributing dividends and profits or paying interest	49	411,929,274.00	350,266,985.78
Including: dividends and profits paid to minority shareholders by subsidiary	50		
Other paid cash related to financing activities	51		1,240,361.40
Sub-total of cash outflows from financing activities	52	9,271,929,274.00	7,087,584,335.18
Net cash flows from financing activities	53	1,048,070,726.00	-528,734,335.18
IV. Effect of fluctuations in exchange rate on cash and cash equivalents	54	-1,936,051.22	1,143,726.42
V. Net increase in cash and cash equivalents	55	818,623,419.01	-3,081,553,045.11
Plus: Balance of cash and cash equivalents at the beginning of the period	56	344,302,137.56	3,425,855,182.67
VI. Balance of cash and cash equivalents at the end of the period	57	1,162,925,556.57	344,302,137.56

Statement of Changes in Owners' Equity

Prepared by Shanghai Electric (Group) Corporation		Year 2017										Monetary unit: CNY
ITEM	Row	Paid-in capital/ Share capital	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Total
Column	1	2	3	4	5	6	7	8	9	10	11	
I. Closing balance of the preceding year	1	7,895,366,263.42		8,812,458,979.83		6,893,100,625.08		369,752,618.33		1,604,111,072.22		25,612,169,813.88
Add: Changes in accounting policies	2											
Corrections of prior period errors	3											
Others	4											
II. Opening balance of the current year	5	7,895,366,263.42		8,812,458,979.83		6,893,100,625.08		369,752,618.33		1,604,111,072.22		25,612,169,813.88
III. Changes for the year (Decrease is indicated by "-")	6	884,000,000.00		916,544,826.90		-1,530,211,976.84		297,738,571.44		2,865,701,402.31		3,151,773,821.81
(I) Total comprehensive income	7					-1,530,211,976.84		2,877,395,714.29				1,444,183,735.55
(II) Owners' contributions and withdrawal in capital	8	884,000,000.00		916,544,826.90								1,800,544,826.90
1. Common share contribution from owners	9	884,000,000.00										884,000,000.00
2. Capital contribution from other equity instruments holders	10											
3. Share-based payment recognised in owners' equity	11											
4. Others	12			916,544,826.90								916,544,826.90
(III) Special reserves	13											
1. Transfer to special reserves in the period	14											
2. Amount utilised in the period	15											
(IV) Profit distribution	16							297,738,571.44		-390,694,312.08		-92,954,740.64
1. Transfer to surplus reserves	17							297,738,571.44		-297,738,571.44		
Including: Statutory surplus reserves	18							297,738,571.44		-297,738,571.44		
Discretionary Surplus Reserves	19											
# Reserve funds	20											
# Enterprise expansion funds	21											
# Capital redemption	22											
2. Transfer to general reserves	23											
3. Distributions to owners/shareholders	24									-92,954,740.64		-92,954,740.64
4. Others	25											
(V) Transfers within owners' equity	26											
1. Capitalisation of capital reserves	27											
2. Capitalisation of surplus reserves	28											
3. Loss offset by surplus reserves	29											
4. Carry forward to measuring self-benefit plans change of net debt or equity	30											
5. Others	31											
IV. Closing balance of the current year	32	8,780,366,263.42		9,729,043,706.73		5,363,886,646.24		667,532,189.77		4,227,112,809.53		28,763,943,635.69

Statement of Changes in Owners' Equity (Continued)

Prepared by Shanghai Electric (Group) Corporation		Prepared by Shanghai Electric (Group) Corporation										Year 2017		Year 2016		Monetary unit: CNY	
ITEM	Row	Paid-in capital	Share capital	Other equity instruments	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Total				
	Column	12	13	14	15	16	17	18	19	20	21	22					
I. Closing balance of the preceding year	1	7,324,766,233.42			7,592,096,791.32		8,547,520,294.60				-1,499,482,515.74		21,984,300,853.60				
	2																
	3																
	4																
II. Operating balance of the current year	5	7,324,766,233.42			7,592,096,791.32		8,547,520,294.60				-1,499,482,515.74		21,984,300,853.60				
	6	571,600,000.00			1,220,402,088.51		-1,654,419,669.52		3,687,792,618.33		3,139,893,922.96		3,647,263,980.28				
	7						-1,654,419,669.52				3,687,792,618.33		2,043,506,513.72				
	8	571,600,000.00			1,220,402,088.51								1,792,002,088.51				
III. Changes for the year (Decrease is indicated by "-")	9	571,600,000.00											571,600,000.00				
	10																
	11																
	12				1,220,402,088.51								1,220,402,088.51				
IV. Discretionary Surplus Reserves	13																
	14																
	15																
	16								3,687,792,618.33		-558,032,260.28		-188,239,641.95				
V. Reserve Funds	17								3,687,792,618.33		-369,792,618.33						
	18								3,687,792,618.33		-369,792,618.33						
	19																
	20																
VI. Enterprise expansion funds	21																
	22																
	23																
	24										-188,239,641.95		-188,239,641.95				
VII. Capitalisation of surplus reserves	25																
	26																
	27																
	28																
VIII. Loss offset by surplus reserves	29																
	30																
	31																
	IX. Closing balance of the current year	32	7,896,366,233.42			8,612,488,879.83		6,893,100,625.08		3,687,792,618.33		1,640,411,407.22		25,612,169,813.88			

Shanghai Electric (Group) Corporation

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2017

(Amounts are denominated in CNY unless otherwise stated)

I. BASIC INFORMATION ABOUT THE COMPANY

Shanghai Electric (Group) Corporation (referred to as “the Company”, “Company”, “the Group”, or “Group”) is a state-owned asset approved by Shanghai Municipal People’s Government and licensed to operate and manage by Shanghai Municipal State-owned Assets Supervision and Administration Commission on behalf of the nation. The Company is a state-owned company, established on January 14, 1985.

In February 2009, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 30 million. In June 2010, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 90 million.

In October 2010, according to Shanghai Municipal State-owned Assets Supervision and Administration Commission of Shanghai SASAC property [2010] No.423 *“About the reply of Shanghai Electric Group Co. Ltd and China National Electric Engineering Corporation based on the capital consultative solution of loaning instead of allocating on the central level”*, the Company returned the investment of China National Electric Engineering Corporation and recorded a decrease in paid-in capital of CNY 54,049,937.88. As a result, the shareholding of Shanghai Municipal State-owned Assets Supervision and Administration Commission holds was changed to 100%.

In year 2011, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 240 million. In year 2013, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 165 million. In year 2014, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 195 million. In year 2015, Shanghai Municipal State-owned Assets Supervision and Administration Commission increased the registered capital of CNY 300 million.

In July 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 300 million; in October 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 200 million; In December 2016, Shanghai State Owned Assets Supervision and Administration Commission increased the registered capital of CNY 71.6 million.

In August 2017, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 400 million; in September 2017, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 454 million; In December 2017, Shanghai State Owned Assets Supervision and Administration Commission increased the capital of CNY 30 million. As of December 31, 2017,

the Company has only completed the capital injection in business registration of CNY 454 million. The registered capital was changed to CNY 8,350,366,000.00.

The Group obtained the business license with registration No.913100001322128733, issued by Shanghai Administration for Industry and Commerce on Sept.15, 2017. Registered capital was changed to CNY 8,350,366,000.00. The nature of the Company is state-owned enterprise; Legal representative was changed to: Zheng Jianhua; Company address: No.110 Middle Sichuan Road; Operation period from May 28, 1998 to no agreed period.

As of December 31, 2017 each shareholder subscribed registered capital of the Company and the investment ratio is:

Investor	Registered capital (10 thousand)	Percent%
Shanghai Municipal State-owned Assets Supervision and Administration Commission	835,036.60	100
Total	<u>835,036.60</u>	<u>100</u>

Governance structure: The Company is under the governance of Board of Directors, which is the decision-maker of the Company. The Company shall have one president and several vice presidents.

Organizational structure: A total of 22 second-level subsidiaries, including 19 wholly owned subsidiaries within the scope of consolidation and 3 holding subsidiaries.

Business scope: Electric power engineering supply project, equipment package or split, foreign contracted projects and labor service, industrial investment, mechanical and electrical products and related equipment manufacturing and sales, providing relevant technical advice and training for the domestic and export projects, managing and administrating of state owned assets within SASAC authorized scope, domestic trade (except specific).

The Company's financial statements have been approved by the management on April 13, 2018.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared on going concern basis, in accordance with Accounting Standards for Business Enterprises ("ASBE") and the significant accounting policies and accounting estimates as follows.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The Company has adopted the Accounting Standards for Business Enterprises ("ASBE") newly issued by the Ministry of Finance ("MOF"), related Application Guidelines, Explanation and other related regulations. The financial statements truly and completely present the Company's financial position, the results of operations and cash flows.

IV. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Company adopts the calendar year as its accounting year, i.e. from January 1 to December 31.

2. Functional currency

The Company's functional currency is Chinese Yuan ("CNY").

3. Basis of accounting and Principle of measurement

The Company's accounting is on accrual basis. The principles of measurement adopted by the Company include historical cost, replacement cost, net realizable value, present value and fair value.

4. Business combinations

4.1 The accounting treatment of business combinations under common control

For a business combination that involves one single exchange transaction or achieved in stages that involve multiple exchange transactions, assets and liabilities that are obtained in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed in the consolidated financial statement of ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

4.2 The accounting treatment of business combinations under non-common control

Where the cost of combination exceeds the investor's interest in the fair value of the investee's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the investor's interest in the fair value of the investee's identifiable net assets, the investor firstly reassesses the measurement of the fair values of the investee's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the investor's interest in the fair value of the investee's identifiable net assets, the investor recognizes the remaining difference immediately in profit or loss for the current period.

Accounting treatment for business combinations under non-common control and achieved in stages shall be as following orders:

(1) The carrying value of long-term equity investment shall be adjusted. The summation of the carrying value (prior to the date of purchase) of equity investment held by investor in investee and increased investment cost (at the purchase date) shall be recognized as the initial investment cost; when disposal investee's equity held by investor (prior to purchase date) involving other comprehensive income, related other comprehensive income shall be adjusted into current investment income.

(2) By comparing the cost of each single exchange transaction, at the date of a business combination achieved, and the deserved fair value of the shares in investee's identifiable net assets during the transaction, goodwill for each single exchange transaction or the amounts recognized in current profit or loss shall be measured. The measured goodwill by investor at the date of purchase (the amounts recognized in profit or loss)

shall be the summation of goodwill (the amounts recognized in profit or loss) arising from each single exchange transaction.

(3) For investee's equity held by investor prior to the date of purchase, the equity shall be re-measured as the fair value at the date of purchase and recognized as investment income. The related other comprehensive income shall be adjusted in investment income.

The company loses control of a subsidiary in multiple transactions in which it disposes of its subsidiary in stages.

(1) In determining whether to account for the multiple transactions as a single transaction

The company shall consider all the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the the company should account for the multiple arrangements as a single transaction:

- a) Arrangements are entered into at the same time or in contemplation of each other;
- b) Arrangements work together to achieve an overall commercial effect;
- c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

(2) Accounting treatment for each of the multiple transactions forming part of a bundled transactions which eventually results in loss of control the subsidiary during disposal of its subsidiary in stages

If each of the multiple transactions forms part of a bundled transactions which eventually results in loss of control the subsidiary, these multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

The remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

(3) Accounting treatment for each of the multiple transactions NOT forming part of a package deal transaction which eventually results in loss of control the subsidiary during disposal of its subsidiary in stages

If the Company doesn't lose control of investee, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary shall be adjusted to the capital reserve (capital premium or share premium) in the consolidated financial statements.

If the Company loses control of investee, the remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount

of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost.

5. Preparation of consolidated financial statements

All subsidiaries are included in consolidated financial statements. Consolidated financial statements are prepared in accordance with Accounting Standard for Business Enterprise No. 33-Consolidated Financial Statements and based on financial statements of parent company and its subsidiaries and other related information.

6. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Company's short-term(usually due within 3 months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Translation of transactions and financial statements denominated in foreign currencies

7.1 Transactions denominated in foreign currencies

On initial recognition, a foreign currency transaction is translated into functional currency by applying the spot exchange rate on the date of the transaction announced by People's Bank of China. At the balance sheet date, monetary assets denominated in foreign currencies are translated into CNY. The difference between the initial exchange rate and the spot exchange rate of foreign currency balance (except for specific-purpose borrowing and interest for constructing an asset that qualifies for capitalization), shall be recognized into profit and loss for the period. Non-monetary items which are stated at cost denominated in foreign currencies are translated into CNY at the exchange rate ruling at the transaction dates. Currency exchange rate differences arising from fair value translations are included in profit or loss of the current accounting period or other comprehensive income.

7.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into CNY using the following method: assets and liabilities In the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owners' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement are translated at the spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and owners' equity items is separately presented as the exchange differences on translation of financial statements denominated in foreign currencies under the owners' equity as other comprehensive income in the balance sheet.

8. Financial Instruments

8.1 Category of financial assets and financial liabilities

Financial assets shall be classified into the following four categories based on initial purpose when acquisition: financial assets at fair value through profit or loss, including financial assets held for trading and those designated as at fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets.

Financial liabilities shall be classified into the following two categories based on initial purpose when acquisition: financial liabilities at fair value through profit or loss, including financial liabilities held for trading and those designated as at fair value through profit or loss; other financial liabilities.

8.2 Recognition, measurement, and de-recognition of financial assets and financial liabilities

When the enterprise becomes a party to the contractual provisions of the financial instrument, a financial asset or a financial liability shall be recognized. When a financial asset or liability recognized initially, an enterprise shall measure it at its fair value. In the case of a financial asset or financial liability at fair value through profit or loss, transaction expenses shall be charged to the profit or loss for the current period. For other financial assets or financial liabilities, transaction expenses shall be included in their initial recognition amounts.

After initial recognition, the enterprise shall measure financial assets at their fair values, without an deduction for transaction costs it may incur upon future disposal, except for the following financial assets: (1) held-to-maturity investments and loans and receivables, which shall be measured at amortized cost using the effective interest method; (2) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivative assets that are linked to and must be settled by delivery of such unquoted equity instrument, which shall be measured at cost.

After initial recognition, an enterprise shall measure financial liabilities at amortized cost using the effective interest method, except for the following financial liabilities: (1) financial liabilities at fair value through profits or loss, which shall be measured at fair value without adjusting for transaction costs that may be incurred upon settlement of the financial liabilities; (2) a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured, which shall be measured at cost; (3) financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or loan commitments to provide a loan at a below-market interest rate, which are not designated at fair value through profit or loss, shall be subsequently measured at the higher of the following two amounts: a) the amount determined in accordance with "Accounting Standard for Business Enterprises No.13-Contingencies"; b) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in "Accounting Standard for Business Enterprises No.14-Revenue".

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging arrangement shall be accounted for as follows: (1) a gain or loss on a financial asset or financial liability classified as at fair value through profit or loss shall be recognized in profit or loss on the changes in fair value; a received interest or cash dividend on a financial asset or financial liability in the holding period shall be recognized as investment income; when a financial asset or financial liability is disposed, the difference between actual received amounts and initial recognized amounts shall be recognized as investment income, and gains and losses from changes in fair value shall be adjusted. (2) Any foreign exchange gains and losses on available-for-sale monetary assets are recognized in other comprehensive income; interest income calculated through effective interest method are recognized in investment income; dividends on an available-for-sale equity instrument are recognized in investment income when the investee declares the dividends. When a financial

asset or financial liability is disposed, the difference between received amounts and the carrying amounts, which less the summation of changes in fair value recognized directly in other comprehensive income, shall be recognized as investment income.

An enterprise shall derecognize a financial asset if the contractual rights to the cash flows from the financial asset expire and/or substantially all the risks and rewards of the financial asset have been transferred. An enterprise shall derecognize a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged/cancelled.

8.3 Recognition and measurement of transfer of financial assets

If an enterprise transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the enterprise shall derecognize the financial assets. If an enterprise retains substantially all the risks and rewards of ownership of a financial asset, the enterprise shall not derecognize the financial asset and recognize the received consideration as a financial liability. If an enterprise neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall account for the transaction as follows: (1) if the enterprise has not retained control of the financial asset, it shall derecognize the financial asset; (2) if the enterprise has retained control of the financial asset, it shall recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

For a transfer of a financial asset in its entirety that satisfies the derecognizing criteria, the difference between the following two amounts shall be recognized in profit or loss for the current period: (1) the carrying amount of the financial asset transferred; (2) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized directly in owner's equity. If a part of the transferred financial asset qualifies for derecognizing, the carrying amount of the transferred financial asset in its entirety shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts. The difference between the following two amounts shall be included in profit or loss for the current period: (1) the carrying amount allocated to the part derecognized; (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized directly in equity.

8.4 Determination of fair value of financial assets and liabilities

If there is an active market for a financial asset or financial liability, the quoted price in the active market shall be used to establish the fair value of the financial asset or financial liability; if no active market exists for a financial instrument, an enterprise establishes fair value by using a valuation technique. Valuation techniques include using recent [arm's length] market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. For a financial asset initially acquired or originated by the enterprise, or a financial liability incurred, the market transaction price shall be used as a foundation for estimating its fair value.

8.5 Impairment testing and impairment provision of financial assets

An enterprise shall assess at the balance sheet date the carrying amount of a financial asset (other than those at fair value through profit or loss). If there is objective evidence that the financial asset is impaired, the enterprise shall determine the amount of any impairment loss and recognize it as provision for impairment.

For a financial asset that is individually significant, an enterprise shall assess the asset individually for impairment. For a financial asset that is not individually significant, the enterprise can assess that asset

individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If an enterprise determines that no objective evidence of impairment exists for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it shall include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

If financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction shall be recognized as an impairment loss in profit or loss. If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss shall be measured as the difference between the carrying amount of the unquoted equity instrument or the derivative asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, and recognized in profit or loss.

When the fair value of an available-for-sale financial asset has a dramatic decline, or the downward trend is expected to be non-temporary after overall consideration of related factors, the impairment loss shall be recognized and the cumulative loss arising from decline in fair value that had been recognized directly in owner's equity shall be removed from owner's equity and recognized in profit or loss.

9. Hedging

9.1 A hedge can be classified as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation.

9.2 A hedge qualifies for hedge accounting under this Standard only if all of the following conditions are met: (1) at the inception of the hedge there is formal designation of the hedging relationship (i.e. the relationship between the hedging instrument and hedged item), and formal documentation of that relationship, the enterprise's risk management objective and strategy for undertaking the hedge; (2) the hedge is expected to be highly effective, and consistent with the originally documented risk management strategy for that particular hedging relationship; (3) for a cash flow hedge, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; (4) the effectiveness of the hedge can be reliably measured; (5) the hedge is assessed by the enterprise for effectiveness on an ongoing basis and determined to have been highly effective throughout the accounting periods for which the hedging relationship was designated.

A hedge is regarded as highly effective if both of the following conditions are satisfied: (1) at the inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated; (2) the actual results of offsetting are within a range of 80% to 125%.

9.3 Accounting treatment for hedge

(1) Fair value hedge

In the case of a derivative hedging instrument, the gain or loss from re-measuring the hedging instrument at fair value should be recognized in profit or loss for the current period. In the case of a non-derivative hedging

instrument, the gain or loss from the carrying amount of the hedging instrument due to changes in foreign exchange rate shall be recognized in profit or loss.

The gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss for the current period.

(2) Cash flow hedge

- a) The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in owners' equity as a separate component. The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge shall be recognized in profit or loss for the current period.
- b) If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the amounts previously recognized in capital reserves are reclassified to profit or loss in the same periods during which the financial asset or financial liability affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, [the gains or losses previously recognized in capital reserves are transferred and included in the initial measurement of the cost of the non-financial asset or non-financial liability. The amounts previously recognized in capital reserves are reclassified to profit or loss in the same period(s) during which the non-financial asset or non-financial liability affects profit or loss.

For other cash flow hedges, gains or losses of the hedging instruments that had been recognized directly in owners' equity shall be reclassified into profit or loss for the current period in the same period(s) during which the hedged forecast transaction affects profits or loss.

c) Hedges of a net investment in a foreign operation

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in owners' equity as a separate component. The above gain or loss recognized as a separate component of owners' equity shall be recognized in profit or loss for the current period on disposal of the foreign operation. The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge shall be recognized in profit or loss for the current period.

9.4 The ratio analysis method was adopted by the enterprise to evaluate the effectiveness of the hedging.

10. Accounts receivable

10.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	The amount of account receivable is over 20,000,000.00
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	Being individually tested for impairment, and accrued for bad debts with the amount of book value minus the expected present value of future cash flows.

10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis:

(1) Criteria for determining a portfolio and methods for bad debt provision

Aging portfolio	Account receivables other than individually tested items and other receivables
Methods for bad debt provision according to portfolios	
Aging portfolio	Aging analysis

Category	Sales from power stations and other large equipment (%)	Other sales (%)
Within 1 year(including 1year)	0	0
1 - 2 years	10-20	20
2 - 3 years	20-50	50
More than 3 years	50-100	100

Category	Provision (%)
Within 3 months(including 3 months)	0
3 months - 6 months	10
6 months - 9 months	20
9 months – 1 year	50
More than 1 year	100

Reason for making individual bad debts provision	Whether there are obvious differences between risk of this receivable and risks of other portfolios.
Bad debts provision methods	Being individually tested for impairment, and accrued for bad debts with the amount of book value minus the expected present value of future cash flows.

11. Inventories

The Company's inventories mainly include raw material, homemade semi-finished products and work in progress, goods in stock (finished products), turnover materials (packaging, low-value consumption goods, etc.), engineering construction (completed unsettled payments) and others.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures.

The actual cost of inventories upon delivery is calculated using the weighted average or specific identification.

The perpetual inventory system is maintained for stock system.

Low cost and short-lived Item are amortized as lump-sum when issued.

11.2 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made and recognized into profit and loss for the period. After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

Provision for decline in value of inventories is assessed on individual basis. For large quantity and low value Item of inventories, provision for decline in value is made based on categories of inventory.

12. Long-term equity investments

12.1 Determination of investment cost

- (1) For a business combination under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets, assumption of liabilities or issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidation financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and the face value of equity securities issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.
- (2) For a business combination under common control by step, the initial investment cost of the long-term equity investment shall be the entitled share of the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed calculated based on the shareholding ratio at combination date. The difference between the initial investment cost and sum of carrying amount of original long-term equity investment and fair value of consideration paid for further shares at combination date shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.
- (3) For a business combination under non-common control, the initial investment cost of the long-term equity investment acquired shall be measured at the fair value of consideration of combination at combination date.
- (4) The initial investment cost of a long-term equity investment acquired otherwise than through a business

combination shall be determined as follows: For a long-term equity acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid; for a long-term equity acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for a long-term equity acquired from the investor, the initial investment cost shall be the value stipulated by the investment contract or agreement (except for when the value stipulated by the contract or agreement is not fair).

12.2 Subsequent measurement and recognition in profit or loss for the current period

Where the Company is able to exercise control over an investor, the long-term equity investment shall be accounted for using the cost method. A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method.

Under the cost method, long-term equity investment is initially recognized at its investment cost. The current investment profit is recognized in accordance with proportional shares of cash dividends or profit distributions declared by the investee, except for cash dividends or profits already declared but not yet paid that are included in the price or consideration paid upon acquisition. Meanwhile, the Company considers whether the long-term equity investment is impaired according to impairment policy.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the Company's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the period, and the cost of the long-term equity investment shall be adjusted accordingly.

After acquired the long-term equity investment, the Company recognizes its share of the net profit or loss of the investee for the period as investment income or loss for the period and adjust the carrying amount of long-term equity of investments. The Company recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc at the acquisition date after making appropriate adjustments to confirm with the Company's accounting policies and accounting period. Unrealized profits or losses resulting from the Company's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Company's equity interest are eliminated. However, unrealized losses resulting from the Company's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. The investee's profit is recognized after adjustment. The Company's share is calculated based on announced distributable profits or cash dividends and correspondingly adjusted to the carrying amount of the long-term equity investment. The Company discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except for those investments that the Company has the obligation to undertake extra losses. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment and recognized in owners' equity.

12.3 Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. Significant influence is the power to participate in the financial and operating policy

decisions of the investee but is not control or joint control over those policies.

12.4 Disposal of long-term equity investment

- (1) When the Company still exercises joint control of an investee after partial disposal of equity investment, the difference between the proceeds actually received and carrying amount of corresponding investment disposed shall be charged to profit or loss for the current period.
- (2) When the Company can no longer exercise joint control of an investee due to partial disposal of equity investment or other reasons, the carrying amount of the proceeds actually received and carrying amount of corresponding investment shall be charged to profit or loss for the period. Meanwhile, the remaining equity investment shall be recognized as long-term equity investment or other related financial assets. When the Company still has joint control of or significant influence over the investee with the retained interest, the Company shall change to the equity method in accordance the rules from cost method transferring to equity method.

12.5 Methods of impairment assessment and determining the provision for impairment loss

The Company reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the current period.

13. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Company and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Company uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or intangible assets.

The provision for impairment losses for investment property is consistent with "Impairment of Assets" accounting policy.

14. Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or

loss in the period in which they are incurred.

Fixed assets are initially measured at cost, which includes its original purchase price, related tax fees and any costs necessary to bring the asset to the location and condition for its intended use. Fixed assets acquired from debt restructuring as a repayment from the debtor shall be measured at fair value. The difference between the carrying amount of the debt and the fair value of the fixed assets is recognized in profit or loss for the period. Fixed assets acquired from non-monetary exchange shall be measured at the fair value of the assets given up if the exchange is commercial in substance and the fair value of assets received and given up can be reliably measured, unless there is any concrete evidence proves that the fair value of the assets received is more reliable. Any fixed assets acquired from non-monetary exchange other than above situation shall be measured at the total of carrying amount of the assets given up and related tax fees. Any gains or losses arising from the exchanges shall not be recognized in profit or loss for the period.

A fixed asset is depreciated over its useful life using the straight-line method. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful life (years)	Residual value rat (%)	Annual depreciation rate (%)
Buildings	10 - 40	0 - 10	2.25 – 10.00
Machinery and equipment	5 - 20	0 - 10	4.50 – 20.00
Transportation vehicles	5 - 10	0 - 10	9.00 – 20.00
Office and electronic equipment	3 - 5	0 - 10	18.00 - 33.33
Other equipment	5 - 20	0 - 10	4.50 – 20.00

Different depreciation rate is applicable on each part of an asset that has different useful life or provides economic benefits for the Company in different ways.

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

15. Construction in progress

Construction in progress is fixed assets under construction or installation. The cost is measured include the original value of machinery equipment, installation expenditure, building expenditure and other direct expenditure, as well as borrowing interest expenditure incurred before it has reached the working condition for its intended use. Construction in progress is transferred to a fixed asset and depreciation commences when it is ready for intended use. If a construction in progress has reached the working condition for its intended use but the final project accounts have not been completed and approved, the asset should be transferred to fixed assets at an estimated value based on project budget and commence depreciation. After the project accounts have been approved, the estimated values should be adjusted according to actual costs without adjusting depreciation recognized.

The provision for impairment losses for construction in progress is consistent with "Impairment of Assets" accounting policy.

16. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and recognized in the cost of related assets. Other borrowing costs are recognized as an expense in the period in which they are incurred

Those fixed assets, invested properties and inventories, which are under long-term constructions or producing activities before they reach for intended use or sale shall be capitalized.

During the capitalization period, the amount of interest capitalized for each accounting period is as below:

- (1) Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
- (2) Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency, together with auxiliary expenses, are all capitalized. During the non-capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency and auxiliary expenses are recognized in profit or loss for the period. Auxiliary expenses of general-purpose borrowings shall be recognized in profit or loss for the period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. The borrowing costs shall be recognized in profit or loss when capitalization is suspended. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as period expenses.

17. Intangible assets (excluding goodwill)

Intangible assets include land use rights (excluding land use rights of investment properties), patents, trademark rights and etc.

An intangible asset is measured initially at cost. For an intangible asset that is invested, the initial cost shall be measured at the investment contractual or agreed negotiated value. The initial cost shall be measured at fair value unless the investment contractual or agreed negotiated value is not fair. The measurement of intangible assets acquired from non-monetary exchange is consistent with the accounting policies of "Non-monetary Assets Exchange" and "Debt Restructuring".

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Company has the intention to complete the intangible asset and use or sell it;
- (3) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (4) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Internally generated goodwill and internally generated brand, name of newspaper or magazine shall not be recognized as intangible assets.

When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized. Amortized amount shall be the cost deducting the residual value and provision of impairment. Generally, the residual value of an intangible asset with a finite useful life is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life.

Land use rights acquired by purchase or paying land transaction fees are recognized as intangible assets. Land use rights and buildings related to self-developed and self-constructed buildings are recognized as intangible assets and fixed assets separately. Land use rights and buildings acquired from purchase shall be recognized as fixed assets as whole, if the price is difficult to be allocated to the land use rights and buildings.

The Company assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired and make adjustment if necessary. Intangible asset is depreciated over its useful life using the straight-line method. The useful lives of each category of intangible assets are as follows:

Category	Useful life
Land use rights (excluding investment properties)	Operating period or the land use period
Properties use rights	Period of using
Patents	5 - 15 years
Trademark rights	10 years
Non-proprietary technology	10 years
Software licenses	10 years
Concession	10 years
Others	10 years

According to government document Shanghai Economic Enterprise (1997) No.63, idle land use rights is intangible assets with an indefinite useful life and is thus not amortized. The Company reviews the value of idle land use rights at each balance sheet date.

The provision for impairment losses for investment property is consistent with "Impairment of Assets" accounting

policy.

18. Goodwill

Goodwill generated from business combination under non-common control is the difference where the cost of combination exceeds the fair value of the investee's identifiable net assets (including assets, liabilities and contingent liabilities).

Goodwill shall be recognized as the net of the initial cost and provision for impairment.

Goodwill generated from the investing an associate company or a joint venture company is treated as a component of the investment instead of an identifiable asset.

The provision for impairment losses for goodwill is consistent with "Impairment of Assets" accounting policy.

19. Long-term prepaid expenses

Long-term prepaid expenses include power capacity fees, operating leasehold improvements which shall be capitalized and other expenses incurred that should be borne and amortized over 1 year (not inclusive). Long-term prepaid expenses are amortized using the straight-line method over the expected periods.

20. Employee benefit

Employee benefits refer to all forms of consideration or compensation which exclude the payment of company stock given by The Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits. Benefits provided by the Company to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits

20.1 Short-term employee benefits

The Company shall recognize, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to the profit or loss for the current period, unless another Accounting Standard requires or permits the inclusion of the benefits in the cost of an asset.

Under profit sharing plan, the related accrued payrolls are recognize only when both of the following conditions are satisfied

- a) The company is statutorily or constructively obligated to pay the remuneration of employees due to past events.
- (b) The amount of payroll payable can be certainly estimated which is generated from the profit sharing plan. If the company needs not to pay the payroll payable generated from the profit sharing plan within 12 months after reporting period when the employee provide a related services, the company did not pay the payroll payable generated from the profit sharing plan. This profit sharing plan is suitable to other rules of long term employee benefit. The bonus which the company accrues according to the business performance or employee contributions belongs to the bonus plan. This should be treated according to profit sharing plan.

20.2 Post-employment benefits

- (1) Defined contribution plans

The Company shall recognize, in the accounting period in which an employee provides service, fixed contributions into a separate fund as a liability, with a corresponding charge to the profit or loss for the current period. Payroll payable which will not be paid within 12 months after reporting period when the employee provide a related services should be recognized as payroll payable at discounted current amount.

(2) Defined benefit plans

The Company shall recognize, in the accounting period in which an employee provides service, welfare obligation which is according to the expected cumulated welfare unit method into a separate fund as a relative cost, with a corresponding charge to the profit or loss for the current period. When employee's service of following years leads to defined benefit plans welfare level higher than previous years, the company should use straight line method to amortize from the first time which the services contributing to defined benefit plan to the time of which employee's services do not lead obvious increase of this welfare obligation. The impact of future increasing of wage level leading to increases of defined benefit do not be considered when setting this period.

At the closing date of report period, the defined benefit plans should be categorized as followings:

- (a) Services cost, including current period services cost, past period services cost and settlement profit or loss
- (b) Net interest from the defined benefit net asset or liability, including the interest revenue from planed asset, interest expenses from defined benefit plan and the interest which is affected by asset upper limit
- (c) Changes from recalculation of net asset or net liabilities of defined benefit plan

Unless other accounting standard requires or allows employee benefit to be recognized into asset cost, (a) and (b) should be recognized into current period gain or loss. (c) should be recognized into other comprehensive income.

20.3 Termination benefits

Termination benefit includes:

- (a) Compensation which the company give in order to dismiss the labor relationship, regardless of whether the worker is willing to, in front of the worker labor contract has not yet expired
- (b) Compensation which the company give to encourage employees to voluntarily accept cuts before the worker labor contract has not yet expired. The worker has the right to choose to on-the-job or accept compensation leave.

The Company which provides termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- (a) When the enterprise can not unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal;
- (b) When the enterprise recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the termination benefits is recognized, the enterprise shall apply the relevant

requirements for short-term employee benefits. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the enterprise shall apply the relevant requirements of this Standard for other long-term employee benefits.

20.4 Other long-term employee benefits

When other long-term employee benefits provided by The Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits shall be accounted for in accordance with the requirements relating to defined contribution plan. Others should be should be recognized as other long-term employee benefit net liability or net asset according to defined benefit plan.

21. Bond payable

Bond payable is initially measured at fair value, which is the money received (fair value of consideration received) net of any transaction expenses. Bonds payable is subsequently measured at amortized cost. The difference between the net amount of borrowed fund and the amount due for repayment shall be amortized during the borrowing period using effective interest method. The amortization charge shall be recognized in profit or loss for the current period.

22. Contingencies and provisions

Provisions are recognized when the Company has a present obligation resulting from past transactions or events, it is probable that an outflow of economic benefits will be required to settle the obligation (the probability is above 50% but below or equal to 95%), and the amount of the obligation can be measured reliably.

If there is a warranty clause included in sales contract, and a provision is borne after the balance sheet date for after-sales service, product warranty or replacement obligations, the amount shall be recognized based on the estimation of after-sales service, product warranty or replacement of similar products in previous years.

When executed contract becomes onerous contract, if the contract specifies contract underlying assets, an impairment test shall be performed on the underlying assets and recognize impairment loss according to the conditions, the excessive of expected loss over the impairment loss shall be recognized as provisions; if the contract doesn't specify contract underlying assets, provisions shall be recognized when the obligations of onerous contract meet the conditions of provisions recognition conditions.

Expected restructuring costs shall be recognized when a detailed and formal restructuring program is formed and announced.

The Company assesses at each balance sheet date the carrying amounts of provisions. If there is objective evidence that the carrying amount cannot truly reflect the best current estimate value, the Company adjust the carrying amount according to the best current estimate value.

23. Revenue

Revenue is recognized when it is probable that the associated economic benefits will flow to the Company, the amount of revenue can be measured reliably and the following conditions are satisfied:

23.1 Revenue from sale of goods

Revenue from sale of goods is recognized when the Company has transferred to the buyer the significant risks

and rewards of ownership of the goods, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and the associated costs incurred or to be incurred can be measured reliably.

If the contract or agreement clearly defined that proceeds received from sale of goods needs to be delayed, such as sales of goods on installment, which is in substance a financing behavior, the sales revenue shall be measured at the fair value of the contractual or agreed receivable amount, herein the present value of the contractual or agreed receivable amount. The difference between the contractual or agreed receivable amount and its fair value shall be recognized in profit and loss as financial interest according to the amount calculated using amortized cost and effective interest method.

23.2 Revenue from rendering of services

For service commence and complete in the same fiscal year, revenue from rendering of services is recognized when the service is rendered and payment or evidence of payment is received.

For service commence and complete in different fiscal years, revenue from rendering of services is recognized by the percentage of completion of the transaction when the outcome of the transaction involving the rendering of services can be measured reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period.

The outcome of the transaction involving the rendering of services can be measured reliably when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably.

23.3 Revenue from alienating of right to use assets

When the economic benefit will probably flow into the Company and the revenue can be measured reliably, the amount of revenue from alienating of right to use assets shall be recognized as follows: revenue of interest shall be confirmed by the time and actual interest of the assets that have been used; revenue of charge for use shall be confirmed by the agreed time and methods in the contract.

24. Construction contracts

24.1 Measurement of construction contracts

Construction contracts is measured at the cumulative costs incurred and cumulative gross profits (or losses) recognized for contracts in progress offset against the progress billings. Construction contracts are accounted for at actual cost, which comprises the direct material costs, direct labor costs, construction machinery costs, other direct costs and indirect costs attributable to executing the contract. Where the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognized exceed the progress billings for contracts in progress, the surplus is shown as an asset. Where the progress billings for contracts in progress exceed the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognized, the surplus is shown as a liability.

24.2 Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are

recognized using the percentage of completion method at the balance sheet date. The outcome of a construction contract can be estimated reliably when:

- (1) It is probable that the economic benefits associate to the construction contract will flow to the Company; and,
- (2) The actual contract costs incurred can be clearly identified and measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, (1) if contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the period in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized. If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period.

25. Government grants

25.1 Government grants consist of the government grants related to assets and government related to income.

25.2 If the government grant is monetary asset, it is recorded at the amount received or receivable. If the government grant is non-monetary asset, it should be measured at the fair value; if the fair value cannot be obtained, then it shall be measured at nominal amount.

25.3 Government grants which adopt total amount method

(a) The government grants related to assets shall be recognized as deferred incomes; and shall be evenly allocated into the profits and losses during useful lives of related assets.

(b) The government grants related to income shall be recognized as deferred incomes and recognized in profits and losses with the related expenses if they are to compensate future expenses or losses; if they are to compensate related expenses or losses already incurred, they shall be directly recognized in the current profits and losses.

25.4 For the government grants which can be separated by assets-related government grants and income-related government grants, different parts should be measured by different methods. For the government grants which can not be separated, it should be recorded as government related to income.

25.5 The government grants related to the daily activities of the Company should be record as other income or to offset the related costs according to the economic essence of business. The government grants that are not related to the daily activities of the Company shall be included in the non-operating income or expenses..

25.6 Accounting treatments for policy concessional loan discount allocated by Financial to loan bank and to the company directly:

(1) If the financial discount funds are paid to the loan bank, and the bank then provides loans at policy preferential interest rates. The company chooses one of below accounting treatments:

a) The actual amount of loan received is recorded as the initial amount of the borrowing. The borrowing cost is calculated based on principal and the preferential interest rate of the policy.

b) The fair value of the loan is recorded and borrowing cost is calculated based on the actual interest rate method, the difference between the actual amount received and fair value of the loan is recognized as deferred income.

(2) If the financial discount funds are paid directly to the company, the company reduces the related borrowing costs.

26. Deferred tax assets and deferred tax liabilities

26.1 Deferred tax assets and liabilities shall be measured at the temporary differences between the carrying amounts of certain assets or liabilities and their tax base (or between the carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws), and the tax rates that are expected to apply to the period when the asset is realized or the liability is settled according to the requirements of tax laws.

26.2 Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. At balance sheet date, the carrying amount of deferred tax assets shall be reviewed and if it is probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized, the Company shall recognize deferred tax assets that not been recognized in previous period.

26.3 At the balance sheet date, the carrying amount of a deferred tax asset shall be reviewed. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Any such reduction in amount shall be reversed to the extent that it becomes probable that sufficient taxable profits will be available.

26.4 Current and deferred tax of the Company shall be recognized as income or an expense and included in profit or loss for the current period, except to the extent that the tax arises from: a) a business combination; and b) a transaction or event which is recognized directly into owner's equity.

27. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

27.1 The Company as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

27.2 The Company as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rents are charged to profit or loss in the period in which they actually arise.

27.3 The Company as lessee under finance leases

At the commencement of the lease term, the Company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

27.4 The Company as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income. Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

28. Profit distribution

Net profit realized in current period, plus previous undistributed profit (or minus previous undistributed deficit) and other changeover in, is the distributable profit. Distributable profit is distributed in the following order:

- (1) Extracting statutory surplus reserve fund legal surplus (the foreign capital enterprise reserve fund), the proportion is 10% of retained profits;
- (2) Extracting voluntary random surplus (the foreign capital enterprise development fund), the proportion is formulated by general manager office.

After balance sheet date, profit and dividend to be distributed as in a profit distribution plan and been approved and announced shall not be recognized as a liability on the balance sheet date. However, it shall be disclosure separately in the notes of the financial statement. Cash dividends are recognized as liability in the period of approval by the general meeting of shareholders.

29. Impairment of Assets

The accounting policy is applicable to the impairment of 1. long-term equity investment to subsidiaries, associates and joint venture; 2. investment properties subsequently measured using cost method; 3. fixed assets; 4. biology assets; 5. intangible assets; 6. goodwill; 7. equity of proven oil and gas mines and assets such as wells and relevant facilities etc.

The Company undertakes impairment test on goodwill arising from business combination and intangible assets with an infinite useful life no matter whether there is any indication of impairment. If there is any indication of impairment of other assets, an impairment test is undertaken. If the recoverable amount of an individual asset is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Recoverable amount is the higher of an asset's net selling price and value in use. Net selling price refers to the

price in an arm's length transaction of the sale of the assets between the parties voluntarily, net the disposal cost. Value-in-use is the net present value of expected future cash flows that an asset generates from continuous use and disposal. Expected future cash flows of an asset shall be determined by estimating the future cash inflows to be derived from continuing use of the asset, essential cash outflows to reach the condition for use and cash inflow of ultimate disposal. Expected future cash flows are generally discounted by required rate of return (before tax) on acquisition or investment. The cash flows do not exceed five years unless it can be proved that a longer period is reasonable (with a contract or special policies)

For the purpose of impairment testing, goodwill is considered together with the related assets portfolio(s). Goodwill is reasonably allocated according to fair value (carrying amount if not applicable) of related assets portfolio(s)' proportion in fair value (or carrying amount) of the combination of the related assets portfolio(s).

For the purpose of impairment testing, an individual asset (including all assets except assets valued at fair value) is considered together with the related assets portfolio(s). The impairment loss of the assets portfolio is first to reduce the carrying amount of goodwill allocated to the assets portfolio, and then to reduce the carrying amount of other assets in the assets portfolio based on their proportion, except for an individual asset that is proved not impaired after testing. Each asset's carrying amount after deduction shall not be below the highest of the net fair value of the asset net the disposal cost (if measurable), the present value of expected future cash flows (if measurable), and zero.

Once the impairment is recognized, it is not be reversed in any subsequent period.

30. Exchange of non-monetary assets

Exchange of non-monetary assets is the exchange of non-monetary assets such as inventories, fixed assets, intangible assets and long-term equity investments between parties to the transaction. The amount of premium monetary assets (mainly include cash, bank deposits, accounts receivable, notes receivable and held-to-maturity debt securities, etc.) related to the transaction shall be less than 25% (not included) of the fair value of the assets received.

If an exchange of non-monetary assets has commercial substance and the fair value of either the asset received or the asset given up can be reliably measured, the cost of the asset received is measured at the fair value of the asset given up plus payable tax costs and premium minus received premium. Commercial substance means that there is significant difference between the risks, life time and amount of future cash flows of the assets received and given up, or that the present value of expected future cash flows is different and the difference is significant compared to the fair value of the assets received and given up. The difference between the fair value and carrying amount of the assets given up is recognized in profit or loss for the period. If the assets given up are inventories, the transaction is sales in substance and shall be accounted as sales. If the assets given up are fixed assets or intangible assets, the difference between the fair value and carrying amount of the assets given up is recognized in profit or loss for the period as non-operating income or non-operating expense. If the assets given up are long-term equity investments, the difference between the fair value and carrying amount of the assets given up is recognized in investment income

If there is conclusive evidence that the fair value of the asset received is more reliable, the cost of the asset received is measured based on the fair value of the asset received.

Exchange of non-monetary assets between related parties shall be paid attention to the substance of the transaction whether it's commercial. Initial cost of exchange of non-monetary assets not commercial in

substance is measured at the fair value of the asset given up and related tax costs payable. No gain or loss is recognized.

Where several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

31. Debt restructuring

Debt restructuring refers to an event under the situation of financial difficulties of the debtor, the creditor to make concessions in accordance with the agreement reached by the debtor or the court. Debt restructuring mainly includes pay off the debts with assets, debt-to-equity swap, and modification of other terms of a debt (reduce principal, reduce interest, etc.).

As the debtor, when a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognized in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognized in profit or loss (non-operation income or loss) for the current period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognized in capital reserves as share premium.

As the creditor, when a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt receivable and the cash received is recognized in profit or loss (non-operation income or loss) for the current period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognized in profit or loss for the period. When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest in the debtor received is recognized in profit or loss for the period. If a provision has been made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognized in profit or loss for the period. Non-cash assets received by the creditor are measured at fair value; share capital entitled by the creditor is measured at fair value as the investment to the debtor.

32. Held for sale

The company will classify its components (or non-current assets) that meet the following conditions as assets held for sale: (1)According to the practice of asset sales or disposal group in similar transactions, it can be sold immediately under the current situation; (2) The sale is very likely to happen, a plan for sale already determined and confirmed purchase commitments obtained,(confirmed purchase commitment, refers to a legally binding purchase agreement, signed between the company and other parties, including the transaction price, time, severe penalty for breach of contract, and other important terms, which enables minimal possibility for significant adjustment or cancellation.), which is expected to be completed within one year. Approval of the relevant

authority or regulatory authorities has been obtained in accordance with the relevant provisions.

The company adjusts the estimated net residual value of the assets available for sale, to reflect the net value of fair value subtracting selling costs (but not exceeding its original book value of the asset held for sale). The difference between higher book value and estimated net residual value, will be entitled as the impairment loss of assets into the current period of gains and losses, and the provision for impairment of assets held for sale as well. For the amount of assets impairment loss confirmed by the disposal group that is available for sale, the book value of goodwill in the disposal group shall be deducted first, and then the book value shall be deducted in proportion to the book value of the non-current assets stipulated in the measurement guidelines in the disposition group.

For the net values of which fair value of non-current asset held for sale in the subsequent balances sheet dates less selling costs increases, the previously impaired amount shall be recovered. And the amount shall be reversed into the impairment loss determined after being classified as held for sale, recorded into profit and loss of the current period. Impairment loss identified before classified as held for sale shall not be reversed. For the net values of which fair value of disposal group held for sale in the subsequent balance sheet dates less selling costs increases, the previously impaired amount shall be recovered. And the amount shall be reversed into the determined impairment loss, which is applicable to the provisions of this standard after being classified as held for sale. The reversal amount shall be recorded into profit and loss of the current period. The deducted book value of goodwill, and impairment loss of the non-current assets, applicable to the provisions of this standard before being classified as held for sale, shall not be reversed. The subsequent reversal amount from the determined impairment loss of held for sale disposal group should increase its book value, except goodwill, proportionally in accordance with the portion of book values of the non-current assets that are applicable to the provisions of the standard.

For those companies that lose control of its subsidiaries due to reasons such as sale of subsidiary investments, the company should divide the subsidiary, as a whole, into the category of held for sale in the individual financial statements of the parent company; all assets and liabilities of the subsidiary should be divided into the category of held for sale in the consolidated financial statements, regardless of whether the company retain a portion of equity investment after the sale, while drafting out the conditions when the subsidiary for sale is classified as held for sale.

33. Termination of operation

Termination of operation is a component that can meet one of the following conditions and be independently distinguished, and has been disposed of or classified as held for sale.

- (1) This component represents an independent major business or a separate major operating area;
- (2) This component is part of a related plan to dispose an independent major business or a separate major operating area;
- (3) This component is a subsidiary that is specially designed for resale.

The company shall separately indicate the profits and losses of the continuous operation and termination in the income statement. For the non-current assets or disposal groups that are not in conformity with the definition of

terminated operation, the impairment loss and transferred amount, as well as the disposal profits and losses shall be reported as a continuous operating profit or loss. The impairment loss of terminated operation and operating profit and loss as transferred amount, as well as loss disposal, shall be reported as the termination of the profit and loss.

34. Fair value measurement

34.1 When measuring the asset or liability at fair values. The Company shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The objective of using a valuation technique is to estimate the price to sell the asset or to transfer the liability in an orderly transaction between market participants at the measurement date under current market conditions.

34.2 Valuation techniques used by the Company to measure the asset or liability at fair value mainly include the market approach, the income approach and the cost approach. The Company shall use valuation techniques consistent with one or more of those approaches are used to measure fair value. If multiple valuation techniques are used to measure fair value, the Company shall consider the reasonableness of these valuation results, and select the amount that is the most representative of fair value in the circumstances as the fair value.

34.3 Once the valuation technique used to measure fair value is determined, it shall not be changed arbitrarily. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances, which include but not limited to the following:

- a) New markets develop;
- b) New information becomes available;
- c) Information previously used is no longer available;
- d) Improvement of valuation techniques; or
- e) Market conditions change.

Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate.

34.4 The Company shall categorize the inputs to measure fair value into three levels, use Level 1 inputs first, then Level 2 inputs, finally use Level 3 inputs.

Level-1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the enterprise can access at the measurement date. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level-3 inputs are unobservable inputs for the asset or liability.

34.5 When measuring a liability at fair value, the Company shall assume that the liability is transferred to a market participant at the measurement date, the liability would remain outstanding and the market participant

transferee would be required to fulfill the obligation.

34.6 When measuring its own equity instrument at fair value, the Company shall assume that its own equity instrument is transferred to a market participant at the measurement date, such instrument would remain outstanding and the market participant would take on the rights and responsibilities associated with the instrument.

35. Segment information

The Group determines the operating segment on the basis of internal organizational structure, management requirements and internal reporting system and determines the reporting segment based on the operating segment and discloses the segment information.

A operating segment is a part of the Group that meets the following conditions at the same time: (a) the segment can generate income and cost in the daily activities; (b) the management of the Group can periodically evaluate the operating results of the segment in order to decide to allocate resources to it and evaluate its performance; (c) the Group can obtain the accounting information of the segment including financial position, the results of operations and cash flows. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

V. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

1. Changes on accounting policies

1.1 Implementation of ASBE #16 –Government Grants”

In 2017, the Ministry of Finance promulgated a notice on the issuance of the revised "Accounting Standards for Business Enterprises No. 16 - Government Grants", which will take effect on June 12, 2017. For government grants existed on Jan. 1, 2017, prospective application method is required. For government grants increased between Jan 1, 2017 and implementation date, adjustment is also required according to the revised accounting policy.

Impacts to financial statements of adoption of this regulation are summarized below:

Applicable changes stipulated in the Regulation	Financial Statement items affected and amount involved
Government grants related to the daily activities of enterprises are included in "other income" or used to offset relevant cost expenses. Governments that are not involved in daily activities of enterprises are included in non-operating income.	Increased consolidated other income by CNY 571,385,529.96; increased parent company's other income by CNY 0.00; increased consolidated operating profit by CNY 571,385,529.96; increased parent company's operating profit by CNY 0.00.

1.2 Implementation of Accounting Standards for Business Enterprises No. 42 - Non-current assets held for sale, disposal group and termination of operations

The Ministry of Finance issued a notice in 2017 regarding the issuance of the "Accounting Standard for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Group, and Termination of Operations". It will

be implemented on May 28, 2017. For non-current assets held for sale, disposal group, and termination of operations existed on implementation date, prospective application method is required.

Impacts to financial statements of adoption of this regulation are summarized below:

Applicable changes stipulated in the Regulation	Financial Statement items affected and amount involved
Distinguishes operating profit and loss from the termination of operations and the profit and loss of continuing operations	Increase in consolidated operating profit and loss of continuing operations by CNY 4,781,498,689.42 in current period; increase in profit and loss from the parent company's continuing operations of CNY 2,977,395,714.39 in current period. Increase in consolidated operating profit and loss of continuing operations by CNY 4,578,962,168.11 in previous period; increase in profit and loss from the parent company's continuing operations of CNY 3,697,926,183.24 in previous period.

2. Changes on accounting estimates

On December 28, 2017, in order to strengthen the fine management and further enhance the ability to resist risk, Shanghai Electric Financial Limited Liability Company, subsidiary company of the Group, has adjusted the proportion of the provision of credit assets according to the characteristics of its own credit and the adjustment of national macro policy.

Category of credit asset risk	Proportion of original provision	Proportion after changes on accounting estimates
Regular class	2.50%	3.00%
Concern class	2.50%	10.00%

Impacts to Group's financial statements in 2017 of this accounting estimate are: decrease in total profit by about CNY 184 million, and decrease in net assets by about CNY 129 million.

The amount of loan provision of subsidiary company of the Group, Shanghai Electric Financial Limited Liability Company, is related to the final credit asset scale and the classification of credit asset rating. Because Shanghai Electric Financial Limited Liability Company can not predict the future credit assets scale and credit asset rating classification results, the impact on profits and losses of the Group in the future period can not be reasonably determined.

3. Significant corrections of prior period errors

None.

VI. TAXES

Category of tax	Tax base	Tax rate	Benchmark rate / tax incentives and related approvals
VAT	Commodity sales revenue	17%,13%,6%	Benchmark rate

City maintenance and construction tax	Business tax and VAT	7%,5%,1%	Benchmark rate
Education surcharge	Business tax and VAT	3%	Benchmark rate
River maintenance	Business tax and VAT	1%	Benchmark rate
Income tax	Taxable income	25%,20%, 15%	Note 1,2

Note1: Preferential income tax rates applicable to the companies are as follows:

Full name of the company	Subsidiary Level	Applicable income tax rate	Preferential tax basis
Shanghai Electric Group Shanghai Motor Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Boiler Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Wind Power Group Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Machine Tool Works Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Centrifugal Machinery Research Institute Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electrical Automation Design And Research	3	15.00%	High tech Enterprise
Shanghai Kaitong CNC Co. Ltd.	3	15.00%	High tech Enterprise
Shanghai Institute Of Mechanical & Electrical Engineering	3	15.00%	High tech Enterprise
Shanghai electric power station equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Nuclear Power Equipment Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai electric KSB Nuclear Pump Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Blower Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Fuel Injection Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Environment Protection Complete Engineering	3	15.00%	High tech Enterprise
Shanghai Highly Electrical Appliance Co. Ltd.	3	15.00%	High tech Enterprise
Hangzhou Fusheng electrical Co. Ltd.	3	15.00%	High tech Enterprise
Anhui Highly Precision Casting Co., Ltd.	3	15.00%	High tech Enterprise
Nanchang Highly Electrical Appliances Co., Ltd	3	15.00%	High tech Enterprise
Sichuan Fusheng electrical Co. Ltd	4	15.00%	Projects listed as encouraged by the state
Shanghai Highly Special Refrigeration Equipment Co., Ltd.	3	15.00%	High tech Enterprise
Wuxi Turbine Blade Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Electric Thales Transportation Automation System	3	15.00%	High tech Enterprise
Shanghai United Bearing Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Tools Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Mohong Bearing Co., Ltd.	4	15.00%	High tech Enterprise

Full name of the company	Subsidiary Level	Applicable income tax rate	Preferential tax basis
Shanghai High Strength Bolt Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Tianan Bearing Co. Ltd.	3	15.00%	High tech Enterprise
Shanghai Zhenhua Bearing Factory Co., Ltd.	3	15.00%	High tech Enterprise
Shanghai Automation Instrumentation Co., Ltd.	2	15.00%	High tech Enterprise
Nanchang Zitai Traffic Automation System Co., Ltd.	3	20.00%	Small low-profit enterprises
Guangzhou Zitai Traffic Automation System Co., Ltd.	3	20.00%	Small low-profit enterprises

Note2: Nanchang Zitai Traffic Automation System Co., Ltd. and Guangzhou Zitai Traffic Automation System Co., Ltd., two subordinated companies of the group, are small low-profit enterprises, of which 50% of income will be calculated in taxable income based on a rate of 20%.

VII. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiaries included in the Company's scope of consolidation

No	Full name of the subsidiary	Sub Lv	Type	Registration place	Principal place of business	Business nature	Paid-in capital (10 thousand)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (10 thousand)	Acquisition method
1	Shanghai Machine Tool (Group) Co. Ltd.	2	1	No. 218 Fengxian Road, Jinan District	Shanghai	Manufacturing industry	32,795.63	100	100	28,963.15	1
2	Pacific mechatronic (Group) Co. Ltd.	2	1	No. 554 Kaixuan Road	Shanghai	Manufacturing industry	170,414.00	100	100	70,414.00	4
3	Shanghai Electric Enterprise Development Co. Ltd.	2	1	Room 1201, 1346 Gonghexin Rd., Zhabei District	Shanghai	Management consulting	41,694.21	100	100	61,950.39	2
4	Shanghai Electric (Group) Changjiang Company	2	1	Room 203, No. 112-3 North Yingchun Rd. Chengnan Block, Wuzhong economic development district, Suzhou Province	Shanghai	Manufacturing industry	500.00	100	100		4
5	Shanghai Hydraulic Pneumatic Corporation	2	1	Rooms 304-306, East 2nd floor, No. 89, Fuzhou Rd.	Shanghai	Manufacturing industry	15,057.30	100	100	14,047.38	1
6	Shanghai Electric Human Resource Co. Ltd.	2	1	No. 465 Tiantong'an Road, Zhabei District	Shanghai	Consulting services	140.00	100	100	137.36	2
7	Shanghai Electric Light Industry Tools Co., Ltd.	2	1	Room 107, 470 Beijing East Road, Huangpu District	Shanghai	Business	1,214.61	100	100		4
8	Shanghai United Wood Industry Co., Ltd.	2	1	50 Fuxing Zhonglu Road	Shanghai	Manufacturing industry	10,231.00	100	100	3,669.56	1
9	Shanghai Electric Light Industry Asset Management Co., Ltd.	2	1	No. 1712, North Shanxi Rd., Putuo District	Shanghai	Manufacturing industry	15,208.55	100	100	1,062.50	4

No	Full name of the subsidiary	Sub Lv	Type	Registration place	Principal place of business	Business nature	Paid-in capital (10 thousand)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (10 thousand)	Acquisition method
10	Shanghai Hero Industrial Co. Ltd.	2	1	Room 205, No. 39, Lane 1249, Xikang Road, Putuo District, Shanghai	Shanghai	Cultural office supplies	48,478.10	100	100	2,257.06	4
11	Shanghai Schiack Testing Machine Co., Ltd.	2	1	No. 735 Liyang Rd.	Shanghai	Manufacturing industry	5,180.69	100	100	6,900.00	2
12	Shanghai Highly (Group) Co. Ltd.	2	1	No. 888, Ningqiao Rd., Jinqiao Export Processing Zone, Pudong New District	Shanghai	Manufacturing industry	86,631.07	20.22	20.22	65,300.14	4
13	Shanghai Electric Group Co. Ltd.	2	1	30 th floor, Wandu center, No. 8 Xingyi Rd., Shanghai	Shanghai	Manufacturing industry	1,472,518.10	60.89	60.89	2,295,321.29	1
14	Shanghai Hoisting And Conveying Machinery Factory Co., Ltd.	2	1	No. 191, Minxing Rd., Yangpu District	Shanghai	Manufacturing industry	44,420.00	100	100	32,482.31	2
15	Shanghai No.3 Machine Tool Plant	2	1	No.1171 Xiutu Road	Shanghai	Manufacturing industry	15,023.77	100	100	11,834.59	2
16	Shanghai Electric Group Hong Kong Co., Ltd.	2	3	Room 2602, Tower 1, Lippo Centre, 89 Queensway, Hong Kong	Hongkong	Investment Management	USD 5,984.00	100	100	44,821.25	1
17	Shanghai Electric Machine Tool Complete Engineering Co. Ltd.	2	1	No. 681, Huai'an Rd., Jing'an District	Shanghai	Electrical and mechanical services	4,984.11	100	100	5,513.85	2
18	Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.	2	1	No. 1997, Jiazhu Rd.	Shanghai	Technology consulting services	40,000.00	60	60	24,000.00	1
19	Shanghai Automation Instrumentation Co., Ltd.	2	1	Jingan District No. 191 Guangzhong West Road Building 7	Shanghai	Manufacturing industry	5,000.00	100	100	9,467.76	4

No	Full name of the subsidiary	Sub Lv	Type	Registration place	Principal place of business	Business nature	Paid-in capital (10 thousand)	Proportion of ownership interest (%)	Proportion of voting power (%)	Actual capital contribution (10 thousand)	Acquisition method
20	Shanghai Heavy Machinery Factory Co., Ltd.	2	1	Jiangchuan Road No. 1800	Shanghai	Manufacturing industry	247,321.00	100	100		1
21	Shanghai Gongxin Investment Management Co., Ltd.	2	1	No. 1301, Gonghexin Road, Jing'an District, Shanghai	Shanghai	Business services companies	1,000.00	100	100	2,138.85	1
22	Shanghai Lianhe Instrument Co., Ltd.	2	1	Building 110, No. 191 Guangzhong West Road, Jing'an District	Shanghai	Manufacturing industry	7,000.00	100	100	7,024.13	4

Note: Type of subsidiary: 1. domestic non-financial enterprise; 2. domestic financial enterprise; 3. overseas subsidiary; 4. Institution; 5. infrastructure enterprise.
Acquisition method: 1. investment; 2. business combinations under common control; 3. business combinations not under common control; 4. others.

2. The reasons of control obtained over the subsidiary where proportion of voting power is less than half

No.	Full name of the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Registered capital	Actual capital contribution (10 thousand)	Sub. Lv.	Reasons for included in the scope of consolidation
1	Shanghai Highly (Group) Co. Ltd	20.22	20.22	86,631.07	65,300.14	2	Note

Note: The Company holds majority of voting rights in the investee's Board of Directors.

3. The reasons of none control obtained over the subsidiary where proportion of direct & indirect voting power is more than half

No.	Full name of the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Registered capital	Actual capital contribution (10 thousand)	Sub. Lv.	Reasons for not included in the scope of consolidation
1	Shanghai Electric Group, Retired Veteran Cadres Function Room	100	100	50.00	46.74	2	Full funding institution, which is not included in the consolidation
2	Shanghai Electric Production Safety Monitoring Center	100	100	500.00	500.00	2	Public institution, which is not included in the consolidation
3	Shanghai Electrical Machinery Plant	100	100	1,750.00	1,174.30	2	In liquidation
4	Shanghai Electric Science And Technology Innovation Center	80	80	200.00	133.21	2	In liquidation

4. Important non-wholly-owned subsidiaries

4.1 Minority shareholders

No.	Full name of the subsidiary	Proportion of minority ownership interest (%)	Current profit and loss attributable to minority shareholders	Current paid dividends to minority shareholders	Ending accumulated minority shareholders' equity
1	Shanghai highly (group) Co., LTD	79.78	57,540,455.76	69,118,173.50	868,532,845.86
2	Shanghai Electric Group Co. Ltd.	39.11	2,346,637,000.00		15,184,504,000.00

4.2 Main financial information

Item	Current-period amount	
	Shanghai Highly (Group) Co., Ltd.	Shanghai Electric Group Co., Ltd.
Current assets	8,617,291,121.82	144,357,261,000.00
Non-current assets	5,022,794,854.78	54,988,498,000.00
Total assets	13,640,085,976.60	199,345,759,000.00
Current liabilities	8,190,434,868.79	111,319,728,000.00
Non-current liabilities	400,949,397.86	17,304,444,000.00
Total liabilities	8,591,384,266.65	128,624,172,000.00
Revenue	10,446,775,442.05	79,543,794,000.00
Net profit	338,771,313.72	5,006,213,000.00
Total comprehensive income	333,717,675.85	3,842,840,000.00
Operating cash flow	770,191,679.15	-7,525,017,000.00

Continued:

Item	Previous period amount	
	Shanghai Highly (Group) Co., Ltd.	Shanghai Electric Group Co., Ltd.
Current assets	6,490,041,624.03	137,674,301,000.00
Non-current assets	5,194,000,276.44	48,926,689,000.00
Total assets	11,684,041,900.47	186,600,990,000.00
Current liabilities	5,458,294,258.34	106,375,011,000.00
Non-current liabilities	1,442,241,222.23	17,807,152,000.00
Total liabilities	6,900,535,480.57	124,182,163,000.00
Revenue	7,383,730,555.87	88,507,384,000.00
Net profit	214,848,137.70	4,812,077,000.00
Total comprehensive income	219,844,417.49	4,936,583,000.00
Operating cash flow	869,854,220.35	10,715,517,000.00

5. Former subsidiaries excluded from consolidation in the current period

5.1 Basic information

No.	Name	Place of incorporation	Nature of business	Proportion of ownership interest (%)	Proportion of voting power (%)	Reasons for not being a subsidiary
1	Shanghai Metallurgical Mine Machinery Factory	Wanrong Road 1053	Manufacturing industry	100	100	Cancellation
2	Shanghai Engineering Machinery Factory Co., Ltd.	400 Wenshui Road	Manufacturing industry	100	100	Note 1

Note 1: At the beginning of 2017, the company transferred 100% equity of Shanghai Engineering Machinery Co., Ltd. to Shanghai Jiayuanhai Investment (Group) Co., Ltd. for CNY 48 million.

5.2 Main financial indicators of former subsidiaries (10 thousand Yuan)

No.	Date of disposal			Previous accounting period			Beginning of current year to the date of disposal	
	Assets	Liabilities	Equities	Assets	Liabilities	Equities	Revenue	Profit
1	84,825,009.78	46,148,308.83	38,676,700.95	84,825,009.78	46,148,308.83	38,676,700.95		

VIII. NOTES TO MATERIAL ITEM IN CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank

1.1 Cash and bank balances

Item	Closing balance	Opening balance
Cash	2,332,586.86	3,306,075.80
Bank balances	34,206,279,786.91	41,410,143,649.32
Other monetary funds	4,560,415,101.25	4,427,943,088.15
Total	<u>38,769,027,475.02</u>	<u>45,841,392,813.27</u>
Include: Total amount deposited abroad	676,782,831.18	737,744,511.13

1.2 Restricted bank balances at year end

Category	Closing balance	Opening balance
Security deposits	679,705,985.28	890,516,825.01
Restricted bank deposits	357,341.67	357,341.67
Fixed-term deposits over three months	10,922,202,000.00	9,720,801,000.00
Reserved deposits in Central bank	3,267,497,000.00	3,197,369,000.00
Others	1,174,851.87	1,571,485.03
Total	<u>14,870,937,178.82</u>	<u>13,810,615,651.71</u>

There is no recovery risk of the Group's overseas deposits at the end of the period

2. Financial assets measuring in fair value through profits and losses

Item	Closing value	Opening value
1.Tradable financial assets (Note 1)	<u>517,623,000.00</u>	<u>74,596,000.00</u>
Include: Held-for-trading investments in debt securities	21,401,000.00	40,921,000.00
Held-for-trading investments in equity instruments	496,222,000.00	33,675,000.00
Others		
2. Financial assets measured as at fair value through profit and loss upon initial recognition(Note 2)	<u>927,000.00</u>	<u>706,797,000.00</u>
Include: Held-for-trading investments in debt securities		
Held-for-trading investments in equity instruments		
Others	927,000.00	706,797,000.00
Others		116,700,000.00
Total	<u>518,550,000.00</u>	<u>898,093,000.00</u>

Note1: Fair value of investments held for trading bonds and trading of equity instruments is determined based on the closing price of the last trading day of the year in the Shanghai Stock Exchange and the Shenzhen Stock

Exchange.

Note2: Financial assets which are initially directly recognized at its fair value and which changes are recorded into current profit & loss is mainly arrangement of a convertible bond from one of the Company's subsidiaries - Electric Share.

3. Derivative financial assets

Item	Closing balance	Opening balance
Hedging instruments of Shanghai Electric Group Co. Ltd.	14,682,000.00	263,000.00
Hong Kong company forward foreign exchange contract	65,829,295.86	66,798,264.38
Total	<u>80,511,295.86</u>	<u>67,061,264.38</u>

Details to hedging instruments:

Item	Closing balance		Opening balance	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts (Note)	14,682,000.00	8,537,000.00	263,000.00	26,788,000.00
Less: Non-current part				
Current part	14,682,000.00	8,537,000.00	263,000.00	26,788,000.00
Total	<u>14,682,000.00</u>	<u>8,537,000.00</u>	<u>263,000.00</u>	<u>26,788,000.00</u>

Note: Shanghai Electric Group Co. Ltd., which is the subsidiary of the group, designated the forward foreign exchange contracts for future sales to outside China. Shanghai Electric Group Co. Ltd. has commitments to the future sales. The balance of forward foreign exchange contracts changes according to expected size and future foreign exchange rates.

4. Notes receivable

4.1 Summary sheet of notes receivable.

Category	Closing balance	Opening balance
Bank acceptances	9,736,446,914.38	6,500,289,922.45
Commercial acceptances	3,278,909,890.41	2,528,654,552.28
Others		4,007,525.03
Total	<u>13,015,356,804.79</u>	<u>9,032,951,999.76</u>

Note: On December 31, 2017, the restricted amount of notes receivable is CNY 684,219,180.30.

4.2 Pledged receivables at the end of the period

Category	Deposited amount at end of period
Bank Acceptance Draft (Note)	461,830,180.30
Total	<u>461,830,180.30</u>

Note: According to the creditability of the issuer, the Group's subsidiary Highly Corporation believed that among the discounted bank acceptance bills, the risk and rewards of the bank acceptance of CNY 785,864,104.00 are born by Highly Corporation, and Highly Corporation should continue to recognize the carrying amount of the

notes receivable in full amount and recognize the transferred receipt as pledged loans. On December 31, 2017, these banks' acceptance and related collateral loan were at the amount of CNY 461,830,180.30.

4.3 Mortgaged Receivable Notes at the end of the period

Category	Deposited amount at end of period
Bank acceptance bill	222,389,000.00
Total	<u>222,389,000.00</u>

Note: On December 31, 2017, the Group's subsidiary Electric Share used CNY 222,389,000.00 bills receivable as collateral invoicing.

4.4 Receivables that have been endorsed or discounted at the end of the period and have not yet expired on the balance sheet date

Category	Termination of the confirmed amount at the end of the period	Not terminated confirmed amount at the end of the period
Bank acceptances	2,654,411,348.92	1,140,809,911.58
Commercial acceptances		1,258,000.00
Total	<u>2,654,411,348.92</u>	<u>1,142,067,911.58</u>

5. Accounts receivable

Category	Closing balance				Opening balance			
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt	
	Amount	proportion (%)	Amount	proportion (%)	Amount	proportion (%)	Amount	proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	1,326,307,303.14	3.34	1,072,770,116.21	80.88	1,642,373,211.19	4.17	1,271,858,376.71	77.44
Accounts receivables for which bad debt provision has been assessed by portfolios	37,883,026,930.67	95.48	7,382,625,504.02	19.49	37,325,283,663.57	94.87	5,823,615,807.29	15.60
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	469,644,607.85	1.18	212,201,147.40	45.18	377,982,172.87	0.96	213,219,457.85	56.41
Total	<u>39,678,978,841.66</u>	<u>100</u>	<u>8,667,596,767.63</u>		<u>39,345,639,047.63</u>	<u>100</u>	<u>7,308,693,641.85</u>	

5.1 Accounts receivable for which bad debt provision has been assessed individually

Name of debtor	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
The subtotal of other significant items of Electrical Shares	363,288,019.48	273,587,341.41		75.31	Expected partial recoverable
Ningxia Eastern Thermoelectric Co., Ltd	266,073,750.00	266,073,750.00	More than 3 years	100.00	Expected to be irrecoverable
RELIANCE ENERGY LTD	115,146,270.14	115,146,270.14	More than 2 years	100.00	Warranty overdue fully accrued

Name of debtor	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Xinjiang Kuitun Baota Petrochemical Co. Ltd.	90,007,303.10	90,007,303.10	More than 2 years	100.00	Expected to be irrecoverable
Ningxia Western Thermoelectric Co., Ltd	83,463,370.00	83,463,370.00	More than 2 years	100.00	Expected to be irrecoverable
China Nuclear Engineering Co., Ltd	77,165,266.10		Within 1 year		Expected to be fully recoverable
Sanxia New Energy Jinchang Wind Power Co., Ltd.	69,992,712.00	69,992,712.00	More than 3 years	100.00	Expected to be irrecoverable
Bohai Shipyard Group Co., Ltd.	60,356,200.00	60,356,200.00	More than 3 years	100.00	Expected to be irrecoverable
Bohai Shipbuilding Heavy Industry Co., Ltd.	57,799,600.00	57,799,600.00	More than 3 years	100.00	Expected to be irrecoverable
China Guangdong Nuclear Power Engineering Co., Ltd.	47,878,993.09	5,354,579.08	1-3 years	11.18	Expected partial recoverable
China Zhongyuan Engineering Co., Ltd.	29,448,429.43	6,140,191.60	Within 3 years	20.85	Expected partial recoverable
China Nuclear Power Engineering Co., Ltd.	23,887,412.90	3,048,821.98	More than 1 year	12.76	Expected partial recoverable
Qinyang Power Plant	21,172,473.90	21,172,473.90	More than 5 years	100.00	Expected to be irrecoverable
Shandong Electric Power Construction Corporation	20,627,503.00	20,627,503.00	More than 3 years	100.00	Expected to be irrecoverable
Total	<u>1,326,307,303.14</u>	<u>1,072,770,116.21</u>			

5.2 Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

Aging	Closing balance			Opening balance		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	proportion (%)		Amount	proportion (%)	
Within 1 year	26,850,182,441.41	70.88	607,493,849.76	24,673,440,384.86	66.11	717,867,885.22
1-2 years	3,202,870,180.64	8.45	1,312,156,849.37	4,987,301,019.62	13.36	994,268,436.22
2-3 years	3,803,624,766.77	10.04	2,051,375,835.43	2,964,593,594.74	7.94	763,930,186.71
>3 years	4,026,349,541.85	10.63	3,411,598,969.46	4,699,948,664.35	12.59	3,347,549,299.14
Total	<u>37,883,026,930.67</u>	<u>100</u>	<u>7,382,625,504.02</u>	<u>37,325,283,663.57</u>	<u>100</u>	<u>5,823,615,807.29</u>

5.3 Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually

Name Of The Debtor	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision

Name Of The Debtor	Carrying amount	Provision for bad debt	Aging	Proporti on (%)	Reasons for the provision
Shanghai Baho Environmental Protection Technology Co., Ltd.	14,728,755.86	2,736.10	Within 1 year	0.02	Expected partial recoverable
Yuyang Yueneng Power Generation Co., Ltd.	14,357,046.40		Within 1 year		Expected fully recoverable
Shougang Jingtang Iron & Steel Co., Ltd.	13,326,836.26	7,828,138.04	More than 1 year	58.74	Expected partial recoverable
State Nuclear Power Automation System Engineering Company (SNPAS)	11,698,497.11		More than 1 year		Expected fully recoverable
Shanghai Bell Information Products Co., Ltd.	9,830,094.74		Within 1 year		Expected fully recoverable
Jinan South Trading Company	9,775,500.00	1,955,100.00	1-2 years	20.00	Expected partial recoverable
Guodian Power Generation Co., Ltd.	9,564,482.74		Within 1 year		Expected fully recoverable
Jiangsu Jiangnan High Fibre Co., Ltd.	9,225,171.10	9,225,171.10	More than 5 years	100.00	Expected to be irrecoverable
China Coal Ordos Energy Chemical Co., Ltd.	8,905,956.89		Within 1 year		Expected fully recoverable
Shanxi Tianze Coal Chemical Group Co., Ltd.	7,610,278.03		Within 1 year		Expected fully recoverable
Pingxiang Xin'an Industry Co., Ltd.	7,135,454.53	95,510.25	Within 2 years	1.34	Expected partial recoverable
Shanghai Dianmao Information Technology Co., Ltd.	7,049,100.00		Within 1 year		Expected fully recoverable
Huangshan Narnia Automation Complete Equipment Sales Co., Ltd.	6,836,038.37		Within 1 year		Expected fully recoverable
China Shipbuilding Industry Corporation Seventh Institute	6,580,478.64		Within 1 year		Expected fully recoverable
Dongfang Electric Co., Ltd.	6,487,568.00	759,271.20	Within 2 years	11.70	Expected partial recoverable
Shandong Yiming Textile Co., Ltd.	6,455,543.00	3,227,771.50	2-3 years	50.00	Expected partial recoverable
Qinshan Nuclear Power Co., Ltd.	6,222,077.78		Within 1 year		Expected fully recoverable
China Power Construction Group Shanghai Energy Equipment Co., Ltd.	5,392,880.70	371,349.97	Within 1 year	6.89	Expected partial recoverable
Shanghai Shangshi Longchuang Intelligent Energy Technology Co., Ltd.	5,248,205.13	787,230.77	Within 2 years	15.00	Expected partial recoverable
Shandong Nuclear Power Co., Ltd.	4,781,444.29		Within 1 year		Expected fully recoverable
China Textile Academy	4,416,000.00	3,532,800.00	3-4 years	80.00	Expected partial recoverable
Nanchang Rail Transit Group Co., Ltd.	4,401,709.40	1,733,608.48	Within 3 years	39.38	Expected partial recoverable
Shanghai Xinghe Jiulong Power Cable Co., Ltd.	4,333,694.07	4,333,694.07	3-4 years	100.00	Expected to be irrecoverable
National Nuclear Engineering Co., Ltd.	2,970,000.00	386,100.00	2-4 years	13.00	Expected partial recoverable

Name Of The Debtor	Carrying amount	Provision for bad debt	Aging	Proporti on (%)	Reasons for the provision
Shanghai Cable Factory Group Co., Ltd.	2,953,745.92		Within 1 year		Expected fully recoverable
China Ruilin Engineering Technology Co., Ltd.	2,774,530.00	1,387,265.00	2-4 years	50.00	Expected partial recoverable
Luoyang Tongkun Machinery Manufacturing Co., Ltd.	2,770,433.70	147,099.71	Within 1 year	5.31	Expected partial recoverable
China Railway Electrification Bureau Group First Engineering Co., Ltd.	2,702,547.95	1,201,918.16	Within 5 years	44.47	Expected partial recoverable
Shanghai Xinyuan Steel Marketing Center	2,600,000.00	260,000.00	Within 1 year	10.00	Expected partial recoverable
Shanghai Guanshun Investment Development Co., Ltd.	2,539,699.47		1-2 years		Expected fully recoverable
Xining Special Steel Co., Ltd.	2,360,069.62	708,020.89	1-5 years	30.00	Expected partial recoverable
Tianjin Tian Forging Press Co., Ltd.	2,230,000.00	111,500.00	Within 1 year	5.00	Expected partial recoverable
Binzhou Pacific Machinery Equipment Co., Ltd.	2,128,730.00	2,128,730.00	More than 5 years	100.00	Expected to be irrecoverable
Neijiang Fuhao Machinery Manufacturing Co., Ltd.	1,847,276.99	1,847,276.99	1-2 years	100.00	Expected to be irrecoverable
Baosteel Zhanjiang Iron & Steel Co., Ltd.	1,769,570.00	265,435.50	1-2 years	15.00	Expected partial recoverable
Fujian Jinlun Petrochemical Fiber Industry Co., Ltd.	1,580,000.00	1,580,000.00	More than 5 years	100.00	Expected to be irrecoverable
Huimin Huaguang Textile Co., Ltd.	1,500,000.00	1,500,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Dalong Machinery Factory Co., Ltd.	1,405,971.12		Within 1 year		Expected fully recoverable
Huarong Huaqing Textile Co., Ltd.	1,401,837.47	700,918.74	2-3 years	50.00	Expected partial recoverable
Hunan Kelijia Textile Co., Ltd.	1,384,292.03	692,146.01	2-3 years	50.00	Expected partial recoverable
Shanghai Ocean University	1,315,650.00	657,825.00	2-3 years	50.00	Expected partial recoverable
Shaoxing Feiri Cotton Spinning Textile Co., Ltd.	1,258,460.80	766,768.65	More than 1 year	60.93	Expected partial recoverable
Tianjin Steel Co., Ltd.	1,237,390.00	989,912.00	1-5years	80.00	Expected partial recoverable
MCC Seddy Engineering Technology Co., Ltd.	1,207,984.00	483,193.60	1-5 years	40.00	Expected partial recoverable
China Golden Domain Gold Materials Corporation	1,140,600.00	570,300.00	1-3years	50.00	Expected partial recoverable
Gansu Tianning New Energy Co., Ltd.	1,094,017.09	664,749.46	Within 4 years	60.76	Expected partial recoverable
Shanghai Aidexia Machinery Co., Ltd.	1,024,956.70	809,956.70	More than 3 years	79.02	Expected partial recoverable
Electrical shares individually are not significant other subtotals	107,784,201.53	90,466,879.60		83.93	Expected partial recoverable

Name Of The Debtor	Carrying amount	Provision for bad debt	Aging	Proportion (%)	Reasons for the provision
Subtotal for not significant items of Shanghai Heavy Machinery Factory	43,421,896.95				Expected fully recoverable
Subtotal for other items individually not significantly important	88,877,933.47	70,022,769.91		78.79	Expected partial recoverable
Total	<u>469,644,607.85</u>	<u>212,201,147.40</u>			

5.4 Provision of bad debt for recovery or reversal

Debtor name	Transfer back or recovered amount	Accumulative amount of provision for bad debts before reversing or withdrawing	Reason or method for recovery or transfer back
Other subtotals for electrical shares	478,915,000.00	478,915,000.00	Payment recovery
Nanjing High Precision Marine Equipment Co., Ltd.	140,000.00	140,000.00	Payment recovery
Shanghai Puen Import and Export Co., Ltd.	1,079,717.98	1,079,717.98	Payment recovery
Shanghai Zhongduo Heavy Hydroelectric Equipment Co., Ltd.	211,300.00	211,300.00	Payment recovery
Yamena Project	5,904,146.98	101,680,902.69	Exchange difference
GUANGNINTHTHERMALPOWERJOINTSTOCKCOMPANY	111,927,000.00	111,927,000.00	Payment recovery
EMCOENERGYLIMITED	19,639,000.00	19,639,000.00	Payment recovery
Shanxi Zhaoguang Power Generation Co., Ltd.	10,000,000.00	10,000,000.00	Payment recovery
Lotte Rongguang Real Estate (Shenyang) Co., Ltd.	6,752,000.00	6,752,000.00	Payment recovery
Other miscellaneous subtotal	56,167,931.69	56,167,931.69	Payment recovery
Total	<u>690,736,096.65</u>	<u>779,947,836.91</u>	

5.5 Actual write-off for accounts receivable during the reporting period

Debtor name	Nature of accounts receivable	Write-off amount	Write-off reason	Write-off procedures	Is it due to a related transaction
Zhejiang Longyou Lihe Chemical Fiber Co., Ltd.	Payment for goods	4,399,000.00	The other party logged off and cannot be recovered	Internal approval	No
Xinjiang Liugou Red Tomato Products Co., Ltd.	Payment for goods	768,000.00	failed, unable to recover	Internal approval	No
Henan Shunkai Trading Company	Payment for goods	449,507.00	It is unlikely that the arrears will be recovered	Internal approval	No

Debtor name	Nature of accounts receivable	Write-off amount	Write-off reason	Write-off procedure	Is it due to a related transaction
Chengdu Xingyou Industrial Co., Ltd.	Payment for goods	417,001.00	It is unlikely that the arrears will be recovered	Internal approval	No
Zhenjiang Zhiyuan Electric Co., Ltd. Sales Branch	Payment for goods	321,467.61	failed, unable to recover	Internal approval	No
Rugao Borun Chemical Co., Ltd.	Payment for goods	298,751.33	It is unlikely that the arrears will be recovered	Internal approval	No
Ordos Jucheng Tomato Products Co., Ltd.	Payment for goods	245,000.00	failed, unable to recover	Internal approval	No
Handan Pujin Electromechanical Equipment Co., Ltd.	Payment for goods	209,972.20	It is unlikely that the arrears will be recovered	Internal approval	No
Shanxi Zhuogen Power Development Materials Co., Ltd.	Payment for goods	153,985.00	failed, unable to recover	Internal approval	No
Henan Electric Power Company	Payment for goods	111,510.00	failed, unable to recover	Internal approval	No
Shangqiu Power Supply Company	Payment for goods	111,200.00	failed, unable to recover	Internal approval	No
Shanxi Datang God hair limited liability company	Payment for goods	110,754.55	failed, unable to recover	Internal approval	No
Shanghai Ilino Relay Co., Ltd.	Payment for goods	100,000.00	failed, unable to recover	Internal approval	No
Shanghai Feizhou Electric Co., Ltd.	Payment for goods	2,700,741.67	failed, unable to recover	Internal approval	No
Other miscellaneous	Payment for goods				
Total		<u>10,396,890.36</u>			

5.6 Top five entities of the closing accounts receivable

Name Of The Debtor	Acrrying amount	The proportion of total accounts receivable (%)	Provision for bad debt
Ministry of Electricity of Iraq	4,476,148,775.45	11.28	1,419,011,227.07
Qingdao Antaixin Group Co., Ltd.	884,231,629.38	2.23	426,632,858.41
China National Nuclear Power Engineering Co., Ltd.	569,328,254.24	1.43	3,597,322.30
Huadian International Material Co., Ltd.	552,749,500.41	1.39	5,438,280.08
VIETNAM ELECTRICTITY	465,683,844.40	1.17	93,136,768.88
Total	<u>6,948,142,003.88</u>	<u>17.50</u>	<u>1,947,816,456.74</u>

6. Advance to supplier

6.1 Aging analysis of account prepaid list

Aging	Closing balance			Opening balance		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	(%)		Amount	(%)	
Within 1 year (1 year included)	6,970,541,456.39	71.60		6,895,072,111.36	76.85	65,665.38
1-2 years	1,625,515,152.36	16.70	548,093.44	1,246,743,711.19	13.90	204,522.44
2-3 years	581,203,980.00	5.97	488,044.11	398,911,310.88	4.45	768,626.19
More than 3 years	557,942,256.45	5.73	5,761,958.51	430,847,066.88	4.80	4,614,101.66
Total	<u>9,735,202,845.20</u>	<u>100</u>	<u>6,798,096.06</u>	<u>8,971,574,200.31</u>	<u>100</u>	<u>5,652,915.67</u>

6.2 Significant advance to supplier with aging over 1 year:

Creditor	Debtor	Amount	Aging	Reasons for unsettlement
Shanghai Electric Boiler Co., Ltd.	Shanghai Metals and Minerals Development Co., Ltd.	294,585,471.00	More than 1 year	Contract not yet completed
Shanghai Electric Boiler Co., Ltd.	Minmetals Steel Co., Ltd.	292,241,133.00	More than 1 year	Contract not yet completed
Shanghai Electric Hong Kong Limited	Ansaldo Energia S.P.A.	148,705,799.00	More than 1 year	Contract not yet completed
Mitsubishi Elevator Limited	Liyang Feida Elevator Installation Engineering Co., Ltd.	148,619,207.00	More than 1 year	Contract not yet completed
Shanghai Electric Wind Power Group Co., Ltd.	Siemens Gamesa Renewable Energy	95,155,060.00	More than 1 year	Contract not yet completed
Shanghai Heavy Machinery Factory Co., Ltd.	Power International.Inc	4,641,961.35	1-2 years	Contract not yet completed
Shanghai Heavy Machinery Factory Co., Ltd.	Shanghai Hengtong Sichuang Electric Power Technology Co., Ltd.	4,500,000.00	1-2 years	Contract not yet completed
Shanghai Pacific Textile Machinery Complete Equipment Co., Ltd.	Handan Hongda Chemical Fiber Machinery Co., Ltd.	3,300,000.00	More than 5 years	Contract not yet completed
Shanghai Electric Machine Tool Complete Engineering Co., Ltd.	Wuhan Heavy Machine Tool Group Co., Ltd.	2,529,000.00	More than 3 years	Contract not yet completed
Shanghai Pacific Textile Machinery Complete Equipment Co., Ltd.	Nanjing Nuoda Xinye Extrusion Equipment Co., Ltd.	2,034,448.25	1-2 years	Contract not yet completed
Shanghai Electric (Group) Changjiang Company	Sichuan Chuanguo Boiler Co., Ltd.	1,670,000.00	More than 5 years	Contract not yet completed
Shanghai Electric Machine Tool Complete Engineering Co., Ltd.	Siemens Factory Automation Engineering Co., Ltd.	1,470,000.00	1-2 years	Contract not yet completed
Shanghai Electric Group Hong Kong Limited	GF Machining Solutions Limited	1,467,453.84	1-2 years	Contract not yet completed
<u>Total</u>		<u>1,000,919,533.44</u>		

6.3 Top 5 Prepayments by Closing Balance of debtors

Debtors	Carrying amount	Percentage of total prepayments (%)	Provision for bad debt
Zhengxin Optoelectronics Technology Co., Ltd.	443,066,548.88	4.55	
Ansaldo Energia S.P.A.	414,063,163.28	4.25	
Shanghai Metals and Minerals Development Co., Ltd.	294,585,470.93	3.03	
Minmetals Steel Co., Ltd.	292,247,284.15	3.00	
Mitsubishi Electric Shanghai Electric Elevator Co., Ltd.	231,445,333.37	2.38	
Total	<u>1,675,407,800.61</u>	<u>17.21</u>	

7. Interest receivable

Interest receivable classification

Item	Closing balance	Opening balance
Interest on deposits	33,882,865.31	113,245,027.76
Bond investment	12,841,346.70	13,456,894.28
Other	367,227.78	227,577.78
Total	<u>47,091,439.79</u>	<u>126,929,499.82</u>

8. Dividends receivable

Item	Closing balance	Beginning balance	Reasons for uncollected amounts	Impaired or not
Dividends Receivable With Aging Under One Year	<u>41,870,000.00</u>	<u>39,510,124.30</u>		
Shanghai Meida Welding Equipment Co., Ltd.		993,124.30		No
Legend Electric (Shenyang) Co., Ltd.		18,176,000.00		No
Shanghai Clyde Bergemann Machinery Co., Ltd.	3,702,000.00	13,465,000.00	Not settled yet	No
Shanghai General Bearing Co., Ltd.	32,881,000.00		Not settled yet	No
Other subtotals of electrical shares		5,076,000.00		No

Item	Closing balance	Beginning balance	Reasons for uncollected amounts	Impaired or not
Morgan New Materials (Shanghai) Co., Ltd.	5,287,000.00		Not settled yet	
Shanghai Nanyang Cable Co., Ltd.		1,800,000.00		No
Dividend receivables aged over one year	<u>39,590,000.00</u>	<u>24,325,000.00</u>		
Shanghai Clyde Bergemann Machinery Co., Ltd.	13,465,000.00		Not settled yet	No
Shanghai Cooper Power Capacitor Co., Ltd.	2,275,000.00	2,275,000.00	Not settled yet	No
Shanghai Siemens High Voltage Co.	22,050,000.00	22,050,000.00	Not settled yet	No
Shanghai Nanyang Cable Co., Ltd.	1,800,000.00		Not settled yet	No
<u>Total</u>	<u>81,460,000.00</u>	<u>63,835,124.30</u>		

9. Other receivables

Category	Closing balance				Opening balance			
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,689,116,241.74	36.99	1,206,314,513.04	71.42	1,895,072,543.36	36.02	1,335,736,123.89	70.48
Other receivables for which bad debt provision has been assessed by portfolios	2,665,095,597.42	58.36	1,163,933,882.86	43.67	3,163,788,501.63	60.12	1,140,371,417.01	36.04
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	212,390,132.70	4.65	116,538,915.90	54.87	203,193,754.95	3.86	83,657,862.07	41.17
Total	<u>4,566,601,971.86</u>	<u>100</u>	<u>2,486,787,311.80</u>		<u>5,262,054,799.94</u>	<u>100</u>	<u>2,559,765,402.97</u>	

9.1 Other receivables portfolios with bad debt provision assessed through the aging analysis approach:

Aging	Closing balance				Opening balance			
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Within 1 year (1 year included)	1,219,807,224.37	45.78	9,692,272.03		1,664,959,512.32	52.62	84,073,013.29	

Aging	Closing balance			Opening balance		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	(%)		Amount	(%)	
1-2 years	205,318,184.90	7.70	28,611,293.00	471,031,076.70	14.89	89,218,332.34
2-3 years	291,341,610.42	10.93	208,103,946.44	94,595,927.04	2.99	47,271,670.13
More than 3 years	948,628,577.73	35.59	917,526,371.39	933,201,985.57	29.50	919,808,401.25
Total	<u>2,665,095,597.42</u>	<u>100</u>	<u>1,163,933,882.86</u>	<u>3,163,788,501.63</u>	<u>100</u>	<u>1,140,371,417.01</u>

9.2 Other receivables for which bad debt provision has been assessed individually

(1) Other receivables that are individually significant at the end of the period and for which bad debt provision has been assessed individually

Name of debtor	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai SVA (Group) Co., Ltd.	776,250,000.00	776,250,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai forging machine tool factory	122,695,711.34	122,695,711.34	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Nanyang Motor Co. Ltd.	92,534,448.03		2-4 years		Expected fully recoverable
Shanghai Jia'ang Industrial Co., Ltd.	84,847,820.87	84,847,820.87	2-3years	100.00	Expected to be irrecoverable
Shanghai Meizheng Comprehensive Service Co., Ltd.	63,912,946.00		Within 1 year		Expected fully recoverable
Shanghai Guanshengyuan Additive Product Factory	30,576,274.68		Within 1 year		Expected fully recoverable
Hangzhou Fusheng Holdings Co., Ltd.	28,262,146.86		Within 1 year		Expected fully recoverable
Shanghai Dalong Machinery Factory Co., Ltd.	28,071,757.10		1-3years		Expected fully recoverable
Shanghai Shenhua SVA SMEG Football Club Inc.	27,500,000.00	27,500,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Ballpoint Pen Co., Ltd.	101,739,902.19		More than 1 year		Expected fully recoverable
Electric shares other significant individual items subtotal	66,053,000.00	66,053,000.00	More than 3 years	100.00	Expected to be irrecoverable
Highly share other significant individual items subtotal	15,729,451.84		Within 1 year		Expected fully recoverable
Other significant individual items subtotal	250,942,782.83	128,967,980.83		51.39	Expected partial recoverable
Total	<u>1,689,116,241.74</u>	<u>1,206,314,513.04</u>			

(2) Other receivables that are not individually significant at the end of the period but for which bad debt provision has been assessed individually:

Name of debtor	Carrying amount	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)
Shanghai Electric Machine Co., Ltd.	9,808,074.70	9,808,074.70	More than 5 years	100.00	Expected to be irrecoverable
Fuxi Investment Holding Co., Ltd.	8,441,382.79	8,441,382.79	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Xingguo Factory	8,379,778.77	8,379,778.77	More than 5 years	100.00	Expected to be irrecoverable
Shanghai slowdown Machinery Factory	8,127,831.15	8,127,831.15	More than 5 years	100.00	Expected to be irrecoverable
Qinyang Power Plant	3,116,600.18	3,116,600.18	More than 5 years	100.00	Expected to be irrecoverable
Baoding Tianwei Wind Power Technology Co., Ltd.	1,184,026.45	1,184,026.45	2-3 years	100.00	Expected to be irrecoverable
Shanghai Automotive Braking System Co., Ltd.	1,178,681.00	1,178,681.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Jiaoyun Automotive Power System Co., Ltd.	1,100,700.00	1,100,700.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Jindiao lifting equipment factory	1,040,364.16		Whithin 1 year		Expected fully recoverable
Individual portfolio items are not significant	11,219,000.00	10,827,000.00		96.51	Expected partial irrecoverable
Huarong Xinda Company	6,879,999.00		Whithin 1 year		Expected fully recoverable
Shanghai Yuqu Metal Products Co., Ltd.	6,700,000.00		Whithin 1 year		Expected fully recoverable
Shanghai Furniture Factory	5,950,498.60		Whithin 1 year		Expected fully recoverable
Shanghai Shuguang Daily Hardware Industry Research Institute Co., Ltd.	5,810,899.93		Whithin 1 year		Expected fully recoverable
Wuxi Forging Press Factory Co., Ltd.	3,353,180.00		Whithin 1 year		Expected fully recoverable
Shanghai Zhongjiu Power Transformer Co., Ltd.	3,100,000.00	3,100,000.00	3-4 years	100.00	Expected to be irrecoverable
Shanghai Ruihua (Group) Co., Ltd.	1,300,000.00	1,300,000.00	3-4 years	100.00	Expected to be irrecoverable
Other individually insignificant subtotal of Highly share	31,287,926.08	3,619,853.50		11.57	Expected partial recoverable
Other miscellaneous subtotals	94,411,189.89	56,354,987.36		59.69	Expected partial recoverable
Total	<u>212,390,132.70</u>	<u>116,538,915.90</u>			

9.3 Reversals and collections during the current period

Name of the debtor	Reasons for reversals or collections	Basis of determining the original bad debt provision	Accumulated bad debt provision prior to reversals or collections	Amount of reversed or collected
Electrical shares miscellaneous subtotals	Collected	Expected to be irrecoverable	31,321,000.00	31,321,000.00
Shanghai Konor Electrical Machinery Co., Ltd.by shares	Collected	Debtor bankruptcy liquidation, Expected to be irrecoverable	40,420.11	40,420.11
Total			<u>31,361,420.11</u>	<u>31,361,420.11</u>

9.4 Other receivables written off in the current period

Name of the debtor	Nature of other receivable	Amount written off	Reasons for write-off	Write-off procedures	Related party transactions (yes or no)
Shanghai Konor Electrical Machinery Co., Ltd.	Loan and staff placement fees	109,160,984.16	Company canceled, unable to recover	Internal approval	No
Total		<u>109,160,984.16</u>			

9.5 Top five entities of closing receivable

Name of the debtor	Closing balance	Nature of fund	Aging	Percentage of total other receivables (%)	Provision for bad debt
Shanghai SVA (Group) Co., Ltd.	776,250,000.00	Business transaction	More than 5 years	17.00	776,250,000.00
Shanghai forging machine tool factory	122,695,711.30	Business transaction	More than 5 years	2.69	122,695,711.30
Shanghai Ballpoint Pen Co., Ltd.	101,739,902.19	Business transaction	More than 1 year	2.23	
Shanghai Nanyang Motor Co. Ltd.	92,534,448.03	Business transaction	2-3 years	2.03	
Shanghai Jia'ang Industrial Co., Ltd.	84,847,820.87	Business transaction	Within 1 year	1.86	84,847,820.87
Total	<u>1,178,067,882.39</u>			<u>25.81</u>	<u>983,793,532.17</u>

10. Inventories

10.1 Inventory classification.

Item	Closing balance			Opening balance		
	Book value	Provision for inventories	Net book value	Book value	Provision for inventories	Net book value

Item	Closing balance			Opening balance		
	Book value	Provision for inventories	Net book value	Book value	Provision for inventories	Net book value
Raw materials	5,122,699,326.17	604,924,904.28	4,517,774,421.89	4,595,933,892.45	616,690,471.35	3,979,243,421.10
Work-in-progress	17,205,835,235.55	2,020,710,922.81	15,185,124,312.74	12,820,791,517.75	1,607,405,387.72	11,213,386,130.03
Finished goods	12,683,530,716.29	698,560,443.26	11,984,970,273.03	10,010,093,234.06	602,126,117.20	9,407,967,116.86
Finished goods (Packing materials, consumables, low-value Item)	102,054,858.23	163,394.69	101,891,463.54	36,013,178.37	2,086,791.77	33,926,386.60
Construction work-in-progress (completed but not cleared)	5,900,697,000.00	484,248,000.00	5,416,449,000.00	5,274,902,542.07	444,197,300.00	4,830,705,242.07
Others	264,161,427.08	22,263,500.00	241,897,927.08	422,681,161.38	377,048.18	422,304,113.20
Total	<u>41,278,978,563.32</u>	<u>3,830,871,165.04</u>	<u>37,448,107,398.28</u>	<u>33,160,415,526.08</u>	<u>3,272,883,116.22</u>	<u>29,887,532,409.86</u>

10.2 The completed and unsettled assets formed by the construction contract at the end of the period

Items	Closing balance
Accumulated costs incurred	36,427,654,000.00
Cumulative confirmed gross profit	4,956,755,000.00
Less: estimated loss	484,248,000.00
Already settled amount	35,483,712,000.00
Construction completed contracted unsettled assets	5,416,449,000.00

11. Non-current assets due within one year

Item	Closing balance	Opening balance
Financial lease receivables due within one year	4,319,784,000.00	4,442,631,000.00
Other long-term receivables due within one year	495,725,000.00	24,199,000.00
Total	<u>4,815,509,000.00</u>	<u>4,466,830,000.00</u>

12. Other current assets

Item	Closing balance	Opening balance
I. Entrusted Loan	190,630,000.00	196,630,000.00

Item	Closing balance	Opening balance
II. Entrust loan	179,926,000.00	189,052,000.00
III. Prepaid expenses	19,805.33	1,210,216.39
IV. Buying back the sale of financial assets	1,497,130,000.00	6,314,740,000.00
V. Loans	30,266,800.00	795,064,000.00
VI. VAT receivables	1,083,315,383.79	536,569,149.76
VIII. Others	256,543,000.00	177,969,904.24
Total	<u>3,237,830,989.12</u>	<u>8,211,235,270.39</u>

13. Available-for-sale financial assets

13.1 Information about available-for-sale financial assets

Item	Closing balance			Opening balance		
	Closing balance	Provision for bad debts	Book value	Closing balance	Provision for bad debts	Book value
Available for sale debt instruments	1,844,409,506.47		1,844,409,506.47	2,104,303,677.59		2,104,303,677.59
Available for sale equity instruments	<u>14,456,698,852.63</u>	<u>281,792,479.88</u>	<u>14,174,906,372.75</u>	<u>16,406,774,431.14</u>	<u>291,069,479.88</u>	<u>16,115,704,951.26</u>
Measured at fair value	10,752,831,583.92		10,752,831,583.92	13,114,292,408.79		13,114,292,408.79
Measured at cost	3,703,867,268.71	281,792,479.88	3,422,074,788.83	3,292,482,022.35	291,069,479.88	3,001,412,542.47
Others	9,563,737,149.98	17,904,000.00	9,545,833,149.98	3,391,087,970.80		3,391,087,970.80
Total	<u>25,864,845,509.08</u>	<u>299,696,479.88</u>	<u>25,565,149,029.20</u>	<u>21,902,166,079.53</u>	<u>291,069,479.88</u>	<u>21,611,096,599.65</u>

13.2 Available-for-sale financial assets measured at fair value

Item	Available for sale equity instruments	Available for sale debt instruments	Others	Total
Amortized cost of the equity instruments cost / debt instruments	4,061,917,038.75	1,919,463,349.21	9,482,496,149.98	<u>15,463,876,537.94</u>
Fair value	10,752,831,583.92	1,844,409,506.47	9,563,737,149.98	<u>22,160,978,240.37</u>
Accumulated other comprehensive income changes in the fair value of the amount	6,690,914,545.17	-75,053,842.74	81,241,000.00	<u>6,697,101,702.43</u>
The amount of provision for impairment			17,904,000.00	<u>17,904,000.00</u>

13.3 List of available-for-sale financial assets measured at cost

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Total		<u>3,706,538,805.01</u>	<u>3,292,482,022.35</u>	<u>411,385,246.36</u>	<u>3,703,867,268.71</u>		<u>281,792,479.88</u>		<u>14,529,702.88</u>
AVIC Commercial Aircraft Engine Co., Ltd.	Cost method	900,000,000.00	900,000,000.00		900,000,000.00	15.00			
Shanghai life insurance company	Cost method	873,600,000.00	873,600,000.00		873,600,000.00	14.00			
Advanced Manufacturing Industry Investment Fund (Limited Partnership)	Cost method	698,333,300.00	383,333,300.00	315,000,000.00	698,333,300.00	4.55			
Jiangsu Yongsheng Special Alloy Technology Co., Ltd.	Cost method	175,560,000.00	175,560,000.00		175,560,000.00	14.00			
Hohhot Investment Co., Ltd.	Cost method	157,510,000.00	157,510,000.00		157,510,000.00	19.00			13,300,000.00
Shanghai Nanyang Motor Co. Ltd.	Cost method	125,954,540.27	125,954,540.27		125,954,540.27	60.00	125,954,540.27		
China Nuclear Ocean Nuclear Power Development Co., Ltd.	Cost method	100,000,000.00		100,000,000.00	100,000,000.00	10.00			
Jisheng Xingtai (Beijing) Technology Co., Ltd.	Cost method	59,650,000.00	59,650,000.00		59,650,000.00	12.00			
Shanghai hero immortalized Trading Company Ltd.	Cost method	50,165,312.65	50,165,312.65		50,165,312.65	60.00	50,165,312.65		
Qingdao Light Control New Low-Carbon Energy Equity Ltd.	Cost method	50,000,000.00	50,000,000.00		50,000,000.00	8.00			
Jianyinchengtou Investment (Shanghai) Green Equity Investment Co., Ltd.	Cost method	49,892,790.00	65,563,445.00	-15,670,655.00	49,892,790.00	11.11			

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Suzhou Taigu Electric Power Co., Ltd.	Cost method	39,994,000.00		39,994,000.00	39,994,000.00	11.00			
Shanghai Waddy Automation Equipment Co., Ltd.	Cost method	30,974,000.00	30,974,000.00		30,974,000.00	11.00			
Qingdao Donka Environmental Protection Technology Co., Ltd. Donka	Cost method	30,000,000.00	30,000,000.00		30,000,000.00	10.00			
Shanghai Light Industrial Kitchen Equipment Co., Ltd.	Cost method	26,810,000.00	26,810,000.00		26,810,000.00	33.86			
Yangtze River Economic Joint Development (Group) Co., Ltd.	Cost method	25,036,952.20	25,036,952.20		25,036,952.20	0.77			200,000.00
Zhejiang Grand Supply Chain Co., Ltd.	Cost method	20,000,000.00	20,000,000.00		20,000,000.00	3.00			
Shanghai Electric Group Co., Ltd.	Cost method	19,800,000.00	19,800,000.00		19,800,000.00	100.00	19,800,000.00		
Guangdong Lianzhou Yuelian Power Plant Co., Ltd.	Cost method	18,795,739.60	18,795,739.60		18,795,739.60	10.00			
Shanghai Yongsheng Enterprise Development Co., Ltd.	Cost method	18,697,502.31	18,697,502.31		18,697,502.31	100.00	18,697,502.31		
Shanghai jiahua property development Co.Ltd	Cost method	17,402,408.88	17,402,408.88		17,402,408.88	10.00			
Shanghai Norma Hydraulic System Co., Ltd.	Cost method	17,000,000.00	17,000,000.00		17,000,000.00	8.00			
Zhejiang East Star Paper Company	Cost method	13,675,523.04	13,675,523.04		13,675,523.04	60.00	13,675,523.04		
Beijing Jiahua Virgin Energy Technology Co., Ltd.	Cost method	13,500,000.00	13,500,000.00		13,500,000.00	12.00			

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Shanghai Hitachi Household Appliances Co., Ltd.	Cost method	12,738,000.00	12,738,000.00		12,738,000.00	5.00			
MCC Changtian International Engineering Co., Ltd.	Cost method	12,200,820.19		12,200,820.19	12,200,820.19	1.54			
China Electirc Joint Heavy Gas Turbine Technology Co., Ltd.	Cost method	12,000,000.00	12,000,000.00		12,000,000.00	12.00			
Shanghai Electrical Machinery Plant	Cost method	11,742,959.88	11,742,959.88		11,742,959.88	100.00	11,742,959.88		
Shanghai Hero computer graphics equipment supplies company	Cost method	9,011,494.46	9,011,494.46		9,011,494.46	90.00	9,011,494.46		
Shanghai Treka Cable Co., Ltd.	Cost method	8,294,272.93	8,294,272.93		8,294,272.93	19.50			
Shanghai Hero modern kitchen company	Cost method	7,569,116.56	7,569,116.56		7,569,116.56	52.00	7,569,116.56		
Shenhua Coal Liquefaction Research Center Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	10.00			
Shanghai Electrical Safety Production Testing Center	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00			
Shanghai Hero Gifts Co., Ltd..	Cost method	4,178,769.02	4,178,769.02		4,178,769.02	90.00	4,178,769.02		
Shanghai Pen Parts Co., Ltd	Cost method	3,345,519.14	3,345,519.14		3,345,519.14	13.04	3,345,519.14		
Shanghai Industrial Eurasia International Trade Co., Ltd.	Cost method	3,000,000.00	3,000,000.00		3,000,000.00	13.04			
Shajiabang Holiday	Cost method	3,000,000.00	3,000,000.00		3,000,000.00	10.68			

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
China Cable Engineering Co., Ltd.	Cost method	2,270,500.00	2,270,500.00		2,270,500.00	2.27			
Shanghai Foreign Power Engineering Corporation	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	85.56	2,000,000.00		
Suzhou Manzi New Energy Equipment Co., Ltd.	Cost method	1,500,000.00		1,500,000.00	1,500,000.00	10.00			
Shanghai Electric Science and Technology Innovation Center	Cost method	1,332,146.61	1,332,146.61		1,332,146.61	80.00			
Shanghai Chunhui vocational and technical schools	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100.00			
Suzhou Sugang Qingneng Bioenergy Co., Ltd.	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	10.00			
Fenghua Power Plant	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	1.82	1,000,000.00		
Shanghai Jigang Economic Trade Co., Ltd.	Cost method	960,000.00		960,000.00	960,000.00	3.20			
Shanghai Pacific Machinery Import and Export Company	Cost method	660,000.00	660,000.00		660,000.00	5.00	660,000.00		
Shen Jia pen aluminum factory	Cost method	607,641.71	607,641.71		607,641.71				
Shanghai Hua-chi Software Development Company Limited	Cost method	572,000.00	572,000.00		572,000.00	30.00	572,000.00		
Pufa Machinery Development Corporation	Cost method	556,020.00	556,020.00		556,020.00				
Shanghai No.1 Timber Factory	Cost method	500,000.00	500,000.00		500,000.00	100.00	500,000.00		

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Shanghai Aimuyi electromechanical equipment chain Co. Ltd.	Cost method	500,000.00	500,000.00		500,000.00	0.01			
Shanghai Electric Group, Retired Veteran Cadres Function Room	Cost method	467,420.70	467,420.70		467,420.70	100.00			
Shanghai Baoding investment Co., Ltd.	Cost method	439,019.59	439,019.59		439,019.59	0.48			65,702.88
Shanghai Hero Joint Sales Co., LTD	Cost method	360,986.96	360,986.96		360,986.96	65.00	360,986.96		
Shanghai Electric (Group) Yunnan Co., Ltd.	Cost method	300,000.00	300,000.00		300,000.00	100.00	300,000.00		
Shanghai Electric (Group) Guangxi Co., Ltd.	Cost method	300,000.00	300,000.00		300,000.00	100.00	300,000.00		
Shanghai Textile Machinery Transport Services Ltd.	Cost method	281,965.71	281,965.71		281,965.71	30.00			
Zhejiang Sifang Shares	Cost method	264,000.00	264,000.00		264,000.00				
Shanghai Hero AIC Di Door Co., Ltd.	Cost method	184,476.73	184,476.73		184,476.73	60.00	184,476.73		
Electric Company Yunnan Branch	Cost method	124,065.85	124,065.85		124,065.85		124,065.85		
Shanghai Yongchang Exhibition Co., Ltd.	Cost method	100,000.00	100,000.00		100,000.00	20.00			
Shanghai Shang Qi Heat Treatment Co., Ltd.	Cost method	90,000.00	90,000.00		90,000.00	18.00			
Shanghai "Fluid Power Transmission and Control" Magazine	Cost method	80,000.00	80,000.00		80,000.00	80.00	80,000.00		

Investees	Accounting method	Investment cost	Opening balance	Increase / Decrease	Closing balance	Proportion of shares held in invested units (%)	Closing provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Narcissus Electric Company	Cost method	37,000.00	37,000.00		37,000.00	0.93	37,000.00		
Mechanical basic parts company	Cost method	30,000.00	30,000.00		30,000.00		30,000.00		
Inner Mongolia Baotou Department Store Co., Ltd.	Cost method	30,000.00	30,000.00		30,000.00				
Shanghai Meizheng Security Service Co., Ltd.	Cost method	23,370.00	23,370.00		23,370.00				
Tangcheng (Group) Co., Ltd.	Cost method	17,000.00	17,000.00		17,000.00				
Kunshan Printing Factory	Cost method	10,000.00	10,000.00		10,000.00	minor	10,000.00		
Shanghai Luwan District Transport Company Automobile Team	Cost method	8,746.85	8,746.85		8,746.85	100.00			
Shanghai Pen Industry Research Institute	Cost method	1.00	1.00		1.00	minor	1.00		
Shanghai Great Wall Cultural Goods Co., LTD	Cost method	1.00	1.00		1.00	minor	1.00		
Shanghai People's Tools Factory	Cost method	1.00	1.00		1.00	minor	1.00		
Shanghai Zhong Lun Estate Co., Ltd.	Cost method	2,671,536.30	2,671,536.30	-2,671,536.30		minor			
Subtotal of other investments in electrical shares	Cost method	44,929,000.00	54,449,000.00	-9,520,000.00	44,929,000.00		444,000.00		964,000.00
Other miscellaneous subtotals	Cost method	11,898,883.87	42,306,266.40	-30,407,382.53	11,898,883.87		11,049,210.01		

14. Long-term receivables

Item	Closing balance			Opening balance		
	Book value	Provision for bad debts	Net value	Book value	Provision for bad debts	Net value
Finance lease	12,016,134,000.00	629,267,000.00	11,386,867,000.00	11,848,540,000.00	437,643,000.00	11,410,897,000.00
Others	2,200,643,000.00	16,030,000.00	2,184,613,000.00	35,562,000.00		35,562,000.00
Less: Long-term receivables due within one year	5,282,679,000.00	467,170,000.00	4,815,509,000.00	4,770,964,000.00	304,134,000.00	4,466,830,000.00
Total	<u>8,934,098,000.00</u>	<u>178,127,000.00</u>	<u>8,755,971,000.00</u>	<u>7,113,138,000.00</u>	<u>133,509,000.00</u>	<u>6,979,629,000.00</u>

15. Long-term equity investments

15.1 Disclosure by categories

Item	Opening balance	Increase	Decrease	Closing balance
Investment in joint ventures	4,241,814,969.84	768,988,451.65	161,211,870.00	4,849,591,551.49
Investment in associated enterprises	6,823,389,519.67	1,477,609,278.23	924,930,548.23	7,376,068,249.67
<u>Subtotal</u>	<u>11,065,204,489.51</u>	<u>2,246,597,729.88</u>	<u>1,086,142,418.23</u>	<u>12,225,659,801.16</u>
Less: provision for impairment loss	444,098,000.00	7,008,000.00		451,106,000.00
Total	<u>10,621,106,489.51</u>	<u>2,239,589,729.88</u>	<u>1,086,142,418.23</u>	<u>11,774,553,801.16</u>

15.2 List of Long-term equity investments

Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
			Increase	Decrease	Investment profit or loss under equity method	
Total		<u>11,065,204,489.51</u>	<u>633,555,666.47</u>	<u>263,913,726.39</u>	<u>1,354,236,729.88</u>	<u>258,271,000.00</u>
1. Subtotal for joint ventures		<u>4,241,814,969.84</u>			<u>570,788,451.65</u>	<u>198,200,000.00</u>
Ansaldo Energia S.P.A ("AEN") (Note)	2,976,485,000.00	3,160,174,000.00			52,682,000.00	198,200,000.00
Shanghai Fanake Robot Co., Ltd.	868,128,000.00	868,128,000.00			485,129,000.00	
Shanghai Fanake International Trading Co., Ltd.	109,840,000.00	109,840,000.00			43,386,000.00	
for other joint ventures	92,551,054.50	94,214,000.00			-11,079,000.00	
Shanghai Dahua - Chino Instrument Co., Ltd.	5,805,000.00	9,458,969.84			670,451.65	
2. Subtotal for investments in associates		<u>6,823,389,519.67</u>	<u>633,555,666.47</u>	<u>263,913,726.39</u>	<u>783,448,278.23</u>	<u>60,071,000.00</u>
Shanghai Mitsubishi Electric Appliance Mitsubishi air conditioners Co., Ltd.	558,309,000.00	624,638,000.00			86,600,000.00	
Shanghai Rail Traffic Equipment Development Co., Ltd.	353,363,000.00	544,233,265.34			16,660,000.00	
Shanghai Jintai Engineering Machinery Co., Ltd.	480,531,000.00	467,783,000.00	22,767,000.00		23,417,000.00	
Shanghai Microelectronics Equipment (Group) Co., Ltd.	253,346,127.44	461,139,712.39			8,591,448.66	
Mitsubishi Elevator Shanghai Mechanical & Electrical Co., Ltd.	341,663,000.00	424,103,000.00			31,523,000.00	
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.	451,829,000.00	370,385,000.00			75,676,000.00	
Manz AG	429,181,000.00	394,196,000.00			-3,223,000.00	
Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.	250,000,000.00		250,000,000.00			

Investees	Investment capital	Opening balance	Changes in current period			
			Increase	Decrease	Investment profit or loss under equity method	Other comprehensive income adjustment
Shanghai Riyong Youjie Automotive Electric Co., Ltd.,	195,708,000.00	217,169,000.00			44,533,000.00	
Shenhua (Beijing) Photovoltaic Technology R&D Co., Ltd.	245,000,000.00		245,000,000.00		-10,603,000.00	
Shanghai Pudong Zhangjiang Microfinance Limited	200,624,190.92	217,889,000.00			15,723,000.00	
Nanjing Panneng Electric Power Technology Co., Ltd.	155,441,886.78	175,809,000.00			4,694,000.00	
Shanghai Voith Hydro Equipment Co., Ltd.	127,756,000.00	137,535,000.00			37,896,000.00	
Shanghai Nabtesco Hydraulic Co., Ltd.	165,735,000.00	119,587,000.00			27,952,000.00	
Shanghai Marathon Innovation Electric Co., Ltd.	161,251,000.00	209,343,000.00			23,157,000.00	
Shanghai Siemens Switchgear Co., Ltd.	139,640,000.00	126,673,000.00			52,950,000.00	
Shanghai Schneider Distribution Electric Co., Ltd.	97,267,000.00	76,455,000.00			103,007,000.00	
Shanghai Danfoss Hydraulic Co., Ltd.	58,602,000.00	107,980,000.00			36,622,000.00	
Legendary Electric (Shenyang) Co., Ltd.	42,120,000.00	78,559,000.00			63,179,000.00	
State Nuclear Power Automation System Engineering Company (SNPAS)	98,000,000.00	90,765,073.55			9,754,228.03	
Shanghai Clyde Bergemann Machinery Co., Ltd.	24,000,000.00	3,745,000.00	11,693,000.00		29,729,000.00	60,071,000.00
Shanghai Hino Engine Co., Ltd.	21,406,679.32	81,859,185.50			-674,203.08	
Shanghai Highly Nakano Refrigerators Co., Ltd	77,159,790.45	77,159,790.45			3,526,214.18	
Shanghai Proton Heavy Ion Hospital Co., Ltd.	100,000,000.00	89,529,445.68			-22,817,056.23	
Shanghai Nanyang Cable Co., Ltd.	18,000,000.00	66,120,078.38			-8,807,911.18	
Shanghai Yi Shen Real Estate Development Co., Ltd.	22,500,000.00	82,299,704.29			10,713,595.49	

Investees	Investment capital	Opening balance	Changes in current period			Other comprehensive income adjustment
			Increase	Decrease	Investment profit or loss under equity method	
Shanghai Electric Group Henglian Enterprise Development Co., Ltd.	7,000,000.00	43,905,834.12			8,295,810.50	
Shanghai YOKOGAWA Electric Co., Ltd.	12,973,203.00	37,741,163.95			6,924,371.36	
Shanghai Kaishibi Pump Co., Ltd.	45,425,660.23	37,888,660.23			1,114,000.00	
Shanghai Electric Complete Co., Ltd.	44,060,214.25	39,545,863.26			-873,879.96	
Pacific Electromechanical Group (Shanghai) Technology Co., Ltd.	40,000,000.00	40,000,000.00			-2,883,013.44	
Schuler Presses Ltd.	34,132,362.35	35,083,150.84			1,094,307.84	
Shanghai Dahao Properties Co., Ltd.	20,000,000.00	24,589,086.35			-3,265,837.78	
Shanghai Changyang Chuanguu Enterprise Development Co., Ltd.	24,500,000.00	21,815,963.10			-2,607,235.18	
Shanghai Dalong Machinery Co., Ltd.	21,776,669.74	19,786,571.90			-740,928.41	
Shanghai Shen Xin Wind Power Co., Ltd.	13,260,000.00	11,283,059.07			336,178.62	
Shanghai Xinyefang Shangying Enterprise Development Co., Ltd.	12,500,000.00	11,895,324.52			-909,002.69	
Shanghai Pu Qing gas turbine Co., Ltd.	9,800,000.00	9,982,169.86			81,647.31	
Shanghai Babai show Enterprise Management Co., Ltd.	5,200,000.00	9,528,132.06			3,816,200.29	
Shanghai Anest Iwata Coating Machinery Co., Ltd.	131,764,700.00	10,791,000.00			-3,783,000.00	
Thousand field measurement and control equipment (Kunshan) Co., Ltd.	2,648,640.00	6,319,971.67			1,264,215.40	
Shanghai Cable Factory	16,271,937.13	8,430,488.90			-2,035,322.12	
Shanghai Pailui Investment Management Ltd.	9,000,000.00	7,722,386.01			-1,473,976.69	
Shanghai Electric Industrial Park Management Limited	980,000.00	5,781,762.29			998.30	

Investees	Investment capital	Opening balance	Changes in current period			
			Increase	Decrease	Investment profit or loss under equity method	Other comprehensive income adjustment
Shanghai Automation Instrumentation nine Instrument Co., Ltd.	2,217,741.94	5,144,967.15			171,972.14	
Shanghai Oriented Investment Management Company	4,000,000.00	3,621,829.42			-1,295,279.18	
Shanghai Zibo Zhidian Enterprise Management Co., Ltd.	1,960,000.00	1,960,000.00			-736,464.29	
Shanghai Shanglan Irradiation Technology Development Co., Ltd.	1,164,551.41	1,164,587.88			17.73	
Shanghai Road and Bridge Construction Machinery Co., Ltd.	9,443,526.21					
Shanghai Meida Welding Equipment Co., Ltd.	10,501,168.11	11,262,277.35		11,262,277.35		
Others	12,348,074.00	1,173,190,014.16	104,095,666.47	252,651,449.04	121,174,182.61	
Continued:						
Investees	Other changes in equity	Declared cash dividends or interest	Changes in current period			
			Others	Closing balance	Provision for impairment balance	Shares in the unit invested (%)
Total	<u>534,333.53</u>	<u>822,228,691.84</u>		<u>12,225,659,801.16</u>	<u>451,106,000.00</u>	
1. Subtotal for joint ventures						
Ansaldo Energia S.P.A ("AEN") (Note)		<u>161,211,870.00</u>		<u>4,849,591,551.49</u>	<u>444,098,000.00</u>	
Shanghai Fanake Robot Co., Ltd.		131,309,000.00		3,411,056,000.00	444,098,000.00	40.00
Shanghai Fanake International Trading Co., Ltd.		28,992,000.00		1,221,948,000.00		50.00
Others		640,000.00		124,234,000.00		25.00
				82,495,000.00		

Investees	Changes in current period				Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percentage of voting rights (%)
	Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others				
Shanghai Dahua - Chino Instrument Co., Ltd.		270,870.00			9,858,551.49		50.00	50.00
2. Subtotal for investments in associates	<u>534,333.53</u>	<u>661,016,821.84</u>	<u>7,008,000.00</u>		<u>7,376,068,249.67</u>	<u>7,008,000.00</u>		
Shanghai Mitsubishi Electric Appliance Mitsubishi air conditioners Co., Ltd.		54,632,000.00			656,606,000.00		47.58	47.58
Shanghai Rail Traffic Equipment Development Co., Ltd.					560,893,265.34		49.00	49.00
Shanghai Jintai Engineering Machinery Co., Ltd.		13,863,000.00			500,104,000.00		49.00	49.00
Shanghai Microelectronics Equipment (Group) Co., Ltd.					469,731,161.05		32.09	32.09
Mitsubishi Elevator Shanghai Mechanical & Electrical Co., Ltd.					455,626,000.00		40.00	40.00
Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.					446,061,000.00		30.00	30.00
Manz AG					390,973,000.00		19.67	19.67
Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.					250,000,000.00		20.00	20.00
Shanghai Riyong Youjie Automotive Electric Co., Ltd.,	24,544,000.00				237,158,000.00		30.00	30.00
Shenhua (Beijing) Photovoltaic Technology R&D Co., Ltd.					234,397,000.00		20.00	20.00
Shanghai Pudong Zhangjiang Microfinance Limited	8,900,000.00				224,712,000.00		23.75	23.75
Nanjing Panneng Electric Power Technology Co., Ltd.	3,125,000.00				177,378,000.00		25.00	25.00
Shanghai Voith Hydro Equipment Co., Ltd.	22,600,000.00				152,831,000.00		20.00	20.00
Shanghai Nabtesco Hydraulic Co., Ltd.	9,269,000.00				138,270,000.00		33.00	33.00
Shanghai Marathon Innovation Electric Co., Ltd.	94,656,000.00				137,844,000.00		45.00	45.00
Shanghai Siemens Switchgear Co., Ltd.	42,985,000.00				136,638,000.00		45.00	45.00

Investees	Changes in current period				Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percentage of voting rights (%)
	Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others				
Shanghai Schneider Distribution Electric Co., Ltd.		51,696,000.00			127,766,000.00		20.00	20.00
Shanghai Danfoss Hydraulic Transmission Co., Ltd.		16,858,000.00			127,744,000.00		40.00	40.00
Legendary Electric (Shenyang) Co., Ltd.		32,474,000.00			109,264,000.00		35.00	35.00
State Nuclear Power Automation System Engineering Company (SNPAS)					100,519,301.58		49.00	49.00
Shanghai Clyde Bergemann Machinery Co., Ltd.		15,719,000.00			89,519,000.00		30.00	30.00
Shanghai Hino Engine Co., Ltd.					81,184,982.42		20.00	20.00
Shanghai Highly Nakano Refrigerators Co., Ltd		2,843,719.76			77,842,284.87		43.00	43.00
Shanghai Proton Heavy Ion Hospital Co., Ltd.					66,712,389.45		20.00	20.00
Shanghai Nanyang Cable Co., Ltd.					57,312,167.20		45.00	45.00
Shanghai Yi Shen Real Estate Development Co., Ltd.		45,000,000.00			48,013,299.78		45.00	45.00
Shanghai Electric Group Henglian Enterprise Development Co., Ltd.		8,050,000.00			44,151,644.62		35.00	35.00
Shanghai YOKOGAWA Electric Co., Ltd.		3,712,207.98			40,953,327.33		40.00	40.00
Shanghai KSB Pumps Ltd.					39,002,660.23		20.00	20.00
Shanghai Electric Complete Co., Ltd.					38,671,983.30		35.00	35.00
Pacific Electromechanical Group (Shanghai) Technology Co., Ltd.					37,116,986.56		40.00	40.00
Schuler Presses Ltd.					36,177,458.68		20.61	20.61
Shanghai Dahao Properties Co., Ltd.					21,323,248.57		20.00	20.00
Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.					19,208,727.92		49.00	49.00

Investees	Changes in current period				Closing balance	Provision for impairment balance	Shares in the unit invested (%)	Percentage of voting rights (%)
	Other changes in equity	Declared cash dividends or interest	Provision for impairment	Others				
Shanghai Dalong Machinery Co., Ltd.					19,045,643.49		20.00	20.00
Shanghai Shen Xin Wind Power Co., Ltd.					11,619,237.69		45.00	45.00
Shanghai Xinyefang Development Co., Ltd.					10,986,321.83		25.00	25.00
Shanghai Pu Qing gas turbine Co., Ltd.					10,063,817.17		49.00	49.00
Shanghai Babai show Enterprise Management Co., Ltd.		3,624,896.65			9,719,435.70		20.00	20.00
Shanghai Anest Iwata Coating Machinery Co., Ltd.			7,008,000.00		7,008,000.00	7,008,000.00	40.00	40.00
Chino Control Equipment (Kunshan) Co., Ltd.		1,007,181.01			6,577,006.06		40.00	40.00
Shanghai Cable Factory					6,395,166.78		33.33	33.33
Shanghai Paihui Investment Management Ltd.					6,248,409.32		30.00	30.00
Shanghai Electric Industrial Park Management Limited					5,782,760.59		49.00	49.00
Shanghai Automation Instrumentation nine Instrument Co., Ltd.		62,500.00			5,254,439.29		40.32	40.32
Shanghai Oriented Investment Management Company					2,326,550.24		40.00	40.00
Shanghai Zibo Zhidian Enterprise Management Co., Ltd.					1,223,535.71		49.00	49.00
Shanghai Shanglan Irradiation Technology Development Co., Ltd.					1,164,605.61		25.00	25.00
Shanghai Road and Bridge Construction Machinery Co., Ltd.								
Shanghai Almeida Welding Equipment Co., Ltd.								
Others Subtotal	534,333.53	205,395,316.44			940,947,431.29			

Note: On May 8, 2014, the Group's subsidiary, Electric Shares, and Italy's CDP Equity SpA ("CDP") (formerly Fondo Strategico Italiano SpA) signed an equity transfer agreement to acquire 40% of the shares of AEN (Italian Ansaldo Energy Company), the acquisition price is 400 million euros. On December 4, 2014, the Electrical Shares and CDP completed the procedures for the delivery of shares, and the Electrical Shares formally became the shareholders of AEN. After the above equity transfer, CDP still holds 44.55% equity of AEN. According to the provisions of the AEN Company's Articles of Association, its major financial and operational decisions require that Electric Shares and CDP agree in unison, and AEN is a joint venture of the Group's subsidiary Electric Shares.

In addition, since the standard currency for bookkeeping of AEN is Euro, and the bookkeeping currency for Electrical Shares is CNY, the net investment in Electrical Shares to AEN is subject to the risk of the exchange rate of Euro against CNY. The electrical shares have hedged the foreign exchange risk through the net investment hedge of overseas operations, and the risk of exchange rate changes between the euro and the Renminbi that caused changes in AEN's net investment was determined to be the hedged risk. Guaranteed loan of 400 million euros for short-term borrowings from January 1 to May 31, 2015 is designated as a hedging instrument. During the period from June 1, 2015 to September 30, 2016, 400 million euros of bonds issued for the issuance of 600 million euros of bonds were designated as hedging instruments. During the period from October 1, 2016 to December 31, 2017, a total of 371.7 million euros in bonds issued for the issuance of 600 million euros of bonds is a hedging instrument. The Electrical Shares have formulated formal hedging documents to specify the above hedging relationships, risk management objectives and hedging strategies. At the same time, the Electrical Shares carried out a validity test and the test results showed that the aforementioned hedging was highly effective during the current year. The effect of translation differences on foreign currency translation of AEN net investment arising from changes in exchange rates during the year was CNY198,200,000.00. The effective part of the net investment hedge for overseas operations was CNY198,200,000.00. The net effect of the above-mentioned translation differences in foreign currency statements and the effective portion of the net investment hedge of overseas operations on other comprehensive income is zero.

15.3 The main financial information of the important joint ventures

Item	Current period	
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.
Current assets	12,298,524,000.00	2,983,438,000.00
Non-current assets	13,487,858,000.00	481,180,000.00
Total assets	25,786,382,000.00	3,464,618,000.00
Current liabilities	12,964,505,000.00	1,020,722,000.00
Non-current liabilities	9,258,818,000.00	

Item	Current period	
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.
Total liabilities	22,223,323,000.00	1,020,722,000.00
Net assets	3,563,059,000.00	2,443,896,000.00
Net assets calculated by shares	1,425,223,600.00	1,221,948,000.00
Adjusting events	1,541,734,400.00	
The book value of equity investments in joint ventures	2,966,958,000.00	1,221,948,000.00
The fair value of publicly quoted equity investments		
Revenue	10,332,215,000.00	3,387,536,000.00
Finance expense	391,521,000.00	-64,471,000.00
Income tax expense	50,965,000.00	147,670,000.00
Net profit	131,705,000.00	970,259,000.00
Other comprehensive income	326,038,000.00	
Total comprehensive income	457,743,000.00	970,259,000.00
Dividends received from joint ventures		131,309,000.00

Continued:

Item	Previous Period	
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.
Current assets	9,778,895,000.00	2,402,008,000.00
Non-current assets	11,995,963,000.00	440,406,000.00
Total assets	21,774,858,000.00	2,842,414,000.00
Current liabilities	10,840,164,000.00	1,104,132,000.00
Non-current liabilities	7,754,064,000.00	2,026,000.00
Total liabilities	18,594,228,000.00	1,106,158,000.00
Net assets	3,180,630,000.00	1,736,256,000.00
Net assets calculated by shares	1,272,252,000.00	868,128,000.00

Item	Previous Period	
	Ansaldo Energia S.P.A	Shanghai Fanake Robot Co., Ltd.
Adjusting events	1,443,824,000.00	
The book value of equity investments in joint ventures	2,716,076,000.00	868,128,000.00
The fair value of publicly quoted equity investments		
Revenue	9,157,393,236.00	2,052,701,000.00
Finance expense	171,147,176.40	-45,857,000.00
Income tax expense	88,105,394.40	67,607,000.00
Net profit	441,893,343.60	526,819,000.00
Other comprehensive income	38,314,156.40	
Total comprehensive income	480,207,500.00	526,819,000.00
Dividends received from joint ventures		

15.4 The main financial information of the important joint ventures

Items	Amount incurred in current period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi air conditioners Co., Ltd.	Shanghai Rail Traffic Equipment Development Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.
Current assets	2,375,002,000.00	2,594,243,000.00	1,111,989,000.00	1,484,423,000.00
Non-current assets	365,955,000.00	539,287,000.00	108,109,000.00	654,847,000.00
Total assets	2,740,957,000.00	3,133,530,000.00	1,220,098,000.00	2,139,270,000.00
Current liabilities	1,361,533,000.00	1,787,942,000.00	581,268,000.00	652,398,000.00
Non-current liabilities		37,104,000.00		2,000.00
Total liabilities	1,361,533,000.00	1,825,046,000.00	581,268,000.00	652,400,000.00
Net asset	1,379,424,000.00	1,308,484,000.00	638,830,000.00	1,486,870,000.00
Net assets calculated by shares	656,606,000.00	554,173,000.00	127,766,000.00	446,061,000.00
Adjusting events		6,720,265.34		

Items	Amount incurred in current period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi air conditioners Co., Ltd.	Shanghai Rail Traffic Equipment Development Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.
The book value of equity investments in associated enterprises	656,606,000.00	560,893,265.34	127,766,000.00	446,061,000.00
The fair value of publicly quoted equity investments				
Revenue	4,967,294,000.00	1,493,859,000.00	2,289,868,000.00	2,289,868,000.00
Net profit	181,993,000.00	45,097,000.00	515,183,000.00	245,014,000.00
Other comprehensive income				
Total comprehensive income	181,993,000.00	45,097,000.00	515,183,000.00	245,014,000.00
Dividends received from associated enterprises	54,632,000.00		51,696,000.00	

Continued:

Items	Amount incurred in Previous Period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi air conditioners Co., Ltd.	Shanghai Rail Traffic Equipment Development Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.
Current assets	2,349,898,000.00	2,033,210,000.00	909,085,000.00	1,550,548,000.00
Non-current assets	382,644,000.00	535,860,000.00	95,891,000.00	416,957,000.00
Total assets	2,732,542,000.00	2,569,070,000.00	1,004,976,000.00	1,967,505,000.00
Current liabilities	1,420,277,000.00	1,281,727,000.00	622,701,000.00	732,888,000.00
Non-current liabilities		24,097,000.00		
Total liabilities	1,420,277,000.00	1,305,824,000.00	622,701,000.00	732,888,000.00
Net asset	1,312,265,000.00	1,263,246,000.00	382,275,000.00	1,234,617,000.00

Items	Amount incurred in Previous Period			
	Shanghai Mitsubishi Electric Appliance Mitsubishi air conditioners Co., Ltd.	Shanghai Rail Traffic Equipment Development Co., Ltd.	Shanghai Schneider Distribution Electric Co., Ltd.	Shanghai Yileng Carrier Air Conditioning Equipment Co., Ltd.
Net assets calculated by shares	624,638,000.00	537,514,000.00	76,455,000.00	370,385,100.00
Adjusting events		6,719,265.34		-100.00
The book value of equity investments in associated enterprises	624,638,000.00	544,233,265.34	76,455,000.00	370,385,000.00
The fair value of publicly quoted equity investments				
Revenue	4,478,980,168.11	951,691,000.00	2,169,297,000.00	2,963,627,000.00
Net profit	229,612,186.63	3,641,000.00	558,628,000.00	365,637,000.00
Other comprehensive income				
Total comprehensive income	229,612,186.63	3,641,000.00	558,628,000.00	365,637,000.00
Dividends received from associated enterprises	42,926,000.00		193,162,000.00	140,010,000.00

15.5 Summary of unimportant joint ventures and associated enterprises

Item	December 31, 2017	December 31, 2016
Joint ventures:		
Total book value of the investment	216,587,551.49	213,512,969.84
Total of following according to shares		
Net profit	32,977,451.65	-2,878,301.11
Other comprehensive income		
Total comprehensive income	32,977,451.65	-2,878,301.11
Associated enterprises:		

Item	December 31, 2017	December 31, 2016
Total book value of the investment	5,577,733,984.33	5,207,678,254.33
Total of following according to shares		
Net profit	501,505,278.23	437,106,914.02
Other comprehensive income	60,071,000.00	
Total comprehensive income	561,576,278.23	437,106,914.02

15.6 Equity-related risk information in joint ventures and associated enterprises

- (1) There is no limit on transfer funds of joint ventures and associated enterprises at the year end.
- (2) At the year end, Shanghai Road and Bridge Construction Machinery Co., Ltd., Shanghai Clean Energy Investment Co. Ltd., Shanghai Shanglan Fujikura Cable Co. and Shanghai Meida Welding Equipment Co., Ltd. exceeded loss and the Company adjusted the book value of the investment to zero. Furthermore, there was no excess loss on other main joint ventures and associated enterprises in current period.
- (3) There were no unrecognized commitments related to investment in joint ventures in the current period.
- (4) At the end of the period, there are no contingent liabilities related to investment in joint ventures.

16. Investment properties

Investment properties measured at cost

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>1,754,248,733.19</u>	<u>75,290,000.00</u>	<u>144,306,000.00</u>	<u>1,685,232,733.19</u>
Including: 1. Buildings	1,574,780,602.66	75,290,000.00	144,306,000.00	1,505,764,602.66
2. Land use rights	179,468,130.53			179,468,130.53
II. Total accumulated depreciation and amortization	<u>680,719,311.47</u>	<u>103,735,275.73</u>	<u>59,317,144.19</u>	<u>725,137,443.01</u>
Including: 1. Buildings	642,416,715.09	103,382,354.80	59,317,144.19	686,481,925.70
2. Land use rights	38,302,596.38	352,920.93		38,655,517.31
III. Total carrying amount of investment properties	<u>1,073,529,421.72</u>			<u>960,095,290.18</u>
Including: 1. Buildings	932,363,887.57			819,282,676.96
2. Land use rights	141,165,534.15			140,812,613.22
IV. Total accumulated provision for impairment losses of investment properties	<u>47,316.80</u>			<u>47,316.80</u>
Including: 1. Buildings	47,316.80			47,316.80
2. Land use rights				

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
V. Total net book value of investment properties	<u>1,073,482,104.92</u>			<u>960,047,973.38</u>
Including: 1. Buildings	932,316,570.77			819,235,360.16
2. Land use rights	141,165,534.15			140,812,613.22

Note: The original value of investment property without property right certificate at the end of the period is CNY 6,358,502.85.

17. Fixed assets

17.1 Disclosure by categories

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>42,413,556,849.51</u>	<u>1,769,412,981.40</u>	<u>1,432,130,730.77</u>	<u>42,750,839,100.14</u>
Including: Buildings	14,699,094,413.80	123,838,512.44	539,975,784.02	14,282,957,142.22
Machinery and equipment	24,718,823,743.56	1,358,600,107.20	759,924,019.15	25,317,499,831.61
Transportation vehicles	672,719,448.04	30,207,588.85	44,165,285.99	658,761,750.90
Electronic and office equipment	1,950,551,969.20	252,277,498.42	75,316,745.06	2,127,512,722.56
Other equipment	372,367,274.91	4,489,274.49	12,748,896.55	364,107,652.85
II. Total accumulated depreciation	<u>20,255,307,225.71</u>	<u>2,486,322,488.84</u>	<u>969,583,745.90</u>	<u>21,772,045,968.65</u>
Including: Buildings	4,829,937,310.83	625,611,980.65	349,514,069.34	5,106,035,222.14
Machinery and equipment	13,450,468,662.03	1,612,301,383.46	509,293,504.54	14,553,476,540.95
Transportation vehicles	483,490,525.93	49,713,103.63	37,926,781.25	495,276,848.31
Electronic and office equipment	1,390,142,759.37	194,721,369.99	61,200,173.53	1,523,663,955.83
Other equipment	101,267,967.55	3,974,651.11	11,649,217.24	93,593,401.42
III. Subtotal carrying amount of fixed assets	<u>22,158,249,623.80</u>			<u>20,978,793,131.49</u>
Including: Buildings	9,869,157,102.97			9,176,921,920.08
Machinery and equipment	11,268,355,081.53			10,764,023,290.66
Transportation vehicles	189,228,922.11			163,484,902.59
Electronic and office	560,409,209.83			603,848,766.73

Items	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
equipment				
Other equipment	271,099,307.36			270,514,251.43
IV. Total provision for impairment losses	<u>641,959,895.84</u>	<u>2,983,988.30</u>	<u>32,390,456.54</u>	<u>612,553,427.60</u>
Including: Buildings	91,755,655.83	575,000.00		92,330,655.83
Machinery and equipment	291,320,654.67	2,408,950.05	32,138,702.68	261,590,902.04
Transportation vehicles	1,883,852.74		9,800.04	1,874,052.70
Electronic and office equipment	1,132,348.16	38.25	236,085.42	896,300.99
Other equipment	255,867,384.44		5,868.40	255,861,516.04
V. Total carrying amount of fixed assets	<u>21,516,289,727.96</u>			<u>20,366,239,703.89</u>
Including: Buildings	9,777,401,447.14			9,084,591,264.25
Machinery and equipment	10,977,034,426.86			10,502,432,388.62
Transportation vehicles	187,345,069.37			161,610,849.89
Electronic and office equipment	559,276,861.67			602,952,465.74
Other equipment	15,231,922.92			14,652,735.39

17.2 Disclosures about fixed assets which are temporarily idle

Items	Book value	Accumulated depreciation	Provision for impairment	Net value	Note
Machinery equipment	48,349,934.05	23,317,281.04	5,759,740.54	19,272,912.47	
Total	<u>48,349,934.05</u>	<u>23,317,281.04</u>	<u>5,759,740.54</u>	<u>19,272,912.47</u>	

17.3 Other disclosures

Item	Total original cost
Fixed assets of which certificates of title have not been obtained	285,851,040.32

18. Construction in progress

18.1 Construction in progress detail

Projects	Closing balance			Opening balance		
	Original value	Provision for impairment	Book value	Original value	Provision for impairment	Book value
Ankuang Photovoltaic New Energy Project				31,603,000.00		31,603,000.00
Haili Changyang Road Comprehensive Reconstruction Project	133,037,151.45		133,037,151.45	106,648,628.05		106,648,628.05
Motor production technology reform project	4,268,000.00		4,268,000.00	30,965,000.00		30,965,000.00
Motor low speed asynchronous motor test platform	8,055,000.00		8,055,000.00			
Nantong Electric Water Treatment Project`				18,500,000.00		18,500,000.00
Ding Jie Software	2,448,403.48		2,448,403.48	2,189,936.50		2,189,936.50
Construction of Feihang new factory building and its technical transformation project	88,618,000.00		88,618,000.00	120,440,000.00		120,440,000.00
Wind Power Offshore Fan Manufacturing Base Project	145,070,000.00		145,070,000.00			
Industrial Steam Turbine Project Phase I	3,696,000.00		3,696,000.00	5,368,000.00		5,368,000.00
Blower Factory Guang Yue Road Reconstruction Project	11,386,000.00		11,386,000.00			
Haian hazardous waste project	106,283,000.00		106,283,000.00	51,748,000.00		51,748,000.00
Hangzhou Fusheng Production Line Transformation	922,269.43		922,269.43	40,437,909.48		40,437,909.48
Huazhong Tianli Photovoltaic Project	35,126,000.00		35,126,000.00	25,602,000.00		25,602,000.00
Huaibei Biomass Thermal Power Project	194,924,000.00		194,924,000.00	12,331,000.00		12,331,000.00
Huaishui North Water Distribution Project	1,115,041,000.00		1,115,041,000.00	606,300,000.00		606,300,000.00

Projects	Closing balance			Opening balance		
	Original value	Provision for impairment	Book value	Original value	Provision for impairment	Book value
Environmental protection transformation project	1,361,000.00		1,361,000.00	42,853,000.00		42,853,000.00
Piston plant project				24,116,291.35		24,116,291.35
Electromechanical Shares new plant	12,298,000.00		12,298,000.00	37,258,000.00		37,258,000.00
Jiyou overseas projects under construction	71,875,000.00		71,875,000.00	104,272,000.00		104,272,000.00
Jiyou technical transformation project	23,217,000.00		23,217,000.00	40,228,000.00		40,228,000.00
Military project	5,366,130.00		5,366,130.00	5,366,130.00		5,366,130.00
Kashibi pump main pump technology use engineering	35,783,000.00		35,783,000.00	35,783,000.00		35,783,000.00
Wheel forging manipulators, etc.	42,582,739.73	4,677,301.66	37,905,438.07	74,873,728.39	4,677,301.66	70,196,426.73
Mengcheng County Agriculture and Forestry Biomass Power Generation Project	54,207,000.00		54,207,000.00	3,064,000.00		3,064,000.00
Nanchang Highly Technical R&D Center (Phase 2)	7,360,139.44		7,360,139.44	6,974,449.74		6,974,449.74
Nanchang Highly Technical R&D Center (Phase I)	21,751,126.92		21,751,126.92	20,351,193.54		20,351,193.54
Haili Nanchang Production Line Transfer Project	59,558,217.74		59,558,217.74			
Pudong Avenue 2748 House Renovation Project	2,167,759.22		2,167,759.22			
Automotive Parts Project				17,369,367.53		17,369,367.53
Ruineng Heat Pump Demonstration Production Line Renovation Project	2,291,716.97		2,291,716.97			
Mitsubishi production line equipment installation	206,992,000.00		206,992,000.00	165,050,000.00		165,050,000.00
Shanghai Machine Tool Plant Project	5,400,000.00		5,400,000.00			

Projects	Closing balance			Opening balance		
	Original value	Provision for impairment	Book value	Original value	Provision for impairment	Book value
Production equipment purchase and construction				2,009,042.74		2,009,042.74
Transmission and Distribution Equipment R&D Test Platform Construction Project	20,231,000.00		20,231,000.00			
Sichuan Fusheng High-efficiency and Energy-saving Intelligent Motor Construction Project	15,115,801.50		15,115,801.50	88,806,769.80		88,806,769.80
Tianchang Agriculture and Forestry Biomass Power Generation Project	46,857,000.00		46,857,000.00	1,925,000.00		1,925,000.00
Wujiang Transformer Factory and Equipment	18,554,000.00		18,554,000.00			
Wuhe Biomass Thermal Power Project	176,989,000.00		176,989,000.00	9,732,000.00		9,732,000.00
New Energy Vehicle Air Conditioner Compressor 100,000 Project				19,315,697.82		19,315,697.82
New Energy Automotive Air Conditioning Compressor 150,000 Project	7,453,251.84		7,453,251.84			
Large-capacity air-condition scroll compressor project for new energy electric buses				13,372,899.35		13,372,899.35
Compressor intelligent manufacturing transformation project	17,822,006.99		17,822,006.99	6,350,405.19		6,350,405.19
First Machine Tool Port Engineering Phase III	13,029,000.00		13,029,000.00	49,881,000.00		49,881,000.00
India Project (four issues)				157,029,920.39		157,029,920.39
Pacific Electrical and Mechanical Repairing Machine Project				11,983,298.50	10,689,937.95	1,293,360.55
Zhongshan West Road Housing Demolition and Reconstruction Project	8,439,712.51	8,439,712.51		8,439,712.51	8,439,712.51	
Automated intelligent system development	12,140,000.00		12,140,000.00			
Natural Workspace Heat Pump Compressor Project				7,993,011.97		7,993,011.97

Projects	Closing balance			Opening balance		
	Original value	Provision for impairment	Book value	Original value	Provision for impairment	Book value
Others	235,443,105.22	6,904,260.32	228,538,844.90	284,814,360.46	5,732,098.16	279,082,262.30
	<u>2,973,159,532.44</u>	<u>20,021,274.49</u>	<u>2,953,138,257.95</u>	<u>2,291,345,753.31</u>	<u>29,539,050.28</u>	<u>2,261,806,703.03</u>
Total						

18.2 Changes in significant construction in progress (Top 10 disclosed)

Projects	Budget amount ('0000)	Opening balance	Increase in the current period	Transfer to fixed assets	Other decreases	Closing balance
Total		<u>1,176,521,628.05</u>	<u>1,401,729,741.14</u>	<u>278,684,000.00</u>	<u>1,180,000.00</u>	<u>2,298,387,369.19</u>
Huaishui North Water Distribution Project	167,700.00	606,300,000.00	508,741,000.00			1,115,041,000.00
Mitsubishi production line equipment installation		165,050,000.00	174,448,000.00	132,506,000.00		206,992,000.00
Huaibei Biomass Thermal Power Project		12,331,000.00	182,593,000.00			194,924,000.00
Wuhe Biomass Thermal Power Project		9,732,000.00	167,257,000.00			176,989,000.00
Wind Power Offshore Fan Manufacturing Base Project			145,797,000.00		727,000.00	145,070,000.00
Haili Changyang Road Comprehensive Reconstruction Project	15,656.00	106,648,628.05	26,388,523.40			133,037,151.45
Haian hazardous waste project	17,656.00	51,748,000.00	54,535,000.00			106,283,000.00
Construction of Feihang new factory building and its technical transformation project	16,159.00	120,440,000.00	21,897,000.00	53,719,000.00		88,618,000.00
Jiyou overseas projects under construction		104,272,000.00	60,515,000.00	92,459,000.00	453,000.00	71,875,000.00
Haili Nanchang Production Line Transfer Project	61,965.00		59,558,217.74			59,558,217.74

Continued:

Projects	Ratio of the amount invested on the budget amount (%)	Project progress	Accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Total			<u>8,904,905.55</u>	<u>6,384,905.55</u>		
Huaishui North Water Distribution Project	66.49	66.49	4,074,905.55	4,074,905.55	4.75	Self-funded, funds raised
Mitsubishi production line equipment installation						Self-raised
Huaibei Biomass Thermal Power Project						Self-raised
Wuhe Biomass Thermal Power Project						Self-raised
Wind Power Offshore Fan Manufacturing Base Project						Self-raised
Haili Changyang Road Comprehensive Reconstruction Project	84.98	84.98				Self-raised
Haian hazardous waste project	60.20	60.20				Self-raised
Construction of Feihang new factory building and its technical transformation project	88.09	88.09	4,830,000.00	2,310,000.00	4.35	Self- raised, funds raised
Jiyou overseas projects under construction						Self-raised
Haili Nanchang Production Line Transfer Project	9.61	9.61				Self-raised

19. Intangible assets

19.1 Classifications of intangible assets

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Total original cost	<u>9,583,531,440.35</u>	<u>410,525,006.05</u>	<u>286,812,615.62</u>	<u>9,707,243,830.78</u>
1. Land use rights	6,478,882,098.77	226,996,390.40	63,775,194.62	6,642,103,294.55
2. House use rights	33,089,388.19			33,089,388.19
3. Software	519,466,115.28	39,469,874.27	2,672,000.00	556,263,989.55
4. Patents	1,247,643,971.69	9,234,000.00	137,751,000.00	1,119,126,971.69
5. Trademarks	19,092,809.18	6,700.00	2,722,000.00	16,377,509.18
6. Non-patented technologies	566,892,500.02	1,330,000.00	29,380,000.00	538,842,500.02
7. Franchise	449,319,000.00	93,538,000.00	50,396,000.00	492,461,000.00
8. Others	269,145,557.22	39,950,041.38	116,421.00	308,979,177.60
II. Total accumulated amortization	<u>2,262,091,281.41</u>	<u>409,081,049.27</u>	<u>165,850,305.08</u>	<u>2,505,322,025.60</u>
1. Land use rights	831,468,512.60	236,501,856.41	13,139,205.08	1,054,831,163.93
2. House use rights	348,454.26			348,454.26
3. Software	220,820,772.83	54,041,780.40	1,722,000.00	273,140,553.23
4. Patents	460,285,700.39	46,050,572.30	117,819,100.00	388,517,172.69
5. Trademarks	6,651,563.70			6,651,563.70
6. Non-patented technologies	467,338,509.20	26,238,114.16	14,945,000.00	478,631,623.36
7. Franchise	139,468,000.00	27,611,000.00	18,225,000.00	148,854,000.00
8. Others	135,709,768.43	18,637,726.00		154,347,494.43
III. Total provision for impairment	<u>127,320,591.50</u>		<u>24,695,000.00</u>	<u>102,625,591.50</u>
1. Land use rights	26,609,854.77			26,609,854.77
2. House use rights	4,761,630.14			4,761,630.14
3. Software	2,930,000.00			2,930,000.00
4. Patents	85,280,999.90		17,405,000.00	67,875,999.90
5. Trademarks	227,659.18			227,659.18
6. Non-patented technologies	7,290,000.00		7,290,000.00	
7. Franchise				
8. Others	220,447.51			220,447.51
IV. Total carrying amount of intangible assets	<u>7,194,119,567.44</u>			<u>7,099,296,213.68</u>

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Land use rights	5,620,803,731.40			5,560,662,275.85
2. House use rights	27,979,303.79			27,979,303.79
3. Software	295,715,342.45			280,193,436.32
4. Patents	702,077,271.40			662,733,799.10
5. Trademarks	12,213,586.30			9,498,286.30
6. Non-patented technologies	92,263,990.82			60,210,876.66
7. Franchise	309,851,000.00			343,607,000.00
8. Others	133,215,341.28			154,411,235.66

19.2 Other disclosures

Item	The original value of intangible assets
The land use rights in which property license has not been obtained at the end of the accounting period	16,078,000.00

20. Research and development expenses

Projects	Opening balance	Increase in the current period		Decrease in the current period			Closing balance
		Internal research and development	Others	Included in profits and losses	Recognized as intangible assets	Others	
CAP1400 reactor	78,794,000.00	4,717,000.00					83,511,000.00
Subtotal of other items of electrical shares	22,060,000.00	14,485,000.00		5,769,000.00	10,343,000.00		20,443,000.00
Others	8,649,840.49	6,736,014.34		5,014,576.58			10,371,278.25
Development of high-temperature compressors for heat pump water heaters		2,783,022.62					2,783,022.62
Self-instrument Limited Development Project	6,849,632.00	8,188,424.83				13,930,823.37	1,107,233.46
Industrial automation systems and digital systems	1,350,000.00	7,261,000.00			8,224,000.00		387,000.00
Low temperature heating compressor development	4,162,447.22	2,973,440.58		7,135,887.80			
6-8 horsepower R410A DC inverter compressor development	1,611,544.24	1,885,881.92		3,497,426.16			
Development of motors using crystal diffusion magnets	2,726,819.53	2,335,322.69		5,062,142.22			
Development of Electric Scroll Compressor for Commercial Vehicles	18,184,386.70	1,053,321.92		19,237,708.62			
Total	<u>144,388,670.18</u>	<u>52,418,428.90</u>		<u>45,706,741.38</u>	<u>18,567,000.00</u>	<u>13,930,823.37</u>	<u>118,602,534.33</u>

21. Goodwill

21.1 The book value of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Nedfast Investment B.V	1,393,803,576.73	95,475,711.58		1,489,279,288.31
TEC4AEROGmbH	1,040,346,000.00	14,326,000.00		1,054,672,000.00
Hangzhou Fusheng electrical Co. Ltd	317,639,344.17			317,639,344.17
Shanghai Southbridge Transformer Co., Ltd.	73,234,000.00			73,234,000.00
Shanghai Cyeco Environmental Technology Co., Ltd,	41,966,048.72			41,966,048.72
Shanghai Dahua Electrical Equipment Co., Ltd.	28,654,000.00			28,654,000.00
Shanghai Schiak Testing Machine Co., Ltd.	22,340,376.17			22,340,376.17
CTU Clean Technology Universe AG	20,252,000.00			20,252,000.00
Shanghai Maple Cable Co., Ltd.	19,446,000.00			19,446,000.00
Shanghai Tianhong Micro Bearing Co., Ltd.	16,193,355.95			16,193,355.95
Shanghai Nanhualanling Electric Co., Ltd.	14,464,000.00			14,464,000.00
Shanghai Ziguang Machinery Co., Ltd.	12,483,000.00			12,483,000.00
Shanghai Nace Electric Sets Co., Ltd.	11,394,000.00			11,394,000.00
Shanghai United Bearing Co., Ltd.	8,818,307.02			8,818,307.02
Shanghai United Wood Industry Co., Ltd.	8,381,227.91			8,381,227.91
Shanghai Electric Wind Energy Equipment Co., Ltd.	7,093,000.00			7,093,000.00
Shanghai Flight Wire and Cable Co., Ltd.	6,577,000.00			6,577,000.00
Shanghai Highly (Group) Co. Ltd.	4,517,322.71			4,517,322.71
Anhui Highly Precision Casting Co., Ltd.	2,061,791.55			2,061,791.55
Wujiang Transformer Co., Ltd.	1,267,000.00			1,267,000.00
Shanghai No.5 Electrical Wire Factory Co., Ltd	272.32			272.32
Total	<u>3,050,931,623.25</u>	<u>109,801,711.58</u>		<u>3,160,733,334.83</u>

Note: Changes in goodwill of Nedfast Investment B.V, TEC4AERO GmbH arose from foreign currency translation.

21.2 Provision for impairment of goodwill

Name of the investee or items resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
CTU Clean Technology Universe AG	20,252,000.00			20,252,000.00
Shanghai Cyeco Environmental Technology Co., Ltd.	28,233,000.00			28,233,000.00
Shanghai Maple Cable Co., Ltd.	19,446,000.00			19,446,000.00
Shanghai Nanhualanling Electric Co., Ltd. (Note)		14,464,000.00		14,464,000.00
Shanghai Southbridge Transformer Co., Ltd.	73,234,000.00			73,234,000.00
Wujiang Transformer Co., Ltd. (Note)		1,267,000.00		1,267,000.00
Shanghai Schiak Testing Machine Co., Ltd.	22,340,376.17			22,340,376.17
Shanghai United Wood Industry Co., Ltd.	8,381,227.91			8,381,227.91
Total	<u>171,886,604.08</u>	<u>15,731,000.00</u>		<u>187,617,604.08</u>

Note: The present value of future cash flow calculated by subsidiary Electric Share by adopting a nominal AT discount rate of 13% and sustainable growth rate of 3% was smaller than the value of relevant asset units with goodwill distributed, and made provisions for diminution in goodwill of Shanghai Southbridge Transformer Co., Ltd.

22. Long-term prepaid expenses

Items	Opening balance	Increase in the period	Amortization for the period	Other decreases	Closing balance	Reasons of other decreases
Improvements	83,271,647.83	30,420,467.95	39,621,813.66		74,070,302.12	
Site development fee	17,949,000.00		422,000.00		17,527,000.00	
Land use fee	4,994,838.04			4,994,838.04		Expropriation by government
Rental fee	1,079,790.00		87,093.67		992,696.33	
Renovation	201,427,399.42	137,907,721.23	41,724,965.53	33,799,449.50	263,810,705.62	Expensing
Other long-term items to be amortized	281,040,412.00	71,582,519.78	55,242,143.75	23,087,431.82	274,293,356.21	Expensing
Total	<u>589,763,087.29</u>	<u>239,910,708.96</u>	<u>137,098,016.61</u>	<u>61,881,719.36</u>	<u>630,694,060.28</u>	

23. Deferred tax assets / deferred tax liabilities

Deferred tax assets and deferred tax liabilities are not the net amounts after offset.

23.1 Deferred tax assets

Deferred tax assets recognized

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Impairment of assets	2,737,714,516.67	13,879,670,290.48	2,089,130,357.83	11,269,622,244.59
Depreciation of fixed assets			2,730,249.46	18,201,662.88
Recoverable losses confirmed by Taxation	188,888,627.57	915,124,541.58	245,023,930.80	1,148,149,374.48
Amortization of intangible assets	1,844,557,885.61	7,378,231,542.44	955,002,067.05	3,820,008,268.20
Accrued payroll	20,953.50	139,690.00	9,527,257.46	49,366,053.52
Estimated liabilities	5,523,073.25	22,732,471.93	11,715,455.74	76,388,682.00
Accrued expenses	1,221,249,292.72	7,102,245,284.80	876,442,966.59	5,011,522,729.67
Government grants	17,059,372.61	110,458,928.40	17,903,844.54	104,058,897.10
Others	182,839,110.55	856,471,487.44	187,219,741.20	1,004,293,420.50
Total	<u>6,197,852,832.48</u>	<u>30,265,074,237.07</u>	<u>4,394,695,870.67</u>	<u>22,501,611,332.94</u>

23.2 Deferred tax liabilities

Item	Closing balance		Opening balance	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Changes in fair value of financial assets	1,972,972,380.56	7,892,278,522.20	2,449,301,314.03	9,829,492,067.16
The fair value adjustment on acquisition	178,640,436.76	833,155,245.06	156,072,000.00	723,446,000.00
Revaluation of assets	192,679,000.00	885,947,000.00	221,763,018.24	990,923,779.42
Others	128,142,206.14	501,287,855.86	163,506,094.96	692,681,685.51
Total	<u>2,472,434,023.46</u>	<u>10,112,668,623.12</u>	<u>2,990,642,427.23</u>	<u>12,236,543,532.09</u>

23.3 Details of deferred tax assets unrecognized

Item	Closing balance	Opening balance
deductable temporary difference	5,267,359,000.94	7,870,806,041.19
deductible loss	4,808,775,878.97	3,424,053,477.35

Item	Closing balance	Opening balance
Total	<u>10,076,134,879.91</u>	<u>11,294,859,518.54</u>

23.4 Due date of deferred tax assets unrecognized

Year	Closing balance	Opening balance	Note
2017		176,508,519.03	
2018	324,303,646.27	298,592,198.40	
2019	477,121,965.64	466,521,396.69	
2020	1,375,100,432.04	1,279,359,759.02	
2021	1,134,596,591.61	1,203,071,604.21	
2022	1,497,653,243.41		
Total	<u>4,808,775,878.97</u>	<u>3,424,053,477.35</u>	

24. Other non-current assets

Item	Closing balance	Opening balance
Long-term loan	42,681,500.00	294,157,000.00
Entrusted loan	39,200,000.00	39,200,000.00
Prepaid investment	1,932,522,000.00	
Others		14,950,000.00
Total	<u>2,014,403,500.00</u>	<u>348,307,000.00</u>

25. Short-term borrowings

25.1 Classification of short term loan

Item	Closing balance	Opening balance
Pledged loan	674,865,180.30	378,865,890.43
Mortgage loan	222,239,000.00	337,990,000.00
Guaranteed loan	145,424,185.41	2,653,887,296.24
Credit loan	3,893,914,702.62	1,088,815,401.29
Total	<u>4,936,443,068.33</u>	<u>4,459,558,587.96</u>

26. Derivative financial liabilities

Item	Closing balance	Opening balance
Interest rate swaps of Prime Shares	2,593,600.00	
Payable forward contract amount	64,783,025.00	69,360,005.77
forward exchange contract	8,537,000.00	31,505,000.00
Total	<u>75,913,625.00</u>	<u>100,865,005.77</u>

Note: Detailed description of Shanghai Electric Group Co., Ltd. the hedging instruments refers to Note VIII (3) Derivative financial assets.

27. Notes payable

Category	Closing balance	Opening balance
Commercial acceptances	3,071,415,656.61	2,822,431,868.24
Bank acceptances	6,317,091,402.21	5,633,575,906.66
Total	<u>9,388,507,058.82</u>	<u>8,456,007,774.90</u>

Note: There is no payable note at the end of current period.

28. Accounts payable

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	30,038,126,598.53	28,347,401,709.94
1-2 years	2,934,762,393.16	4,964,373,822.73
2-3 years	2,997,504,268.20	916,644,614.82
More than 3 years	1,520,326,096.46	1,280,302,830.30
Total	<u>37,490,719,356.35</u>	<u>35,508,722,977.79</u>

Accounts payable with a significant amount and aging over one year:

Name of the creditor	Closing balance	Reasons for not being paid
Znshine PV-TECH Co., Ltd.	394,969,560.00	Program in progress
Tianjin Electric Power Construction Co., Ltd.	329,685,977.00	Program in progress
Hubei Electrical Development No.1 Engineering	200,053,187.00	Program in progress
Hubei Electrical Development No.2 Engineering	192,273,994.00	Project in progress
Anhui Electric Power Construction 1st Engineering Co., Ltd.	125,148,793.00	Project in progress
CCCC third Harbor Engineering Co. Ltd.	67,655,053.00	Project in progress
Long Hung Trading-Services Co.	65,375,262.00	Project in progress
Jiangsu Electric Power Construction First Engineering Company	55,544,388.00	Project in progress

Name of the creditor	Closing balance	Reasons for not being paid
Shanghai power equipment manufacture Co., Ltd.	51,230,839.00	Project in progress
China Nuclear Energy Industry Corporation	39,386,775.71	Unsettled
Shanghai Yongsheng Enterprise Development Co., Ltd.	23,130,925.70	Unsettled
Shanghai Minjun heavy machinery supporting Co., Ltd.	14,532,309.20	Unsettled
Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd.	10,621,565.90	Unsettled
Total	<u>1,569,608,629.51</u>	

29. Receipts in advance

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	30,704,862,970.82	33,978,801,252.17
More than 1 year	13,896,253,644.77	10,727,035,653.93
Total	<u>44,601,116,615.59</u>	<u>44,705,836,906.10</u>

Receipts in advance with a significant amount and aging over one year:

Name of the creditor	Closing balance	Reasons for unsettlement
Huadian International Materials Co., Ltd.	1,042,151,900.00	Project not completed
China national water resources&electric power materials&equipment group Co., Ltd.	754,632,000.00	Project not completed
Guangdong datang international zhaoqing thermal power Co., Ltd.	627,804,860.00	Project not completed
State Investment Nanyang Power Generation C., Ltd.	562,062,000.00	Project not completed
Shanxi Zhangze Power Changzhi Power Generation Co. Ltd.	552,597,000.00	Project not completed
Inner Mongolia baosteel rare earth steel plate co. LTD.	32,100,000.00	Project not completed
Baotou shan sheng new energy co. LTD.	30,301,573.57	Project not completed
Heilongjiang Difeng Polyester Co., Ltd.	29,880,067.57	Project not completed
China electric power construction engineering consulting Co., Ltd.	21,514,000.00	Project not completed
China Nuclear Engineering Co., Ltd	9,096,826.00	Project not completed
Qinyang liansheng electric power Co., Ltd	8,678,000.00	Project not completed
Wellen manufacturing.Co	7,358,888.47	Project not completed
Hangzhou xiangsheng textile Co., Ltd.	7,153,629.25	Project not completed
Shanxi shentou power generation Co., Ltd.	6,180,000.00	Project not completed
SEPCO Electric Power Construction Corporation	6,000,000.00	Project not completed
Shanghai pronew energy Co., Ltd.	5,887,350.00	Project not completed
Shunfeng import and export Co., Ltd.	4,500,000.00	Project not completed
Shanghai Institute of applied physics chinese academy of sciences	3,535,540.00	Project not completed

Name of the creditor	Closing balance	Reasons for unsettlement
The People's liberation army 63839.	2,048,717.95	Project not completed
Shanghai Michelin tyre Co., Ltd.	2,000,000.00	Project not completed
Qinshan nuclear power Co., Ltd.	1,773,185.00	Project not completed
Shenhua Ningxia coal industry group Co., Ltd.	1,491,012.69	Project not completed
Sanmenxia gasification salt Co.,	1,311,094.00	Project not completed
Tangshan youli coking Co., Ltd.	1,235,875.00	Project not completed
China national nuclear engineering Co., Ltd.	1,200,000.00	Project not completed
Yangzhou sumeida international trade Co., Ltd.	1,010,000.00	Project not completed
Wuhai xinshengyuan industry and trade Co., Ltd.	1,000,000.00	Project not completed
Total	<u>3,724,503,519.50</u>	

30. Employee benefits payable

30.1 Employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short term employee benefit	2,744,776,950.42	9,010,594,052.45	8,624,577,952.41	3,130,793,050.46
II. Post-employment benefits - defined contribution plans	99,623,206.55	1,005,641,973.31	1,022,631,111.69	82,634,068.17
III. Termination benefits	20,494,000.00	77,300,102.07	74,621,927.33	23,172,174.74
IV. Other benefits due within one year	5,947,698.67	-5,947,698.67		
V. Others	59,151.42	4,228,223.22	4,287,374.64	
Total	<u>2,870,901,007.06</u>	<u>10,091,816,652.38</u>	<u>9,726,118,366.07</u>	<u>3,236,599,293.37</u>

30.2 Short-term employee benefit

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Salaries, bonuses, allowances and subsidies	1,806,691,124.71	7,329,817,907.06	6,951,790,282.93	2,184,718,748.84
II. Employee benefits	827,555,149.33	391,973,532.87	397,652,865.45	821,875,816.75
Include: non-monetary benefits				
III. Social insurance	12,784,575.08	476,358,193.88	473,700,239.06	15,442,529.90
Include: 1. Medical insurance	11,026,103.21	407,250,870.57	405,594,259.08	12,682,714.70
2. Injury insurance	768,046.77	31,367,465.29	30,578,985.03	1,556,527.03

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
3. Maternity insurance	990,425.10	36,470,862.08	36,257,999.01	1,203,288.17
4. Other		1,268,995.94	1,268,995.94	
IV. The Housing Fund	34,157,242.94	456,388,191.22	450,454,912.48	40,090,521.68
V. Labor union funds, employee education funds	62,751,151.63	142,628,712.03	140,418,532.82	64,961,330.84
VI. Short-term compensated absences		5,125,361.25	5,125,361.25	
VII. Short-term profit-sharing plan				
VIII. Others	837,706.73	208,302,154.14	205,435,758.42	3,704,102.45
Total	<u>2,744,776,950.42</u>	<u>9,010,594,052.45</u>	<u>8,624,577,952.41</u>	<u>3,130,793,050.46</u>

30.3 Defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Basic old-age insurance	25,053,548.91	880,594,226.79	876,609,290.81	29,038,484.89
II. Unemployment insurance	1,671,657.64	30,980,371.99	31,292,446.35	1,359,583.28
III. Enterprise annuity payment	72,898,000.00	94,067,374.53	114,729,374.53	52,236,000.00
Total	<u>99,623,206.55</u>	<u>1,005,641,973.31</u>	<u>1,022,631,111.69</u>	<u>82,634,068.17</u>

31. Taxes payable

Item	Opening balance	Increase in current period	Decrease in current period	Decrease due to consolidation	Closing balance
Value added tax	1,323,298,015.73	2,674,281,266.39	3,309,820,384.77	-1,247,151.75	689,006,049.10
Enterprise income tax	989,070,995.25	1,613,924,274.65	1,313,859,479.49	-146,706.84	1,289,282,497.25
City construction and maintenance tax	71,787,778.25	173,765,786.10	229,388,430.47		16,165,133.88
Property tax	52,244,082.84	153,850,917.70	165,323,049.01		40,771,951.53
Land-use tax	29,442,475.79	76,403,197.53	98,024,913.29		7,820,760.03
Individual income tax	56,404,310.63	362,247,059.86	360,276,210.92	7,421.88	58,367,737.69
Education surcharge	5,331,413.78	183,374,014.26	158,582,966.56		30,122,461.48
Others	124,751,937.06	124,892,938.99	175,252,124.64		74,392,751.41
Total	<u>2,652,331,009.33</u>	<u>5,362,739,455.48</u>	<u>5,810,527,559.15</u>	<u>-1,386,436.71</u>	<u>2,205,929,342.37</u>

32. Interest payable

Item	Closing balance	Opening balance
Interest expenses of long-term borrowings with interest payable by	2,732,632.63	4,267,501.08
Interest expenses on corporate debenture	383,599,481.27	211,114,731.31
Interest payable on short-term borrowings	43,122,310.77	43,298,842.21
Preferred stock/perpetual bond interest divided into financial liability	11,427,169.37	21,052,000.00
Total	<u>440,881,594.04</u>	<u>279,733,074.60</u>

33. Dividends payable

Name of entity	Closing balance	Opening balance	Reasons for dividends payable aged above 1 year
Dividends to minority shareholder by subsidiary	270,328,977.24	278,226,558.89	It has not expired
The State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government	148,423,634.53	188,239,642.89	
Total	<u>418,752,611.77</u>	<u>466,466,201.78</u>	

34. Other payables

34.1 Listed by natures

Item	Closing balance	Opening balance
Collection and payment	1,258,466,786.47	1,701,547,406.48
Pending disposal of non-operating receivables		640,701,692.00
Unit Current account	2,312,504,830.26	1,949,946,455.95
Elevator warranty maintenance costs	100,093,000.00	100,138,000.00
Technical commission	512,259,000.00	642,262,000.00
Hydropower energy costs		5,522,355.22
Trust management fees	4,331,853.80	4,720,771.69
sales commission	1,273,142,000.00	1,225,727,000.00
Deposits and margin	354,551,802.01	367,624,960.22
Accrued expenses	54,544,290.24	21,742,946.31
Earmarks and use of funds	116,989,881.69	380,321,033.83
Professional fees		9,160,452.01
Rental fees	2,339,215.36	1,006,871.84
Compensation expenses	174,868,412.37	182,721,403.24
Others	3,457,762,392.97	2,347,231,412.25

Item	Closing balance	Opening balance
Total	<u>9,621,853,465.17</u>	<u>9,580,374,761.04</u>

34.2 Significant amount of other payables with aging over 1 year

Name of creditor	Closing balance	Reasons for not being paid
Collection and payment of escrow funds.	811,745,975.94	Unsettled
Light Industry Holdings(Group) Company	513,051,575.99	Unsettled
Investments payable	266,666,640.00	Unsettled
Jiading malu town construction office	130,061,406.60	Unsettled
Alstom energy	126,448,367.73	Unsettled
Siemens R&D Fee	84,081,953.52	Unsettled
Shanghai huangpu district real estate development industry corporation.	70,042,518.25	Unsettled
Shanghai nanyang cable Co., Ltd.	43,737,321.00	Unsettled
Shanghai shangling new career development Co., Ltd.	41,770,642.04	Unsettled
Shanghai Hongkou District building collection center	34,883,909.50	Unsettled
Shanghai third switch factory	28,979,475.51	Unsettled
Shanghai Bearing Group	18,063,031.96	Unsettled
Shanghai second pen accessories factory	10,947,125.38	Unsettled
Shanghai second machine tool factory	10,148,231.13	Unsettled
Total	<u>2,190,628,174.55</u>	

35. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	720,941,033.00	427,077,770.63
Bonds payable due within 1 year	2,599,381,210.00	499,042,702.51
Long-term payables due within 1 year	335,614,000.00	202,398,000.00
Other long-term liabilities due within 1 year	565,935,000.00	587,117,000.00
Total	<u>4,221,871,243.00</u>	<u>1,715,635,473.14</u>

36. Other current liabilities

Item	Closing balance	Opening balance
Accrued expenses	3,270,840,000.00	3,043,397,671.28
Customer deposits	249,894,797.96	406,815,751.15
Estimated liabilities (Note)	3,988,576,000.00	3,738,378,000.00
Deferred revenue within 1 year	22,382,330.01	35,726,274.15
Borrowing funds	32,671,000.00	
Short-term bonds payable	25,000,000.00	
Total	<u>7,589,364,127.97</u>	<u>7,224,317,696.58</u>

Note: Details of the estimated liabilities hold by the subsidiary, Electric Share will be due within 1 year from the balance sheet date as below:

Project name	Opening balance	Increase in current period	Decrease in current period	Disposal of subsidiaries transferred	Closing balance
Product warranty	1,772,082,000.00	1,080,903,000.00	705,000,000.00		2,147,985,000.00
Expected contract Loss and litigation	1,817,151,000.00	997,236,000.00	1,025,350,000.00		1,789,037,000.00
Subtotal of other liabilities	149,145,000.00	197,176,000.00	294,767,000.00		51,554,000.00
Total	<u>3,738,378,000.00</u>	<u>2,275,315,000.00</u>	<u>2,025,117,000.00</u>		<u>3,988,576,000.00</u>

37. Long-term borrowings

Item	Closing balance	Opening balance	Interest rate range at 12.31.2017
Pledge loan	1,507,133,000.00	673,556,669.08	1.8%-4.51%
Mortgage loan	110,934,000.00	59,650,000.00	4.75%
Guarantee loan	347,419,360.35	117,348,360.35	3.15%-4.3%
Credit loan	678,888,600.00	1,089,234,360.26	2.65%-4.75%
Total	<u>2,644,374,960.35</u>	<u>1,939,789,389.69</u>	

38. Bonds payable

38.1 Bonds payable

Item	Closing balance	Opening balance
Electrical convertible bonds (Note 1)	5,383,674,000.00	5,175,913,000.00
Electrical debt (Note 2)	4,674,353,000.00	4,374,802,000.00
12 Electrical debt (Note 3)		1,597,662,000.00

Item	Closing balance	Opening balance
Morning Star Bonds (Note 4)	3,253,900,090.18	3,446,135,471.96
Highly share 2012 debt (Note 5)		997,628,905.38
13 Shanghai Electric MTN1 (Note 6)	2,500,000,000.00	2,583,045,794.44
16 Electric liability (Note 7)	2,500,000,000.00	2,570,684,931.48
Total	<u>18,311,927,090.18</u>	<u>20,745,872,103.26</u>

Note 1: On February 2, 2015, Electric Share, a subsidiary of the Company, issued CNY 6 billion convertible bonds with maturity date of year 2021. The convertible bond issued can be converted into Electric Share's A Shares since August 3, 2015 with initial transferring price being CNY 10.72 yuan/share. Since Electric Share started to implement Year 2014 cash bonus program in July of 2015 (with a cash bonus of CNY0.05873 yuan per share), the price of transferred share was adjusted to CNY 10.66 yuan/share. Since Electric Share issued stock shares on August 29, 2016 to purchase the new added A share, the price of converted shares for electric liability converting was adjusted to 10.65 yuan/share since from November 28, 2016. Since the issue of shares of electric shares in October 19, 2017 has purchased new a share of assets, the conversion price of electric convertible bonds has been adjusted to 10.46 yuan per share since October 24, 2017. The annual interest rates are 0.2%, second, 0.5%, third, 1%, fourth, 1.5%, fifth, 1.5% and sixth, respectively.

The convertible bond is attached with repurchase clause, stipulating that since the last two annual interest years, if the stock's closing price of 30 consecutive trading days is less than the current conversion price of 70% convertible bonds, holders of convertible bonds have the right to sell back all or part of their holdings in accordance with the face value of 103% (including the current interest-bearing annual interest) to Electric Share.

Net of issuance costs, the debt portion of CNY 4,745,903,000.00 is recorded into bonds payable, and the equity component of CNY 1,214,919,000.00 is recognized in capital reserve for the issuance of convertible bonds of CNY 6 billion.

Note 2: On May 22, 2015, Shanghai electric New Times Co., Ltd., a subsidiary of the Company issued EUD 600 million bonds with 5 years, interest rate of 1.125% and traded on Ireland Stock Exchange on May 25, 2015, which were guaranteed by the Company.

Note 3: On December 24, 2012, Shanghai Electric Group Co., LTD., a subsidiary of the company, obtained approval from the China Securities Regulatory Commission with Document (2012)# 1703 to issue corporate bonds of no more than CNY4 billion in par value. The bond is to be issued in installments with the first installment of CNY 2 billion in par values. On Feb. 27, 2013, Electric Share issued bonds in 3-year period fixed rate and par value of 0.4 billion yuan, 5-year period fixed rate and par value of 1.6 billion yuan in method combined of online public issue facing public investors and off line enquiry ration facing institutional investors. The total value is CNY 2 billion yuan. Bonds were issued in book value. Annual interest rate for 3-year variety par value was 4.5% while that for 5-year par value was 4.9%. Interest of bonds is calculated annually with single interest and principal is payable as a lump-sum at maturity. No collateral arrangement is applied for these bonds. Electric Share has paid 400 million principal and interest of 12 Electrical Debt at February 2, 2016.

Note 4: On 14 August 2014, Shanghai Electric Group Global Investment Limited issued a 5 year bond with fixed coupon at par value of CNY500 million with coupon rate 3%. Corporate bond called Morning Star.

Note 5: On December 31, 2012, Shanghai Highly (Group) Co., LTD, a subsidiary of the Company, obtained approval from the China Securities Regulatory Commission with Document (2012)# 1739 to issue corporate bonds of no more than CNY1billion in par value. The bond is to be issued in installments, and the first installment is not to be below 50% of total par value to be issued. Issuance of the bond is to be a combination of both public offering through internet and offering to institutional investors off the internet. The closing balance of bond interest payable is CNY 40,416,666.70.

Note 6: 13 Shanghai Electric MTN1 was issued on April 17, 2013 with the code of 1382178 at par value and issuing amount of both CNY2.5 billion with the annual interest rate of 4.70% and the duration of 5 years;

Note 7: 16 Electric bond was issued on January 26, 2016 with the code of 136177 at par value and issuing amount of both CNY2.5 billion with the annual interest rate of 3.00% and the duration of 3 years;

38.2 Changes in bonds payable (Not including preferred shares classified as financial liabilities, perpetual debt and other financial instruments)

Name of bond	Face value	Date of issuance	Bond period	Amount of issuance	Opening balance	Issuance in current period	Accrued interest by par value
Electric convertible bonds (Note)	6,000,000,000.00	2015-2-2	6 year	6,000,000,000.00	5,175,913,000.00		57,452,000.00
Electric bond of Europe	EUR 600,000,000.00	2015-5-22	5 year	EUR 600,000,000.00	4,374,802,000.00		52,666,000.00
12 Electric bond	2,000,000,000.00	2013-2-27	3 year、5 year	1,989,000,000.00	1,597,662,000.00		78,400,000.00
Morningstar	USD 500,000,000.00	2014-8-14	5 year	USD 500,000,000.00	3,446,135,471.96		100,729,500.00
Highly corporate bonds	1,000,000,000.00	2013-2-28	5 year	990,000,000.00	997,628,905.38		48,500,000.00
13 Shanghai Electric MTN1	2,500,000,000.00	2013-4-17	5 year	2,500,000,000.00	2,583,045,794.44		117,499,999.98
16 Electric bond	2,500,000,000.00	2016-1-26	3 year	2,500,000,000.00	2,570,684,931.48		74,999,999.97
Total				<u>23,001,735,924.36</u>	<u>20,745,872,103.26</u>		<u>530,247,499.95</u>

Continued:

Name of bond	Exchange gain or loss	Amortization of premiums and discounts	Repayment	Less: transfer to shareholders' equity	Less: transfer to interest payable	Less: the part due within one year	Closing Balance
Electric convertible bonds (Note)		207,945,000.00	2,479,000.00	184,000.00	54,973,000.00		5,383,674,000.00
Electric bond of Europe	296,671,000.00	2,880,000.00	20,670,000.00		31,996,000.00		4,674,363,000.00
12 Electric bond		1,844,000.00	13,067,000.00		65,333,000.00	1,599,506,000.00	
Morningstar		-155,085,293.07	100,729,500.00		37,150,088.71		3,253,900,090.18
Highly corporate bonds		2,246,304.62	48,500,000.00			999,875,210.00	
13 Shanghai Electric MTN1			117,500,000.00		83,045,794.42		2,500,000,000.00
16 Electric bond			75,000,000.00		70,684,931.45		2,500,000,000.00
Total	<u>296,671,000.00</u>	<u>59,830,011.55</u>	<u>377,945,500.00</u>	<u>184,000.00</u>	<u>343,182,814.58</u>	<u>2,599,381,210.00</u>	<u>18,311,927,090.18</u>

Note: The condition for bonds issued by Electric Share to be converted is that since the last two annual interest year, if the stock's closing price of 30 consecutive trading days is less than the current conversion price of 70% convertible bonds, holders of convertible bonds have the right to sell back all or part of their holdings in accordance with the face value of 103% (including the current interest-bearing annual interest).

39. Long-term payables

Item	Closing balance	Opening balance
Total	<u>3,422,670,134.58</u>	<u>3,380,111,021.04</u>
I. Removal compensation	2,418,450,776.78	2,037,852,580.10
II. Appropriation	9,025,390.24	8,354,328.34
III. Finance lease	755,031,000.00	780,830,000.00
IV. Others	240,162,967.56	553,074,112.60

40. Long term employee benefit

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Post-employment benefits - defined benefit plans net debt	78,573,545.61	70,040,812.39	21,267,912.60	127,346,445.40
II. Termination benefits	137,050,127.30	9,284,647.40	10,620,473.96	135,714,300.74
III. Other long-term benefits	2,257,775,342.29	489,503,695.93	281,698,023.41	2,465,581,014.81
Total	<u>2,473,399,015.20</u>	<u>568,829,155.72</u>	<u>313,586,409.97</u>	<u>2,728,641,760.95</u>

Note: The net liability arises from defined benefit plans of the Company in this year set by Prime Share for the operation of its European subsidiaries' qualified employees to set the benefit plan fund; the termination benefits and other long-term benefits set by the Company and different types of retired employees for sharing costs and living subsidies. The present value of the benefit plans set by Prime Share is determined by reference of discount rate of high quality corporate bond yields, and the Company used 1.90% as annual discount rate in 2017 while future pension fund costs and salaries are expected to grow 1.50% and 2.25% respectively.

The present values of termination benefits and other long-term benefits are determined by Treasury bond rate in the same period and the anticipated growth rate is determined by reference to geometric average growth rate of the minimum wage and social security base in the recent 10 years.

41. Specific payables

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Total	<u>370,606,493.93</u>	<u>199,354,011.86</u>	<u>155,662,966.89</u>	<u>414,297,538.90</u>
Wherein: Compensation for demolition	213,514,000.00	173,560,000.00	69,769,000.00	317,305,000.00
Science and technology project allocations	100,499,342.88	11,575,011.86	41,444,747.66	70,629,607.08
The government allocated special funds	18,583,471.57	7,446,000.00	17,935,471.57	8,094,000.00
Municipal Science and Technology Commission earmarks	32,840,000.00	6,773,000.00	26,213,967.01	13,399,032.99

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Others	5,169,679.48		299,780.65	4,869,898.83

42. Estimated liabilities

Item	Closing balance	Opening balance
1. Personnel care support fee	8,922.66	8,922.66
2. Pending litigation	69,340,036.86	
3. Product quality assurance	143,055,297.89	168,739,521.42
4. Restructuring obligations	22,101,932.50	22,101,932.50
5. Onerous contract to be executed	76,252,536.97	10,076,927.46
6. Others	37,138,980.95	3,080,400.79
Total	<u>347,897,707.83</u>	<u>204,007,704.83</u>

Note: Pending litigation was caused by contingency of Shanghai China spinning machine machinery Co. Ltd., the subsidiary of the Company. According to the notice of execution of the court, the company accrued CNY 69,340,036.86 as estimated liabilities.

43. Deferred revenue

Project/Classification	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons for return in the current period
Government grants related to capital:					
Capitalized government grants related to land demolition	447,913,832.14		26,439,326.91	421,474,505.23	
Prime Share relocation allowances	129,230,000.00		5,818,000.00	123,412,000.00	
Head office education center training program.	81,622,120.99	23,450,746.80	10,978,373.83	94,094,493.96	
Prime Share turbine blade research and development subsidies for the purchase of assets	73,015,000.00		3,958,000.00	69,057,000.00	
Electric Share Nantong Guohai comprehensive development support funds	37,573,000.00	20,001,000.00		57,574,000.00	
Electrical Share test tower project	49,500,000.00			49,500,000.00	
Electric Share two technical transformation project	46,000,000.00		6,133,000.00	39,867,000.00	
Pacific Mechatronic Baoshan textile base special funds	29,520,000.00			29,520,000.00	
Electric Share relocation subsidies	21,489,000.00		512,000.00	20,977,000.00	
Schiak deferred revenue related with assets	26,355,164.45		5,477,553.25	20,877,611.20	
Electric Share research and development and industrialization of pressure vessel and other nuclear island main equipment	26,096,000.00		4,141,000.00	21,955,000.00	

Project/Classification	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons for return in the current period
Electric Share heavy duty gas turbine technological renovation project to expand production capacity	20,834,000.00		1,634,000.00	19,200,000.00	
Automation Instrumentation Co., Ltd. government grants related to assets	26,812,062.48	3,755,700.00	965,900.00	29,601,862.48	
Other government grants related to assets	388,080,369.40	139,662,630.60	64,042,000.00	463,701,000.00	
Government grants related to income:					
Electric Share major projects of strategic emerging industries in Shanghai	90,714,000.00		6,491,000.00	84,223,000.00	
Electrical Share special funds to support strategic emerging industries	20,940,000.00			20,940,000.00	
Other government grants related to income	490,287,640.44	473,137,359.56	437,898,000.00	525,527,000.00	
Less: Electric Share deferred income due within one year	426,528,000.00	13,662,000.00	217,000.00	439,973,000.00	
Total	1,579,454,189.90	646,345,436.96	574,271,153.99	1,651,528,472.87	

Other information related to the government subsidies:

Item	Category	Amount	Amount included in the current profit and loss	Amount for return in the current period	Reasons for return in the current period
Prime Share relocation allowances	Related to asset	123,412,000.00	5,818,000.00		
Head office education center training program.	Related to asset	94,094,493.96	10,978,373.83		
Purchase subsidy for R&D assets of electric stock turbine blades.	Related to asset	69,057,000.00	3,958,000.00		
Electric Share Nantong Guohai comprehensive development support funds	Related to asset	57,574,000.00			
Electric Share research on the core technology of high-speed elevator and the construction project of experimental platform.	Related to asset	49,500,000.00			
Electric Share two technical transformation project	Related to asset	39,867,000.00	6,133,000.00		
Pacific Mechatronic Baoshan textile base special funds	Related to asset	29,520,000.00			
Electric Share Wujiang Transformer Co., Ltd. Relocation subsidy	Related to asset	20,977,000.00	512,000.00		
Schiak deferred revenue related with assets	Related to asset	20,877,611.20	5,477,553.25		
Electric Share research and development and industrialization of pressure vessel and other nuclear island main equipment	Related to asset	21,955,000.00	4,141,000.00		
Electric Share heavy duty gas turbine technological renovation project to expand production capacity	Related to asset	19,200,000.00	1,634,000.00		
Automation Instrumentation Co., Ltd. government grants related to assets	Related to asset	29,601,862.48	965,900.00		
Electric Share other asset-related government grants	Related to asset	463,701,000.00	64,042,000.00		

Item	Category	Amount	Amount included in the current profit and loss	Amount for return in the current period	Reasons for return in the current period
Electric Share major projects of strategic emerging industries in Shanghai	Related to income	84,223,000.00	6,491,000.00		
Electrical Share special funds to support strategic emerging industries	Related to income	20,940,000.00			
Electric Share other government grants related to income	Related to income	525,527,000.00	437,898,000.00		
Total		<u>1,670,026,967.64</u>	<u>548,048,827.08</u>		

44. Other non-current liabilities

Project/Classification	Opening balance	Closing balance
Unamortized exchange gain	61,228,220.90	61,228,220.90
Others	334,276,623.46	383,603,279.72
Total	<u>395,504,844.36</u>	<u>444,831,500.62</u>

45. Paid-in capital

Investors	Opening balance		Increase in current period	Decrease in current period	Closing balance	
	Investment Amount	Proportion (%)			Investment Amount	Proportion (%)
The State-Owned Assets Supervision And Administration Commission Of Shanghai Municipal Government	7,896,366,283.42	100.00	884,000,000.00		8,780,366,283.42	100.00
Total	<u>7,896,366,283.42</u>	<u>100</u>	<u>884,000,000.00</u>		<u>8,780,366,283.42</u>	<u>100</u>

Note: In August, 2017, Shanghai State-owned Assets Supervision and Administration Commission increased the capital of CNY4 billion to the Company, CNY 4.54 billion in September, 2017 and 30 million in December, 2017. Up to December 31, 2017, the company has only completed the above capital injection in terms of business registration of change with an amount of 4.54 billion. The paid-in capital resulted with an amount of CNY 8,350,366,000.00 after the change.

46. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Capital (share) premium	962,441,681.01			962,441,681.01
II. Other capital reserves	<u>8,516,891,796.59</u>	<u>986,243,870.64</u>	<u>2,475,672,876.11</u>	<u>7,027,462,791.12</u>
(1) Other changes in equity of investee(Note 1)	2,498,527,182.68	14,082,529.36		2,512,609,712.04
(2) Others(Note 2)	6,018,364,613.91	972,161,341.28	2,475,672,876.11	4,514,853,079.08
III. Surplus reserves of the old accounting system transfer in	1,112,433,027.20			1,112,433,027.20

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Total	<u>10,591,766,504.80</u>	<u>986,243,870.64</u>	<u>2,475,672,876.11</u>	<u>9,102,337,499.33</u>

Including: state-owned exclusive capital reserves

Note 1: The investee recorded changes in other equities. As a result, the Company increased capital surplus of CNY 534,333.53 based on the shares. In the disposition of joint venture by the Company in the year, previous other equity change was carried down to profit and loss on investments, which resulted in the increase of capital reserve at the amount of CNY 13,548,195.83;

Note 2: Changes in other items of other capital reserves are as follows:

(1) In the year, the capitalized government grants amortization related to land in the deferred income increased the capital reserve at the amount of CNY 26,439,326.91;

(2) The Company transferred CNY 19,266,342.00 into capital reserve from the balance of commonweal removal included in the completed disposal balance of land relocation.

(3) A few of equities withdrawal occurred in the subsidiary of the Company, Shanghai Highly in the year, resulting in the decrease of capital reserve at the amount of CNY 54,064.50;

(4) The Group's subsidiary Electric Share issued shares to the Company in acquisition of the following assets owned by the Company: 47.18% shareholdings in Shanghai Prime Machinery Co., Ltd.; 50.10% shareholdings in Shanghai Automation Instrumentation Thales Transportation Automation System Co., Ltd.; 100% shareholdings in Shanghai Electric Group Real Estate Co., LTD and use rights of 26 pieces of lands and related assets such as ancillary buildings. Electric Share raised funds by non-public offering of shares from the Company, Shanghai Guosheng (Group) Co. Ltd., Shanghai life insurance company Ltd., Shanghai Lanhailuoheng investment Co. Ltd.. The restructuring resulted in a decrease in capital reserve of CNY 2,365,815,041.67 at the consolidation level;

According to Provision of Ministry of Finance and the State Administration of Taxation on the Handling Policy of Corporate Income Tax from Asset Evaluation Gain in the Restructuring to Listing Process of State-Owned Enterprises, payable corporate income tax due to asset evaluation gain generated in the restructuring to listing process of state-owned enterprises can be exempted from levy as the national investment, but directly increasing to the state capital of the enterprise. Payable income tax related to asset restructuring deal generated by Electric Share's issuing shares to the Company to purchase asset and raise matching funds increased the capital reserve at the amount of CNY 926,354,962.16.

The company transferred part of the shares of Shanghai Prime Machinery Co., Ltd. to social security funds in 2006, resulted in the decrease of the capital reserve at the amount of CNY 69,064,000.00.

(5) The Group's subsidiary Electric Share's convertible bonds of A shares are converted to paid-in capital, resulted in an increase of the capital reserve at the amount of CNY 100,710.21.

(6) In the disposition or de-registration of subsidiaries by the Company in the year, the capital reserves cumulated from consolidation are reversed, which resulted in the decrease of capital reserve at the amount of CNY 23,177,382.94;

47. Special reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Notes
Safety production costs	122,150,419.66	35,690,994.89	16,044,893.94	141,796,520.61	
Total	<u>122,150,419.66</u>	<u>35,690,994.89</u>	<u>16,044,893.94</u>	<u>141,796,520.61</u>	

48. Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	369,792,618.33	297,739,571.44		667,532,189.77
Total	<u>369,792,618.33</u>	<u>297,739,571.44</u>		<u>667,532,189.77</u>

Note: statutory surplus reserve is withdrew at 10% of the Company's net profit.

49. Retained earnings

Item	Amount in the period	Amount in prior period
Opening balance	5,869,535,203.03	5,190,819,151.11
Increase in the period	<u>1,287,230,468.33</u>	<u>1,266,022,598.05</u>
Including: Net profit attributable to owners of the Company for the period	1,287,230,468.33	1,254,930,946.35
Other adjustment		11,091,651.70
Decrease in the period	<u>421,327,861.86</u>	<u>587,306,546.13</u>
Including: Appropriation to surplus reserves	297,739,571.44	369,792,618.33
Appropriation to general risk reserves		
Declaration of cash dividends	92,954,740.64	188,239,641.95
Declaration of dividends transferred to capital		
Others (Note)	30,633,549.78	29,274,285.85
Closing balance	<u>6,735,437,809.50</u>	<u>5,869,535,203.03</u>

Note: Other decreases are due to provisions for employee bonus and welfare fund.

50. Revenue & operating cost

50.1 Details for revenue & operating cost

Item	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
1.Principal activities	87,306,648,300.62	69,865,486,399.67	94,583,811,396.32	75,112,940,817.15
2.Other operating activities	4,469,186,502.61	1,611,986,108.67	3,220,480,877.71	1,659,818,843.52
Total	<u>91,775,834,803.23</u>	<u>71,477,472,508.34</u>	<u>97,804,292,274.03</u>	<u>76,772,759,660.67</u>

50.2 Principal revenue & principal operating cost

Revenue classified by business types

Item	Amount for current period		Amount for prior period	
	Principle operating profit	Principle operating cost	Principle operating profit	Principle operating cost
Sale of goods	71,630,141,667.45	55,476,119,745.00	77,504,926,192.57	61,091,502,359.44

Item	Amount for current period		Amount for prior period	
	Principle operating profit	Principle operating cost	Principle operating profit	Principle operating cost
Construction contract	9,363,607,000.00	8,561,682,000.00	10,003,938,644.84	8,742,036,236.22
Rendering of service	6,296,652,777.78	5,810,566,040.85	5,890,900,649.01	4,514,213,783.92
Others	16,246,855.39	17,118,613.82	1,184,045,909.90	765,188,437.57
Total	<u>87,306,648,300.62</u>	<u>69,865,486,399.67</u>	<u>94,583,811,396.32</u>	<u>75,112,940,817.15</u>

50.3 Other operating profit

Item	Amount for current period		Amount for prior period	
	Other operating profit	Other operating cost	Other operating profit	Other operating cost
Sales of material	1,270,739,654.70	1,114,578,285.50	958,577,616.61	742,738,409.61
Rental income	1,006,665,811.20	95,586,764.57	190,197,346.90	79,103,541.29
Non-industrial service	75,753,000.00		97,839,712.37	463,709.80
Financial services revenue	1,255,496,050.66	41,984,434.66	1,096,063,877.56	38,104,363.16
Others	860,531,986.05	359,836,623.94	877,802,324.27	799,408,819.66
Total	<u>4,469,186,502.61</u>	<u>1,611,986,108.67</u>	<u>3,220,480,877.71</u>	<u>1,659,818,843.52</u>

50.4 Construction contract (The top 10 amount of revenue recognized in the period)

Contract project	Contract Price	Contract cost	Completion progress (%)	Accumulated revenue	Accumulated cost	Accumulated confirmed gross margin	Settled amounts	Accumulated collection amount	Revenue for current period	Cost for current period
Fixed price contract	<u>15,131,940,399.27</u>	<u>14,883,538,935.61</u>		<u>9,601,071,924.52</u>	<u>9,512,222,889.64</u>	<u>88,849,034.88</u>	<u>7,760,916,765.84</u>	<u>7,760,916,765.84</u>	<u>5,515,748,838.12</u>	<u>5,429,351,970.11</u>
1.(FQ)D1216 Fuqing 5# in pile component	153,195,900.00	108,110,000.00	78.00	119,339,606.21	84,217,690.08	35,121,916.13	91,711,663.94	91,711,663.94	69,305,825.25	48,908,964.07
2.Bailong1#unit SG	992,263,589.76	865,922,285.12	9.00	89,055,657.18	77,716,525.09	11,339,132.09	88,882,953.84	88,882,953.84	89,055,657.18	77,716,525.09
3. Guangdong Yangxi 5#6 project	7,265,475,356.45	7,102,728,708.47	66.00	4,825,993,073.34	4,717,890,828.50	108,102,244.84	3,498,020,513.18	3,498,020,513.18	2,999,922,339.10	2,932,724,078.70
4. Hongyanhe 5, 6# unit SG	446,153,846.16	362,807,233.60	95.00	407,317,590.76	331,226,032.40	76,091,558.36	307,846,080.27	307,846,080.27	77,163,744.61	59,152,279.52
5.Hubei xianning CLP electric tongshan yanxia 100MWP ground photovoltaic power station project.	685,231,930.96	676,796,394.95	60.00	413,165,199.09	408,078,935.94	5,086,263.15	130,273,504.30	130,273,504.30	413,165,199.09	408,078,935.94
6. Kuwait 4913 substation program	284,608,024.90	268,735,697.89	75.00	214,800,816.44	202,821,573.04	11,979,243.40	89,601,928.36	89,601,928.36	84,462,383.47	79,843,585.79
7. Mishi County project	393,521,458.11	393,324,697.38	73.00	287,518,197.86	287,374,438.76	143,759.10			256,556,641.19	257,608,523.42

Contract project	Contract Price	Contract cost	Completion progress (%)	Accumulated revenue	Accumulated cost	Accumulated confirmed gross margin	Settled amounts	Accumulated collection amount	Revenue for current period	Cost for current period
8. Shanxi Linshi Qiguang project	2,256,093,100.04	2,264,440,644.51	52.00	1,179,999,747.26	1,184,365,746.32	-4,365,999.06	1,018,336,082.74	1,018,336,082.74	930,056,434.46	933,497,643.26
9.Germany Broetje program	150,397,731.56	136,939,093.59	69.10	96,093,446.97	94,627,561.63	1,465,885.34	54,829,990.73	54,829,990.73	72,351,347.10	66,563,570.36
10.Malaysia Balingian program	2,504,999,461.33	2,703,734,180.10	78.55	1,967,788,589.41	2,123,903,557.88	-156,114,968.47	2,481,414,048.48	2,481,414,048.48	523,709,266.67	565,257,863.96

51. Selling expenses

Item	Amount for current period	Amount for prior period
1. Packing expenses	30,670,035.20	34,924,934.23
2. Transportation expenses	373,637,991.21	328,588,908.50
3. Handling charges		58,283.02
4. Storage expenses	200,470.00	534,255.60
5. Insurance expenses	21,731,622.84	3,043,968.37
6. Exhibition fees	23,172,059.58	21,872,192.90
7. Advertising expenses	32,259,650.13	47,570,606.71
8. Selling service fees	577,791,247.84	602,463,488.33
9. Employee salary	841,687,443.09	877,460,497.09
Including: Salary	587,483,291.14	749,309,754.81
Welfare expenses	54,363,195.59	32,914,831.36
10. Operation funds	146,854,379.70	124,442,286.77
11. Consignment fee	431,684.41	57,582,024.40
12. Depreciation expenses	28,740,111.43	27,964,256.46
13. Repairs expenses	41,953,287.66	12,305,163.57
14. Samples and product used		970,430.98
15. Quality guarantee deposit	809,298,000.00	882,593,000.00
16. Others	595,200,318.71	857,397,809.37
Total	<u>3,523,628,301.80</u>	<u>3,879,772,106.30</u>

52. Administrative expenses

Item	Amount for current period	Amount for prior period
1. Employee salary	4,091,496,385.38	3,979,599,634.88
Including: Salary	2,769,493,530.29	2,858,022,740.03
Welfare expenses	236,600,464.24	33,479,573.23
2. Depreciation expenses	666,719,443.16	625,785,830.54
3. Insurance expenses	12,925,974.21	20,817,053.79
4. Entertainment expenses	92,951,532.98	76,491,206.59
5. Conference expenses	1,462,556.45	8,867,458.01
6. Travelling expenses	184,876,558.51	186,257,361.57
7. Office expenses	402,953,774.89	417,304,107.02
8. Taxes		52,625,118.63

Item	Amount for current period	Amount for prior period
9. Amortization of intangible assets	231,937,043.82	316,865,993.29
10. Inventories loss	251,000.00	369,163.53
11. Rental	212,242,595.03	191,423,694.66
12. Agency costs	505,719,573.51	362,676,324.95
Including: Annual auditing fee	28,176,994.31	31,752,824.93
13. Research and development expenses	3,406,796,204.79	3,337,933,239.88
14. Others	1,904,481,311.70	1,538,225,015.87
Total	<u>11,714,813,954.43</u>	<u>11,115,241,203.21</u>

53. Financial expenses

Item	Amount for current period	Amount for prior period
Interest expense	1,070,703,992.11	1,004,134,199.44
Less: Interest income	230,405,193.32	288,720,110.65
Bank charge	5,950,290.67	16,366,330.90
Exchange gain or loss	63,841,378.05	-136,316,076.66
Others	137,468,496.13	119,240,867.36
Total	<u>1,047,558,963.64</u>	<u>714,705,210.39</u>

54. Impairment losses of assets

Item	Amount for current period	Amount for prior period
1. Impairment on bad debt	1,571,729,311.50	994,695,325.19
2. Impairment on inventories valuation	1,386,675,695.67	1,287,615,675.27
3. Impairment on available-for-sale financial assets	8,627,000.00	
4. Impairment on long-term equity investments	7,008,000.00	455,462,966.68
5. Impairment on fixed assets	2,983,988.30	125,497,186.04
6. Impairment on construction in progress	1,297,000.00	1,371,465.40
7. Impairment on goodwill	15,731,000.00	93,486,000.00
8. Other impairment losses	438,413,362.05	131,050,575.30
Total	<u>3,432,465,357.52</u>	<u>3,089,179,193.88</u>

55. Gains from changes in fair values

Source resulting in gains from changes in fair values	Amount for current period	Amount for prior period
Financial assets measured at fair value through profits and losses	-3,688,000.00	-3,049,000.00

Source resulting in gains from changes in fair values	Amount for current period	Amount for prior period
Including: Gains from changes in fair values arising from derivatives	236,000.00	-2,168,000.00
Financial liabilities measured at fair value through profits and losses	967,464.78	-2,480,798.44
Including: Gains from changes in fair values arising from derivatives	-2,593,600.00	
Investment real estate evaluated by fair value		
Others	28,267,146.86	1,080,000.00
Total	<u>25,546,611.64</u>	<u>-4,449,798.44</u>

56. Investment income

56.1 The details about income from investment

The source of income from investment	Amount for current period	Amount for prior period
Long-term equity investment income calculated by equity method	1,354,236,729.88	895,812,755.86
The investment income from treating long-term equity investment	350,199,964.17	197,074,180.98
The investment income of the financial assets during holding period evaluated by fair value; change of the financial assets is calculated into current profit and loss.		
The investment income got during the whole investment period		
The investment income got during the period of holding salable financial assets	290,262,066.69	475,112,212.90
The investment income got from treating the financial assets evaluated by fair value; change of the financial assets is calculated into current profit and loss.		42,056,803.88
The investment income got from treating the investment in the whole investment period		
The investment income got from treating salable financial assets	2,100,922,797.96	422,895,991.09
After losing control right, the value of residual stock rights anew evaluated by fair value		
Others	139,252,410.12	150,168,831.65
Total	<u>4,234,873,968.82</u>	<u>2,183,120,776.36</u>

56.2 The company has no limitation of investment income remittance

57. Other income

Item	Amount for current period	Amount for prior period
Year 2016 industrial park financial support	463,350.00	38,612.50
CAP1400 Control rod drive mechanism manufacturing technology research project.	6,348,000.00	6,348,236.28
Anhui projects subsidies	1,020,000.00	1,020,000.00
Financial support fund	8,719,000.00	

Item	Amount for current period	Amount for prior period
Purchase of local commodities subsidy	1,690,700.00	
Changning district financial support fund	52,210,000.00	76,470,000.00
Innovation development subsidy	1,948,598.16	1,499,877.04
Auxiliary machinery factory relocation compensation.	75,850,000.00	12,713,927.56
High efficiency and energy-saving electromechanical project award.	549,831.96	549,954.91
Financial support for the transformation project of high-tech achievements.	76,631,000.00	52,191,201.33
Nuclear power main pump localization development R&D project.	6,278,000.00	57,095,801.88
Technical reform national investment project.	11,244,000.21	5,186,154.61
Technology subsidies	9,700,000.00	14,767,618.60
Technical research project subsidy	9,178,000.00	
Agricultural subsidy	113,820.00	106,883.00
Financial support for first set of comprehensive insurance.	29,913,000.00	23,000,000.00
Tax incentives	3,418,000.00	
Small energy-saving and fluorine-free project subsidy.	2,600,000.18	2,600,000.04
Financial support fund related to equipment procurement.	6,905,627.55	6,905,627.54
Government subsidies	4,752,500.00	
Innovation program assisting fund	743,760.00	743,760.00
Others	261,108,341.90	297,081,788.81
Total	<u>571,385,529.96</u>	<u>558,319,444.10</u>

58. Non-operating income

Item	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Total gains on disposal of non-current assets	<u>573,529,009.46</u>	<u>1,979,577,748.60</u>	<u>573,529,009.46</u>
Including: Gains on disposal of fixed assets	374,270,244.72	268,708,483.29	374,270,244.72
Gains on disposal of intangible assets	199,258,764.74	1,710,869,265.31	199,258,764.74
Gains on debt restructuring	28,125,650.33	5,085,494.16	28,125,650.33
Non-monetary assets exchange gains		3,241,101.41	
Donations		20,873,098.74	
Government grants	89,240,335.24	733,726,105.13	89,240,335.24
Others	439,806,931.44	217,139,681.24	439,806,931.44

Item	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Total	<u>1,130,701,926.47</u>	<u>2,959,643,229.28</u>	<u>1,130,701,926.47</u>

Details of government grants

Item	Amount for current period	Amount for prior period	Amount for prior period(similar nature)
Financial-supporting fund	44,915,576.85	445,983,360.26	55,825,827.50
Tax refund	25,231.92	6,444,250.32	6,444,250.32
The shift of the deferred income of land compensation		37,798,962.50	25,085,034.94
Subsidy for technology research and development	30,825,020.14	115,934,618.69	29,193,047.28
Others	13,474,506.33	127,564,913.36	58,858,500.99
Total	<u>89,240,335.24</u>	<u>733,726,105.13</u>	<u>175,406,661.03</u>

Note: Other government's subsidy related to assets mainly involves deferred income amortization with an amount of CNY 11,370,573.83.

59. Non-operating expenses

Item	Amount for current period	Amount for prior period	The amount calculated into non-recurrent loss and profit of the stage
Total loss from treating non-current assets	<u>150,627,564.66</u>	<u>31,762,329.61</u>	<u>150,627,564.66</u>
In which: the loss from treating fixed assets	150,597,664.66	28,694,491.10	150,597,664.66
The loss from treating intangible assets	29,900.00	3,067,838.51	29,900.00
The loss from debt restructuring	4,554,183.23	285,826,920.66	4,554,183.23
The loss from assets scrapping and damage	2,135,000.00	10,251,920.00	2,135,000.00
Donation	15,390,600.00	13,605,544.08	15,390,600.00
Compensation, liquidated damages and fine expenditure	36,639,423.99	15,182,180.60	36,639,423.99
Others	151,702,126.02	55,302,749.67	151,702,126.02
Total	<u>361,048,897.90</u>	<u>411,931,644.62</u>	<u>361,048,897.90</u>

Note: Other non-business expenditures in this year include contingency of Shanghai China spinning machine machinery Co. Ltd.,(CNY 69,340,036.86) and loss of repurchase business of lease company (CNY14,944,862.13). The total amount is CNY 84,284,898.99

60. Income tax expenses

60.1 Income tax expense table

1) Table of income tax

Item	Amount for current period	Amount for prior period
Current-stage income tax to be paid according to tax law and relevant regulations	2,425,291,283.84	2,630,308,551.05
Adjustment of deferred income taxes	-1,737,721,971.35	-1,057,940,322.77
Others		
Total	<u>687,569,312.49</u>	<u>1,572,368,228.28</u>

2) The process of adjusting accounting profit and income tax

Item	Amount for current period
Total profit	5,469,068,001.91
The income tax calculated by applicable tax rate	1,367,267,000.48
Effect of different tax rates applicable to subsidiaries	-135,269,678.44
The combined impact of offsetting profits	142,198,069.75
Effect of prior periods income tax adjustment	-24,916,791.03
Effect of non-taxable income	-341,654,323.38
Non-deductible cost, expense and losses	125,698,578.61
Before the end of the impact of deferred tax assets using the tax losses not recognized	-466,049,286.47
Effect of the current deferred tax assets unrecognized deductible temporary differences or deductible losses	465,091,925.44
Impact on investment income of joint ventures and associates	-338,559,182.47
Electric Share tax incentive from qualified expenses	-59,253,000.00
Electric Share write back deferred income tax asset of previous periods	4,517,000.00
Others	-51,501,000.00
Income tax	<u>687,569,312.49</u>

61. Other comprehensive income

61.1 All item of other comprehensive income and how the income tax influenced and transferred to the profit and loss

Item	Amount for current period			Amount for prior period		
	Before-tax amount	Income tax	After-tax net amount	Before-tax amount	Income tax	After-tax net amount
I. Other comprehensive income cannot be transferred into profit and loss in the future	5,774,000.00	1,732,000.00	4,042,000.00	-8,611,495.64	-3,209,839.54	-5,401,656.10
1. Re-measured defined movement of benefit plan about net assets and liabilities	5,774,000.00	1,732,000.00	4,042,000.00	-8,611,495.64	-3,209,839.54	-5,401,656.10
2. Under the equity method , share of other comprehensive income cannot be transferred into profit or loss						
II. Other comprehensive income can be transferred into profit and loss in the future	-3,265,490,968.03	-588,182,314.62	-2,677,308,653.41	-2,317,529,870.55	-666,777,885.72	-1,650,751,984.83
1. Under the equity method , share of other comprehensive income can be transferred into profit or loss						
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period						
Subtotal						
2. Gains and losses from changes in fair value of available for sale financial assets	-1,854,071,891.61	-599,031,961.60	-1,255,039,930.01	-2,259,976,194.15	-672,507,993.66	-1,587,468,200.49
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period	1,398,792,740.75	622,353.02	1,398,170,387.73	172,769,214.81	1,053,758.91	171,715,455.90
Subtotal	-3,252,864,632.36	-599,654,314.62	-2,653,210,317.74	-2,432,745,408.96	-673,561,752.57	-1,759,183,656.39
3. Profit and loss of held-to-maturity investments classified to available for sale financial assets						
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period						
Subtotal						

Item	Amount for current period			Amount for prior period		
	Before-tax amount	Income tax	After-tax net amount	Before-tax amount	Income tax	After-tax net amount
4. Gains (losses) arising from cash flow hedging instruments	41,202,000.00	11,472,000.00	29,730,000.00	2,509,467.39	6,783,866.85	-4,274,399.46
The hedged item to the initial recognition amount of adjustment						
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period				-22,902,000.00		-22,902,000.00
Subtotal	<u>41,202,000.00</u>	<u>11,472,000.00</u>	<u>29,730,000.00</u>	<u>25,411,467.39</u>	<u>6,783,866.85</u>	<u>18,627,600.54</u>
5. Translation differences of financial statements denominated in foreign currencies	-53,828,335.67		-53,828,335.67	89,220,071.02		89,220,071.02
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period						
Subtotal	<u>-53,828,335.67</u>		<u>-53,828,335.67</u>	<u>89,220,071.02</u>		<u>89,220,071.02</u>
6. Others				584,000.00		584,000.00
Less: Amount included in other comprehensive income in prior periods that is transferred to profit or loss for the period						
Subtotal				<u>584,000.00</u>		<u>584,000.00</u>
III. Total	<u>-3,259,716,968.03</u>	<u>-586,450,314.62</u>	<u>-2,673,266,653.41</u>	<u>-2,326,141,366.19</u>	<u>-669,987,725.26</u>	<u>-1,656,153,640.93</u>

61.2 Adjustment of other comprehensive income

Item	Re-measured defined movement of benefit plan about net assets and liabilities	Under the equity method, share of other comprehensive income can be transferred into profit or loss	Under the equity method in other comprehens ive income will be reclassified into profit or loss of employment of future investment unit share	Gains and losses from changes in fair value of available for sale financial assets	Profit or loss of held-to- maturity investm ents classifie d to available for sale financial assets	Gains (losses) arising from cash flow hedging instruments	Translation differences of financial statements denominated in foreign currencies	Others	Item
I. The opening balance in last year	<u>5,066,259.41</u>	<u>8,294,272.93</u>		<u>9,843,234,079.50</u>		<u>-11,709,946.39</u>	<u>-158,550,900.13</u>	<u>5,402,066.22</u>	<u>9,691,735,831.54</u>
II. The amount of change of last year (decrease with "-" for loss)	-2,747,642.36			-1,675,231,253.11		10,214,247.69	53,622,091.56	640,718.95	-1,613,501,837.27
III. Balance at the beginning of this year	<u>2,318,617.05</u>	<u>8,294,272.93</u>		<u>8,168,002,826.39</u>		<u>-1,495,698.70</u>	<u>-104,928,808.57</u>	<u>6,042,785.17</u>	<u>8,078,233,994.27</u>
IV. Increase or decrease in the amount of change in the year (decrease with "-" for loss)	5,039.26			-2,229,777,948.81		18,251,477.18	30,650,084.19	8,582,477.01	-2,172,288,871.17
V. The year-end balance	<u>2,323,656.31</u>	<u>8,294,272.93</u>		<u>5,938,224,877.58</u>		<u>16,755,778.48</u>	<u>-74,278,724.38</u>	<u>14,625,262.18</u>	<u>5,905,945,123.10</u>

62. Debt restructuring

62.1 Debtor disclosure:

Mode of debt restructuring	Debt restructuring Gained amount	Increase of capital stock	Contingent amount payable
Pay off debts with the cash which has lower value than that on debt account	28,125,650.33		
Total	<u>28,125,650.33</u>		

62.2 Creditor disclosure:

Mode of debt restructuring	The amount lost in debt restructuring	Increase of long-term equity investment	The proportion in the stock rights of debtors	Contingent amount receivable/
Debt recovery in amount lower than the book value of receivables	4,554,183.23			
Total	<u>4,554,183.23</u>			

63. Foreign exchange gains or losses

Exchange differences in profit or loss is CNY 63,841,378.05 yuan

64. Lease

64.1 Details on lessor under finance lease:

Remaining lease term	Minimum lease receivable
Within 1 year (Including 1 year)	5,758,566,000.00
1-2years	3,326,976,000.00
2-3years	2,388,255,000.00
More than 3 years	1,906,457,000.00
Total	<u>13,380,254,000.00</u>

Note: The balance of unearned finance income is CNY 1,364,119.00 yuan

64.2 Details on lessor under operating lease:

Type of operating leased asset	Closing book-value	Opening book-value
1. Land asset	755,233,462.58	779,999,488.27
2. Buildings	1,239,896,978.55	829,372,168.52
3. Commodities in storage		13,227.03
4. Machinery and equipment	32,822,288.91	1,206,000.00
5. Office and other equipment	1,445,000.00	1,000.00

Type of operating leased asset	Closing book-value	Opening book-value
Total	<u>2,029,397,730.04</u>	<u>1,610,591,883.82</u>

64.3 Details on the minimum lease payments

Remaining lease term	Minimum lease payment
Within 1 year (Including 1 year)	275,461,980.00
1-2 years	181,399,360.00
2-3 years	114,348,740.00
More than 3 years	440,479,460.00
Total	<u>1,011,689,540.00</u>

65. Segmental reporting

Year 2017

Item	Efficient Clean Energy	New Energy Resources	Industrial Equipment	Modern Service Industry	Head Office And Other	Elimination	Total
I. Operating income	10,360,341,927.90	25,243,863,605.41	40,190,381,436.98	23,860,065,892.39	2,598,349,842.72	10,477,167,902.17	91,775,834,803.23
Including: Revenue from external customers	9,394,729,454.15	20,648,837,322.79	38,204,433,903.38	21,240,058,395.40	2,287,775,727.51		91,775,834,803.23
Inter-segment trading income	965,612,473.75	4,595,026,282.62	1,985,947,533.60	2,620,007,496.99	310,574,115.21	10,477,167,902.17	
II. Associates and joint venture investment income	-233,220.25	337,307,757.87	842,515,434.63	62,564,004.00	112,082,753.63		1,354,236,729.88
III. Impairment losses	48,223,000.00	808,959,883.10	587,052,047.72	2,110,304,629.07	165,875,462.68	287,949,665.05	3,432,465,357.52
IV. Depreciation and amortization expenses	263,542,000.00	596,382,864.75	1,589,296,101.54	116,483,277.61	669,635,476.06	99,102,889.51	3,136,236,830.45
V. The total profit	217,599,155.27	-141,439,311.87	1,987,159,767.23	2,901,755,574.44	4,298,364,519.67	3,794,371,702.83	5,469,068,001.91
VI. Income tax expense	-113,539,520.90	-17,954,555.11	529,406,909.59	99,703,253.09	1,449,021,329.01	1,259,068,103.19	687,569,312.49
VII. Net profit	331,138,676.17	-123,484,756.76	1,457,752,857.64	2,802,052,321.35	2,849,343,190.66	2,535,303,599.64	4,781,498,689.42
VIII. Total assets	26,104,629,000.00	63,486,844,570.17	62,356,261,825.91	96,720,571,947.34	86,599,994,849.13	105,026,191,669.36	230,242,110,523.19
IX. Total liabilities	16,250,101,000.00	47,226,000,868.49	39,734,301,453.74	80,142,459,148.14	42,879,717,005.76	69,615,351,540.87	156,617,227,935.26
X. Other significant non-cash items	1,016,529,000.00	1,058,493,000.00	236,361,666.66	452,000.00	8,216,333.53		2,320,052,000.19
Including: other non-cash expenses other than depreciation and amortization charges	1,016,529,000.00	1,058,493,000.00	236,361,666.66	452,000.00	7,682,000.00		2,319,517,666.66
Increase from associates and joint ventures long-term equity investment under equity method					534,333.53		534,333.53

Continued from above table:

Year 2016

Item	Efficient Clean Energy	New Energy Resources	Industrial Equipment	Modern Service Industry	Head Office And Other	Elimination	Total
I. Operating income	12,748,642,712.85	27,216,139,590.44	37,510,812,133.49	26,520,344,137.21	1,716,347,139.34	7,907,993,439.30	97,804,292,274.03
Including: Revenue from external customers	11,715,530,540.60	23,822,539,203.66	35,527,359,818.33	25,419,740,551.55	1,319,122,159.89		97,804,292,274.03
Inter-segment trading income	1,033,112,172.25	3,393,600,386.78	1,983,452,315.16	1,100,603,585.66	397,224,979.45	7,907,993,439.30	
II. Associates and joint venture investment income		206,617,000.00	456,409,604.17	19,047,739.30	213,738,412.39		895,812,755.86
III. Impairment losses	419,428,592.58	487,616,925.95	791,321,566.79	1,103,142,858.65	1,786,445,031.18	1,498,775,781.27	3,089,179,193.88
IV. Depreciation and amortization expenses	252,317,955.59	636,106,115.63	1,465,796,550.71	118,156,658.31	377,285,657.72	-99,967,697.35	2,949,630,635.31
V. The total profit	224,806,516.28	901,870,306.86	1,525,456,082.02	2,110,816,580.06	4,818,272,253.64	3,429,891,342.47	6,151,330,396.39
VI. Income tax expense	223,599,631.57	233,358,377.60	501,793,131.09	450,127,995.14	1,118,491,159.93	955,002,067.05	1,572,368,228.28
VII. Net profit	1,206,884.71	668,511,929.26	1,023,662,950.93	1,660,688,584.92	3,699,781,093.71	2,474,889,275.42	4,578,962,168.11
VIII. Total assets	25,491,935,912.27	59,302,206,762.40	65,443,374,062.78	99,542,208,218.09	67,774,701,269.78	95,320,894,708.52	222,233,531,516.80
IX. Total liabilities	16,173,637,904.25	42,738,129,666.76	45,793,225,543.61	84,309,865,177.89	36,186,189,043.24	73,051,583,014.00	152,149,464,321.75
X. Other significant non-cash items	913,466,109.51	748,083,000.00	95,553,000.00	144,556,716.15	128,429,769.85		2,030,088,595.51
Including: other non-cash expenses other than depreciation and amortization charges							
Increase from associates and joint ventures long-term equity investment under equity method	913,466,109.51	748,083,000.00	95,553,000.00	144,556,716.15	4,684,000.00		1,906,342,825.66
					123,745,769.85		123,745,769.85

	Year 2017	Year 2016
XI. Source of income		
In which: mainland of China	79,805,488,515.24	83,835,138,496.21
Other countries and regions	11,970,346,287.99	13,969,153,777.82
Total	<u>91,775,834,803.23</u>	<u>97,804,292,274.03</u>
XII. Non-current assets (not including financial assets, segregated account assets and deferred income taxes)		
In which: located in mainland of China	39,625,166,450.06	36,713,485,727.66
Located in other countries and regions	6,246,342,524.20	6,273,345,152.33
Total	<u>45,871,508,974.26</u>	<u>42,986,830,879.99</u>

66. Consolidated cash flow

66.1 Reconciliation of net profit to cash flow from operating activities

Supplementary information	Amount for current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	4,781,498,689.42	4,578,962,168.11
Add: Provision for impairment losses of assets	3,432,465,357.52	3,089,179,193.88
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	2,590,057,764.57	2,441,320,603.06
Amortization of intangible assets	409,081,049.27	384,250,071.08
Amortization of long-term prepaid expenses	137,098,016.61	124,059,961.17
Losses on disposal of fixed assets, intangible assets and other long-term asset (gains are indicated by "-")	-422,901,444.80	-1,947,815,418.99
Losses on write-off of fixed assets (gains are indicated by "-")		
Losses on changes in fair values (gains are indicated by "-")	-25,546,611.64	4,449,798.44
Financial expenses (income is indicated by "-")	1,060,046,862.25	1,192,192,626.19
Losses arising from investments (gains are indicated by "-")	-4,234,873,968.82	-2,183,120,776.36
Decrease in deferred tax assets (increase is indicated by "-")	-1,813,891,005.90	-1,231,753,140.41
Increase in deferred tax liabilities (decrease is indicated by "-")	-1,191,241.27	173,812,817.64
Decrease in inventories (increase is indicated by "-")	-8,622,733,966.96	-153,864,133.31
Decrease in receivables from operating activities (increase is indicated by "-")	-6,121,519,914.93	-2,593,843,966.91
Increase in payables from operating activities (decrease is indicated by "-")	1,498,834,979.87	7,690,872,664.92
Others (Note)	550,285,187.93	-1,229,785,788.24
Net cash flow from operating activities	<u>-6,783,290,246.88</u>	<u>10,338,916,680.27</u>
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	23,898,090,296.20	32,030,777,161.56
Less: Opening balance of cash	32,030,777,161.56	35,610,371,877.47
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	<u>-8,132,686,865.36</u>	<u>-3,579,594,715.91</u>

66.2 Acquisition or disposal of subsidiaries or businesses during the period

Item	Amount
I. Company merger in the current period of cash or cash equivalents paid for the period	
Less: Cash and cash equivalents days later the Company held	
Plus: an enterprise incorporated during the previous period Payment of cash or cash equivalents	
Net cash paid to acquire subsidiaries	77,122,387.60
II. issue of the disposal of subsidiaries received cash or cash equivalents in the period	53,794,429.95
Less: loss of control over the cash and cash equivalents held by the Company	26,834,847.57
Plus: cash or cash equivalents received from disposal of subsidiaries in the period prior periods	
Net cash received from disposal of subsidiaries	26,959,582.38

66.3 Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	<u>23,898,090,296.20</u>	<u>32,030,777,161.56</u>
Including: 1 cash	2,332,586.86	3,306,075.80
2. Can be used to pay bank deposits	23,277,943,698.71	31,688,985,307.65
3. Can be used at any other monetary funds paid	617,814,010.63	338,485,778.11
4. Due from banks		
5. Placements with banks money		
II. cash equivalents		
Including: bond investment due within three months		
III. end of the period Cash and cash equivalents	<u>23,898,090,296.20</u>	<u>32,030,777,161.56</u>
Including: the parent company or its subsidiaries within the Group cash and cash equivalents restricted		

67. Foreign currency monetary items

Item	Closing balance of foreign currency	Exchange rate	Closing balance CNY conversion
Currency fund			
In which: US dollar	38,081,316.32	6.5342	248,830,937.10
Hong Kong dollar	26,725,975.25	0.8359	22,340,242.71
Swiss franc	73,923.92	6.6779	493,656.55
Singapore dollar	0.01	4.8831	0.05
Euro	3,071,862.71	7.8032	23,970,359.10
Dirham	74,299.36	1.7789	132,171.13

Item	Closing balance of foreign currency	Exchange rate	Closing balance CNY conversion
Pakistan rupee	15,620,582.82	0.0597	932,548.79
Japanese yen	60,766,816.95	0.0579	3,518,398.70
Rupee	669,954,607.72	0.1022	68,469,360.91
South Korean Won	370,630.00	0.0061	2,260.84
Receivables			
In which: Swiss franc	73,000.00	6.6779	487,486.70
US dollar	39,871,662.52	6.5342	260,529,417.24
Euro	2,627,430.24	7.8023	20,499,998.96
Rupee	762,780,788.97	0.1022	77,956,196.63
Prepayments			
In which: Hong Kong dollar	22,787.00	0.8359	19,047.65
Swiss franc	661,738.32	6.6779	4,419,022.33
Dirham	602,469.19	1.7789	1,071,732.44
US Dollar	188,079.18	6.5342	1,228,946.98
Japanese yen	69,829,799.00	0.0579	4,043,145.36
Euro	1,100.42	7.8023	8,585.81
Rupee	221,378,486.89	0.1022	22,624,881.36
Interest receivable			
In which: US dollar	2,303,264.08	6.5342	15,049,988.15
Euro	22,227.00	7.8032	173,441.73
Other accounts receivable			
In which: UAE dirham	398,893.67	1.7789	709,591.95
Pakistan rupee	18,572,934.65	0.0597	1,108,804.20
US dollar	20,068.75	6.5342	131,133.23
Rupee	85,148,417.51	0.1022	8,702,168.27
Long-term receivables			
In which: US dollar	137,000,000.00	6.5342	895,185,400.00
Euro		7.8032	
Short-term loan			
In which: US dollar	60,000,000.00	6.5342	392,052,000.00
Euro	39,929,373.62	7.8023	311,540,951.80
Malaysian Ringgit	41,000,000.00	1.6071	65,891,100.00
Accounts payable			

Item	Closing balance of foreign currency	Exchange rate	Closing balance CNY conversion
In which: Swiss franc	73,000.00	6.6779	487,486.70
Pakistan rupee	2,430,970.00	0.0597	145,128.91
US dollar	13,893,555.27	6.5342	90,783,268.85
Japanese yen	257,675,735.42	0.0579	14,919,425.08
Euro	126,438,000.00	7.8023	986,507,207.40
Great Britain Pound	526,000.00	8.7792	4,617,859.20
Rupee	866,629,046.38	0.1022	88,569,488.54
Receipts in advance			
In which: US dollar	12,866,176.54	6.5342	84,070,170.75
Hong Kong dollar	31,537.32	0.8359	26,362.05
Swiss franc	12,559,769.30	6.6779	83,872,883.41
Euro	6,275,000.00	7.8023	48,959,432.50
Malaysian Ringgit	18,419,000.00	1.6071	29,601,174.90
Pakistan rupee	203,615,000.00	0.0592	12,054,008.00
Accrued payroll			
In which: Hong Kong dollar	1,000,000.00	0.8359	835,900.00
Other accounts payable			
In which: Hong Kong dollar	30,041,457.13	0.8359	25,111,654.01
UAE dirham	64,139.90	1.7789	114,098.47
Pakistan rupee	487,660,952.00	0.0597	29,113,358.83
Euro	26,517,000.00	7.8023	206,893,589.10
Dinar	1,524,000.00	21.6457	32,988,046.80
US dollar	83,668.13	6.5342	546,704.30
Japanese yen	20,340,143.51	0.0579	1,177,694.31
Euro	17,712.66	7.8023	138,199.49
Rupee	119,458,686.01	0.1022	12,208,677.71
Interest payable			
In which: US dollar	68,991.43	6.5342	450,803.80
Euro	54,168.00	7.8032	422,683.74
Long-term loan			
In which: Euro	187,849,000.00	7.8032	1,465,823,316.80
US dollar	172,980,000.00	6.5342	1,130,285,916.00
Bonds payable			

Item	Closing balance of foreign currency	Exchange rate	Closing balance CNY conversion
In which: US dollar	497,979,873.62	6.5342	3,253,900,090.21
Euro	599,099,000.00	7.8023	4,674,350,127.70
Long-term loan due within one year			
In which: US dollar	7,134,000.00	6.5342	46,614,982.80
Euro	14,583,000.00	7.8023	113,780,940.90
Great Britain Pound	63,000.00	8.7792	553,089.60

68. Asset ownership and use restricted

Item	Term-end book value	The reason of being limited
Cash and cash equivalents	679,705,985.28	Guarantee (note 1)
Cash and cash equivalents - Central Bank reserves	3,267,497,000.00	Guarantee (note 2)
Bill receivable	684,219,180.30	Guarantee (note 3)
Accounts receivable	19,198,000.00	Guarantee (note 4)
Fixed assets	404,395,000.00	Guarantee (note 5)
Money funds	1,532,193.54	Other reasons (note 6)
Available for sale financial assets	11,690,176.92	Other reasons (note 6)
Long-term investment	6,378,979,871.15	Pledge (note 7)

Note 1: On December 31, 2017, the restricted cash and cash equivalents at the amount of CNY 679,705,985.28 were used for guarantees, banking acceptance bill, letters of credit margin and security clearing margin.

Note 2: T Shanghai Electric Group Finance Co., Ltd., a subsidiary of the Company, banked statutory reserve not available for daily operations according to the provisions of the People's Bank of China.

Note 3: On December 31, 2017, the subsidiary Shanghai Electric Group Co., Ltd. used bill receivable CNY 222,389,000.00 as mortgage billing; the subsidiary Shanghai Highly (Group) Co. Ltd. used bill receivable CNY 461,830,180.30 as mortgage to get short-term loan CNY 461,830,180.30.

Note 4: On December 31, 2017, the subsidiary Shanghai Electric Group Co., Ltd. used the receivables with book value CNY 19,198,000.00 to get short-term loan CNY 14,000,000.00.

Note 5: On December 31, 2017, the group used the fixed assets with book value CNY 404,395,000.00 as mortgage to get short-term loan CNY 222,239,000.00, long-term loan CNY 110,934,000.00 and long-term due within one year CNY 151,000.00.

Note 6: On December 31, 2017, monetary capital of the group (CNY 357,341.67) was frozen owing to lawsuit. The monetary capital with restricted ownership owing to other reasons was CNY 1,174,851.87 and salable financial assets could be CNY 11,690,176.92.

Note 7: On December 31, 2017, the Group's subsidiary Shanghai Prime Machinery Co., Ltd. used shares of its subsidiary (The total net assets of these companies up to 817,482,554.74 EUR as at December 31, 2017) of Nedschroef Central branch as collaterals to obtain short-term loan CNY 32,635,000.00 and long-term loan CNY 720,763,000.00.

IX. CONTINGENCY

1. Guarantee

Guarantor	Vouchee	Nature of vouchee	Total amount of guarantee	Amount overdue	Nature of guarantee	Status of vouchee
I. Inside Group						
Shanghai Electric (Group) Corporation	Shanghai Automation Instrumentation Co., Ltd.	State Holding	609,200,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Heavy Machinery Co., Ltd.	State Holding	2,885,000,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Highly (Group) Co. Ltd.	Listed company	1,000,000,000.00		Bond Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Electric Widespread Portfolios Co., Ltd.	State Holding	USD500,000,000.00		Bond guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd.	Anhui Highly Precision Casting Co., Ltd.	State Holding	12,800,000.00		Loan guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Highly International Trade Co., Ltd.	State Holding	150,698,900.00		Loan guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Highly Special Refrigeration Equipment Co., Ltd.	State Holding	4,858,300.00		Loan guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Highly New Energy Technology Co., Ltd.	State Holding	128,243,600.00		Loan guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd.	Hangzhou Fusheng electrical Co. Ltd.	State Holding	217,137,200.00		Loan guarantee	Continuous operation
Shanghai Highly (Group) Co. Ltd.	Shanghai Highly Electrical Appliances Co., Ltd.	State Holding	758,035,600.00		Loan guarantee	Continuous operation
II. Outside group						
Shanghai Electric (Group) Corporation	Shanghai Shen Xin Wind Power Co., Ltd.	State Holding	20,000,000.00		Loan Guarantee	Continuous operation
Shanghai Electric (Group) Corporation	Shanghai Dianji University	Institution	60,000,000.00		Loan Guarantee	Continuous operation
Shanghai Electric Group Co., Ltd.	Nabtesco (China) Precise Machine Co., Ltd.	Joint-venture enterprise	37,290,000.00		Loan Guarantee	Continuous operation
Shanghai Electric Group Co., Ltd.	Shanghai Nabtesco Management Co., Ltd.	Joint-venture enterprise			Loan Guarantee	Continuous operation
Shanghai Electric Group Co., Ltd.	Chongqing Shenhua Thin Film Solar Energy Technology Co., Ltd.	State Holding	153,000,000.00		Loan Guarantee	Continuous operation

Note 1: The guarantee amount listed in above table is the highest amount of guarantee to the units guaranteed by December 31, 2017.

Note 2: On February 28, 2013, Shanghai Highly (Group) Co. Ltd. the company's subsidiary issued bonds with 5 year fixed coupon rate of 4.85% at par value of CNY 1 billion with approval from the China Securities Regulatory Commission by document "Regulatory approval [2012] No.1739". The bond carries option of increase at coupon rate on sell-back at the end of the third year. The company provides unconditional and irrevocable joint & several liabilities on interest and principle payments of the bond.

Note 3: On August 14, 2014, Shanghai Electric Widespread Portfolios Co., Ltd., the company's subsidiary issued corporate bonds, Morning star, with 5 year fixed coupon rate of 3% at par value of USD 0.5 billion. The group provides full amount unconditional and irrevocable joint and several liability guarantees for the bond.

2. Current significant litigation cases involved

1. Loan contract dispute: Shanghai Nanyang Motor Co. Ltd. vs. the Company

The cumulative amount of loan which the Company lent to Shanghai Nanyang Motor Co. Ltd. (referred to as "Nanyang Motor") is CNY 86.1953 million. The Company filed a lawsuit with Jiading District People's Court of Shanghai in 2015 to request for repayment. The Court issued (2016) Shanghai 02 Minzhong No. 9997 Civil Verdict, which required Nanyang to repay CNY 86.1953 million and interest thereon on September 18, 2016. Nanyang Motor appealed. On February 6, 2017, the Court rejected the appeal. As of December 31, 2017, Nanyang Motor has not yet repaid the amount associated.

2. Creditor's dispute: Shanghai Shuangjiu Investment Management Co., Ltd. vs. The Company

Shanghai Shuangjiu Investment Management Co., Ltd. brought a case against Shanghai Tianlibao Industry Company (referred to as "Tianlibao Company") on creditor's dispute. The Company's subsidiary, Shanghai Electric (Group) Import and Export Corporation (referred to as "Import and Export Co.") merged Tianlibao Company's shareholder, Shanghai Heavy Mining Machinery Company. Tianlibao Company's business license was revoked, and the Import and Export Co was de-registered in 2015, therefore, Shanghai Shuangjiu Investment Management Co., Ltd. demand the Company to be liable for the compensation of CNY 5.06 million as obligation of guarantor to the de-registration of the Import and Export Co. This case is on trial as of December 31, 2017.

3. Sales agreement dispute case: Shanghai Electric Enterprise Development Co., Ltd vs. Shanghai Michelin Tire Co., Ltd.

Shanghai Michelin Tire Co., Ltd (referred to as "Michelin") has purchased coal from one of the subsidiary of the Group, Shanghai Electric Eurasian Industrial Development Co., Ltd. (referred to as "Eurasian Industrial") , since 2007. Michelin paid CNY 2 million as deposit to ensure supply to Eurasian Industrial on December 24, 2009. Both parties agreed that the deposit should be fully returned to payer (Michelin) when the procurement agreement expired. However, after the expiry date of the contract on December 31, 2015, Eurasian Industrial did not refund that deposit. On August 10, 2017, the People's Court of Minhang District, Shanghai issued (2017) Shanghai 0122 Minchu Civil Judgement No. 20768, requiring Eurasian Industrial return deposit CNY 2 million and relative interest thereon to Michelin. As of December 31, 2017, Eurasian Industrial has not returned relevant deposit and interest.

4. Shanghai Electric Group Real Estate Co., Ltd.: Contract dispute case

(1) Shanghai Electric Group Real Estate Co., Ltd. prosecuted Shanghai Jintuo Stone Sale Co., Ltd. for the lease contract dispute of the No.1 house located at No.410 Street, Longwu Road, Xuhui District. The lease term was from August 15, 2014 to August 14, 2015. Since August 15, 2015, Shanghai Jintuo Stone Sale Co., Ltd. refused to return the house. Shanghai Electric Group Real Estate Co., Ltd. requested Shanghai Jintuo Stone Sale Co., Ltd. to pay the expense for house and site occupation from August 25, 2015 to the date that the house was returned. As of September 30, 2016, the total occupancy fee was CNY 503,625.60. The court decided in the first instance in October 23, 2017, to which the other party did not appeal. The decision came into effect. The other party had moved away from the house on November 5, 2017. For housing occupancy charges, Shanghai Electric Group Real Estate Co., Ltd. has filed for enforcement on December 22, 2017. As of December 31, 2017,

the case is still in the process of enforcement.

(2) Shanghai Electric Group Real Estate Co., Ltd. brought a lawsuit against Shanghai Guanshun Investment Management Co., Ltd. for the lease contract dispute of the house located at No. 948 Wanrong Road. The lease term was from July 1, 2014 to November 30, 2021. Shanghai Guanshun Investment Management Co., Ltd. did not pay for the lease since October, 2014. Shanghai Electric Group Real Estate Co., Ltd. requested Shanghai Guanshun Investment Management Co., Ltd. to pay rental and utility expense CNY 27,236,100.00. As of December 31, 2017, the case is still in first trial.

(3) Shanghai Guanshun Investment Management Co., Ltd. filed a counterclaim against lawsuit towards No.948 Wanrong Road filed by Shanghai Electric Group Real Estate Co., Ltd. Guanshun claimed that the investment on house renovation was unrecoverable, the operation was affected heavily and part of the house was not eligible for leasing for the reason that the leasing area been included in the scope of expropriation since 2015. Guanshun Investment Management Co., Ltd. requested Shanghai Electric Group Real Estate Co., Ltd. to pay CNY 55,594,900.00 compensation, to refund rental fee of CNY 431,096.26 and property management fee of CNY35, 924.69. As of December 31, 2017, the case is still in first trial.

(4) Shanghai Xia's Catering Management Co., Ltd. subleased house on No. 948 Wanrong Road from Shanghai Guanshun Investment Management Co., Ltd. The lease term is from September 20, 2014 to September 19, 2019. Since Shanghai Xia's Catering Management Co., Ltd. was enforced to close for the housing relocation in June 2016, they required Shanghai Guanshun Investment Management Co., Ltd. to pay CNY 4.76 million as housing relocation reimbursement, which Shanghai Electric Group Real Estate Co., Ltd. is jointly and severally liable. As of December 31, 2017, the case is still in first trial.

5. Contract dispute case: Pacific mechatronic (Group) Co. Ltd. vs. Heilongjiang Difeng Polyester Co., Ltd.

Pacific mechatronic (Group) Co. Ltd. (referred to as "Pacific Mechatronic"), the Group's subsidiary, signed sales agreement with Heilongjiang Difeng Polyester Co., Ltd. (referred to as "Difeng Corp."). Difeng Corp. prepaid CNY26, 950,067.57 and the project suspended subsequently because Difeng Corp came across financial difficulties. Since Difeng Corp. could not pay off their external debts, the debtor, Yingjie Li, filed a lawsuit with Heilongjiang Harbin Intermediate People's Court requesting freezing on Pacific Mechatronic's account (Account No. 8012100049610) of Ping An Bank of Shanghai Changshu Road branch (The balance of the account was CNY 367,341.67 on December 31, 2017), and transferring CNY8.72 million from this account. Pacific Mechatronic raised objection and filed a lawsuit. As of December 31, 2017, the lawsuit is still in process.

6. Leasing contract dispute case: Shanghai INESA (Group) Co., Ltd. vs. Shanghai Linggang Holdings Co., Ltd.

Shanghai INESA (Group) Co., Ltd. prosecuted Shanghai Lingang Holdings Co., Ltd. (referred to as "Lingang Holdings") for the lease contract dispute of house located at No.157 Changji Road, District. Although Lingang Holdings, which is listed on the shell of Shanghai Automation Instrumentation Holdings Co., Ltd. (referred to as "Automation Instrumentation Holdings"), is the tenant, the actual user of the house is Shanghai Automation Instrumentation Co., Ltd. (referred to as "Automation Instrumentation Limited"). Since the contractual relative is

Automation Instrumentation Holdings, Lingang Holdings is the appropriate defendant. The first trial verdict that Lingang Holdings shall pay plant rental fees from October 1, 2016 to March 31, 2017, amounting to CNY 678,299.20, to INESA (Group). Automation Instrumentation Limited, who is the third party related to case, raised objection and filed a lawsuit, requesting for revoking the original verdict and dismiss the plaintiff's claim. As of December 31, 2017, the case is in process of second-trial.

7. Leasing contract dispute case: Gu Dazhong vs. Shanghai Lingang Holdings Co., Ltd.

Gu Dazhong brought a case against Lingang Holdings towards Shanghai Guangxia Property Management Co., Ltd (referred to as "Guangxia Property"). Gu Dazhong, who is the staff in a subsidiary of Automation Instrument Holdings, leased Guangsha Property dormitory rented by Automation Instrument Holdings. The Automation Instrument Holdings terminated lease relationship with Guangxia Property in February 2011. And Guangxia Property requested Gu Dazhong to move out for several times, but Gu Dazhong refused. In October 2012, Guangxia Property released notice requiring residents working with Automation Instrument Holdings and its subordinate units to check in. Gu Dazhong did not check in or move away. Guangxia Property cleared and temporarily stored plaintiff's items. Since Lingang Holdings was listed on the shell of Automation Instrument Holdings, Gu Dazhong sued Automation Instrument Holdings and requested them to return his items. The first and second verdict revoked Gu's claim for the reason of lacking legal and factual basis. As of December 31, 2017, the case is on the retrial.

8. Sales agreement dispute case: Shanghai Automation Instrumentation Co., Ltd vs. Pinghu Ruoyi Machinery Manufacturing Co., Ltd.

On July 3, 2017, Pinghu Ruoyi Machinery Manufacturing Co., Ltd. (referred to as "Ruoyi Machinery") prosecuted Automation Instrumentation Limited for payment on goods not received in time. On October 30, 2017, the court's first-instance verdict requested that Automation Instrumentation Limited pay CNY 1,019,026.64 to Ruoyi Machinery and overdue interest is calculated according to the same period and grade loan interest rate of People's Bank of China. As of December 31, 2017, the case is being executed.

9. Outlook design patent infringement dispute case: Shanghai Automation Instrument Co., Ltd vs. Shanghai Hua'ao Instrument Manufacturing Co., Ltd.

On September 25, 2017, Shanghai Hua'ao Instrument Manufacturing Co., Ltd. brought a case against Automation Instrument Limited for their infringing of 4 outlook design patents. The case number is (2017) Shanghai 73 Minchu No. 670-673. It requested that Automation Instrument Limited compensate its operating loss and reasonable expense, amounting to CNY 4 million. As of December 31, 2017, the case is still in first trial.

3. Contingent liability

Item	Beginning of the year Balance	Current period Amount of increase	Current period Amount of decrease	Beginning of the year Balance	Reason s of formati on	Expecta nt amount of compen sation	Amount of compensatio n has been confirmed in the current period.
External guarantee	146,251,000.00	113,440,000.00		259,691,000.00			
Pending lawsuit	36,922,000.00	25,435,000.00		62,357,000.00			
The contingent liability formed from outward offering letter of guarantee	3,690,000.00		1,059,000.00	2,631,000.00			
Total	<u>186,863,000.00</u>	<u>138,875,000.00</u>	<u>1,059,000.00</u>	<u>324,679,000.00</u>			

On December 31, 2017, financing institution offered no financial guarantee letter (December 31, 2016: CNY1, 333,439,000) and non-financial guarantee letter at the amount CNY21, 991,183,000.00(December 31, 2016: CNY21, 723,391,000.00) for the subsidiary Electric Share.

4. Contingent assets

None

X. EVENTS AFTER BALANCE SHEET DATE

1. In 2013, Shanghai Electric (Group) Co., Ltd. (hereinafter referred to as " Electric Shares"), a subsidiary of the Group, won the bid for the power station 2 * 350 MW supercritical unit of Xinjiang Jiarun Resources Holding Co., Ltd. (hereinafter referred to as " Xinjiang Jiarun"), with a total project amount of CNY 2 billion. On September, 2013, both parties signed the construction contract, and Xinjiang Jiarun took its own 20 % equity as pledge guarantee. The project was completed and handed over by the end of year 2015.

Due to shortage of funds, Xinjiang Jiarun applied to Shanghai Electric Lease Co., Ltd. (hereinafter referred to as "Electric Lease") for financing the main and auxiliary equipment under the project. Electric Lease signed financing lease contract with Xinjiang Jiarun on August 7, 2014, financing for CNY740 million. The lease is jointly and severally guaranteed by a shareholder of Xinjiang Jiarun, Qingdao Antaixin Group Co., Ltd., and its actual controller, Wang Zhijun, and mortgaged by the commercial real estate held by Qingdao Shengshi Jiaye Commercial Development Co., Ltd.(hereinafter referred to as "Shengshi Jiaye")

During year 2017, after repeatedly pressing by Electric Shares, Antaixin and Jiarun still did not pay for the project and overdue interest. Therefore, Electric Shares brought a case to Shanghai High Peoples' Court, requesting Wang Zhijun and Guan Hongyan pay the arrear and overdue interest, which have an amount of CNY 957,019 thousand, and bear all the litigation costs such as case acceptance fee, attorney fee and security guarantee fee. Due to the failure of Jiarun to pay the rent according to the contract and other breach of contract, which has constituted a serious breach of contract, the Electric Lease submitted a complaint to the Shanghai High People's Court requesting that Jiarun pay the total amount of overdue and outstanding rent of CNY

746,535 thousand, damages for breach of contract of CNY 92,533 thousand, deferred payment of 58,906 thousand and residual value transfer fee of CNY 10,000 to Electric Lease, and Antaixin and Wang Zhijun shall jointly and severally guarantee the amount of breach of contract of the above-mentioned financing lease; requesting that Electric Lease shall have the right to auction and sell Shengshi Jiaye according to the price of the mortgaged property provided and obtain priority compensation within the scope of the above-mentioned litigation request; requesting Jiarun, Antaixin, Wang Zhijun and Shengshi Jiaye bear the case acceptance fee, attorney's fees, security guarantee fees and other all litigation costs jointly.

As of 31 December 2017, two cases mentioned above are still in trial.

2. The subsidiary Shanghai Electric (Group) Co., Ltd public issue exchangeable bond.

In November 14, 2017, Electric Shares held 57th meeting of the 4th board of director, which passed the resolution titled the Proposal on the Public Offering of Exchangeable Corporate Bonds and listed on the Shanghai stock exchange. On December 29, 2017, the board's proposal was approved by the 2017 2nd interim general meeting of stockholders of Electrical Shares. On March 9, 2018, China Securities Regulatory Commission issued Reply on Approving the Public Issuance of Exchangeable Corporate Bonds by Shanghai Electric (Group) Co., Ltd. to Qualified Investors (No. 420 [2018] of the Securities Regulatory Commission), and approved the application of public offering of convertible bonds by Electric Shares.

3. Profits distribution of the subsidiary Shanghai Electric (Group) Co., Ltd

On March 29, 2018, Electric Shares held 36th meeting of the 4th board of directors, approving the 2017 profit distribution scheme. The scheme proposed to release cash dividend of CNY0.9195 cum-tax per 10 shares, and the total cash dividend is CNY 1,353.98 million. This dividend distribution scheme is pending discussion and approval by general meeting of shareholders of Electric Shares.

4. Profits distribution of the subsidiary Shanghai Highly (Group) Co., Ltd

According to the profit distribution scheme made at the 16th meeting of the 7th board of directors of the subsidiary Highly (Group) Co., Ltd. the company will, based on the total number of shares (866,310,655 shares) at the end of 2017, distribute dividend of CNY1.20 per ten shares to all shareholders (cum-tax). The total cash dividend is CNY 103,957,278.60 (cum-tax). The remaining retained earnings of CNY 163,964,098.60 is carried forward to the next year. This dividend distribution scheme is pending discussion and approval by general meeting of shareholders of Highly (Group) Co., Ltd.

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Information on the parent company

Name of the parent	Registered capital	Proportion (%)
The State-Owned Assets Supervision And Administration Commission Of Shanghai Municipal Government	8,780,366,283.42	100

2. Information on the subsidiaries

Full name of subsidiary	Place of incorporation	Nature of business	Registered capital (10 thousand)	Percentage of holding (%)	Percentage of voting (%)
Shanghai Machine Tool (Group) Co. Ltd.	No.218 Fengxian Road, Jing'an District	Manufacturing industry	32,795.63	100	100
Pacific mechatronic (Group) Co. Ltd.	No.554 Kaixuan Road	Manufacturing industry	170,414.00	100	100
Shanghai Electric Enterprise Development Co. Ltd.	Room 1201, No.1346 Gonghe New Road, Jing'an District	Management consultation	41,694.21	100	100
Shanghai Electric (Group) Changjiang Company	Room 203, No.3 Building, No.112 Yingchun South Road, Chengnan Street, Wuzhong Economic Development District, Suzhou	Manufacturing industry	500.00	100	100
Shanghai Hydraulic Pneumatic Corporation	Room 304-306, east part of Floor 2, No.89 Fuzhou Road	Manufacturing industry	15,057.30	100	100
Shanghai Electric Human Resource Co. Ltd.	No.465 Tiantongan Road, Zhabei District	Consultation service	140.00	100	100
Shanghai Tool Company	Room 107, 470 East Beijing Road, Huangpu District	Commerce industry	1,214.61	100	100
Shanghai United Wood Industry Co., Ltd.	No.50 Middle Fuxing Road	Manufacturing industry	10,231.00	100	100
Shanghai Electric Light Industry Asset Management Co., Ltd.	No.1712 North Shaanxi Road, Putuo District	Manufacturing industry	15,208.55	100	100
Shanghai Hero Industrial Co. Ltd.	Room 205, No. 39, 1249 Long, Xikang Road, Putuo District, Shanghai	Cultural and office supplies	48,478.10	100	100
Shanghai Schiack Testing Machine Co., Ltd.	No.735 Liyang Road	Manufacturing industry	5,180.69	100	100
Shanghai Highly (Group) Co. Ltd.	No.888 Ningqiao Road, Jinqiao Export Processing Zone, Pudong District	Manufacturing industry	86,631.07	20.22	20.22
Shanghai Electric Group Co., Ltd.	Floor 30, Maxdo Center, No.8 Xingyi Road, Shanghai	Manufacturing industry	1,472,518.10	60.67	60.89
Shanghai Hoisting And Conveying Machinery Factory Co., Ltd.	No.191 Minxing Road, Yangpu District	Manufacturing industry	44,420.00	100	100
Shanghai No.3 Machine Tool Plant	No.1171 Xietu Road	Manufacturing industry	15,023.77	100	100
Shanghai Electric Group Hong Kong Co., Ltd.	Room 2602, No.1 Building, Lippo Center, No.89 Queensway, Hong Kong	Investment management	USD5,984.00	100	100
Shanghai Electric Machine Tool Complete Engineering Co. Ltd.	No.681 Huaian Road, Jing'an District	Electromechanical service industry	4,984.11	100	100
Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.	No.1997 Jiazhuogong Road	Technical consultation service	40,000.00	60.00	60.00
Shanghai Automation Instrumentation Co., Ltd.	Building 7, No.191 West Guangzhong Road, Jing'an District	Manufacturing industry	5,000.00	100	100

Full name of subsidiary	Place of incorporation	Nature of business	Registered capital (10 thousand)	Percentage of holding (%)	Percentage of voting (%)
Shanghai Heavy Machinery Co., Ltd.	No. 1800 Jiangchuan Road, Minhang District	Manufacturing industry	247,321.00	100	100
Shanghai Gongxin Investment Management Co., Ltd.	Building 1, No. 1301 New Gonghe Road, Jingan District, Shanghai	Enterprise of commercial services	1,000.00	100	100
Shanghai Lianhe Instrumentation Co., Ltd	Building 110, 191 South Guangzhong Road, Jing'an District	Manufacturing industry	7,000.00	100	100

3. Details of the Company's joint operations and associated enterprise are included in long-term equity investments disclosed in Note 8(16).

4. Related party transactions

(1) Purchases and sales

Transaction type	Related party names	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
I. Related transaction of purchase of goods/ receipt of services							
Inventory purchase	Shanghai Siemens Switchgear Co., Ltd.	Associated enterprise	40,540,824.81	0.07	52,358,153.73		Negotiated price
Inventory purchase	MITSUBISHI Electric Shanghai Electric Elevator Co., Ltd.	Associated enterprise	2,536,995,126.26	4.57			Negotiated price
Inventory purchase	Carrier Air Conditioning Sales & Service (Shanghai) Co., Ltd.	Associated enterprise	105,022,930.79	0.19			Negotiated price
Inventory purchase	Shanghai Nanyang Cable Co., Ltd.	Associated enterprise	10,961.54	0.00			Negotiated price
Inventory purchase	Shanghai KSB Pumps Ltd.	Associated enterprise	19,923,376.67	0.04	51,445,950.90		Negotiated price
Inventory purchase	Nabtesco (China) Precision Machine Co., Ltd.	Other related parties	95,308,640.00	0.17			Negotiated price
Inventory purchase	Japan MITSUBISHI Elevator Corporation	Other related parties—important minority shareholders	483,444,610.42	0.87			Negotiated price
Inventory purchase	Siemens	Other related parties—important minority shareholders	25,687,825.46	0.05			Negotiated price
Inventory purchase	KSB Aktiengesellschaft	Other related parties—important minority shareholders	10,299,105.79	0.02			Negotiated price
Inventory purchase	State Grid	Other related parties	16,533,088.14	0.03			Negotiated price
Inventory purchase	SHANGHAI-FANUC Robotics Co., Ltd.	Associated enterprise	654,642.92	0	137,254.60		Negotiated price

Transaction type	Related party names	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Receipt of services	Shanghai Electric (Group) Corporation Environmental Monitoring Station	Other related parties	20,048.70	0			Negotiated price
Receipt of services	Shanghai KSB Pumps Ltd.	Associated enterprise	1,388,417.44	0.02			Negotiated price
Receipt of services	Siemens (Germany) Co., Ltd.	Other related parties	9,630,319.22	0.17			Negotiated price
Receipt of services	KSB Aktiengesellschaft	Other related parties—important minority shareholders	1,389,874.58	0.02			Negotiated price
Receipt of services	Shanghai Electric Safety Production Monitoring Center	Other related parties	7,900,000.00	0.14			Negotiated price
II. Related transaction of sales of goods/ rendering of services							
Sale of goods	Shanghai Blower Factory Qidong Co., Ltd.	Associated enterprise	4,776,556.91	0.01	11,405,626.37		Negotiated price
Sale of goods	Shanghai Jintai Engineering Machinery Co., Ltd.	Associated enterprise	78,376.07	0.00			Negotiated price
Sale of goods	Shanghai Nabtesco Hydraulic Trade Co., Ltd.	Associated enterprise	72,155,309.94	0.10			Negotiated price
Sale of goods	Shanghai KSB Pumps Ltd.	Associated enterprise	47,768,606.82	0.07	13,699,416.02		Negotiated price
Sale of goods	SIEMENS AG POWER GENERATION	Other related parties—important minority shareholders	14,908,807.74	0.02	36,734,592.98		Negotiated price
Sale of goods	Japan MITSUBISHI Electric Corporation	Other related parties—important minority shareholders	122,539,240.38	0.17			Negotiated price
Sale of goods	Shanghai Dongmao Trading Co., Ltd.	Other related parties—important minority shareholders	495,562,927.70	0.69			Negotiated price
Sale of goods	State Grid	Other related parties	2,384,392,903.24	3.33			Negotiated price
Sale of goods	Yangxi Coastal Electric Power Development Co Ltd	Other related parties	2,999,922,339.10	4.19			Negotiated price
Sale of goods	Shanghai Institute of Electromechanical Science and Technology Information	Other related parties	2,400.00	0.00			Negotiated price
Sale of goods	Shanghai Dianji University	Other related parties	2,940.00	0.00			Negotiated price
Sale of goods	Shanghai Chunhui vocational and technical schools	Other related parties	520.00	0.00	520.00		Negotiated price

Transaction type	Related party names	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Sale of goods	State Nuclear Power Automation System Engineering Company (SNPAS)	Associated enterprise	30,547,260.66	0.04	3,576,786.32		Negotiated price
Sale of goods	Shanghai YOKOGAWA Electric Co., Ltd.	Associated enterprise	7,192.52	0.00			Negotiated price
Rendering of service	Shanghai Schneider Distributing Apparatus Ltd.	Associated enterprise	54,316,005.24	0.86			Negotiated price
Rendering of service	Shanghai Nabtesco Hydraulic Co., Ltd.	Associated enterprise	690,509.43	0.01			Negotiated price
Rendering of service	Shanghai ANEST IWATA Painting Machinery Co., Ltd.	Associated enterprise	67,554.72	0.00			Negotiated price
Rendering of service	Shanghai Anzaldo Gas Turbine Technology Co. Ltd.	Associated enterprise	188,679.25	0.00			Negotiated price
Rendering of service	State Nuclear Power Automation System Engineering Company (SNPAS)	Associated enterprise	1,286,792.45	0.02			Negotiated price
Rendering of service	Chino Control Equipment (Kunshan) Co., Ltd.	Associated enterprise	123,445.00	0.00			Negotiated price
Rendering of service	Shanghai Dahua - Chino Instrument Co., Ltd.	Associated enterprise	512,400.00	0.01			Negotiated price
Rendering of service	Shanghai Electric Safety Production Monitoring Center	Associated enterprise	109,870.54	0.00			Negotiated price
Rendering of service	Shanghai YOKOGAWA Electric Co., Ltd.	Associated enterprise	11,029,954.79	0.18			Negotiated price
Rendering of service	Shanghai Zjiu Measuring Tool Co., Ltd.	Other related party	540,581.74	0.01			Negotiated price
Rendering of service	Shanghai Automation Instrumentation nine Instrument Co., Ltd.	Associated enterprise	848,469.83	0.01			Negotiated price
Income of interest	Shanghai Dahao Properties Co., Ltd.	Associated enterprise	2,404,145.61	14.80			Negotiated price
Income of interest	Shanghai Changyang Chuanggu Enterprise Development Co., Ltd.	Associated enterprise	1,781,001.04	10.96	367,227.78		Negotiated price
Rental income	Shanghai Dalong Machinery Co., Ltd.	Associated enterprise	8,934,665.43	54.99			Negotiated price
Rental income	SHANGHAI-FANUC Robotics Co., Ltd.	Associated enterprise	1,095,000.00	6.74			Negotiated price
Rental income	Shanghai Medar Welding Equipment Co., Ltd.	Associated enterprise	142,857.14	0.88			Negotiated price
Rental income	Shanghai Digital Entertainment Industry Management Co., Ltd.	Associated enterprise	3,330,215.24	20.50			Negotiated price
Rental income	Shanghai Cable Works Group Co., Ltd.	Associated enterprise	894,554.32	5.51			Negotiated price
Rental income	Shanghai Electric Power Clean Energy Technology Co., Ltd.	Associated enterprise	299,371.44	1.84			Negotiated price

Transaction type	Related party names	Nature of related parties	Transaction amount	Proportion of transactions over similar transactions	Unsettled amount	Bad debt provision of unsettled amount	Pricing policy
Rental income	Shanghai Nanyang Cable Co., Ltd.	Associated enterprise	292,736.18	1.80			Negotiated price
Rental income	Shanghai Danfoss Hydraulic Co., Ltd.	Associated enterprise	4,484,491.44	27.60			Negotiated price
Rental income	Shanghai Babai show Enterprise Management Co., Ltd.	Associated enterprise	12,127,497.12	74.65			Negotiated price
Rental and Property Management	Shanghai Biaosi Fastener Co., Ltd	Other related parties	1,605,833.25	9.88			Negotiated price
Rental and Property Management	Shanghai Shanglan Shenzhou Cable Co., Ltd	Other related parties	428,134.53	2.64			Negotiated price
Rental and Property Management	Shanghai Pacific Erfangji Synthetic Fiber Complete Equipment Co., Ltd	Other related parties	641,192.85	3.95			Negotiated price
Rental and Property Management	Shanghai Xinyefang Shangying enterprise development Limited	Other related parties	4,363,492.99	26.86			Negotiated price
Others	SHANGHAI-FANUC Robotics Co., Ltd.	Associated enterprise	176,541.88	1.09			Negotiated price

(2) Guarantees with related parties

Refer "IX. 1, Notes: Guarantees - Guarantees within the group" for details

(3) Balance of Related party transaction

Item and company	Relationship	Closing balance	Proportion of the item (%)
Bill receivables			
Shanghai Dalong Machinery Co., Ltd.	Associated enterprise	2,089,830.98	0.02
Shanghai Cable Works Group Co., Ltd.	Associated enterprise	1,700,000.00	0.01
Shanghai KSB Pumps Ltd.	Associated enterprise	27,042,000.00	0.21
China First Heavy Industries Dalian Engineering Construction Co., Ltd	Associated enterprise	373,500.00	0.00
Lingyuan Iron & Steel Group Co., Ltd	Associated enterprise	50,000.00	0.00
Shanghai Electric Fuji Electric Technology Co., Ltd.	Associated enterprise	1,000,000.00	0.01
HBIS Company Limited	joint ventures	3,000,000.00	0.02
Harbin Power Technology & Trade Inc.	Other related parties	2,814,000.00	0.02
Luoyang Longquan Huahui Trade Co., Ltd	Other related parties	2,000,000.00	0.02
Inner Mongolia Yuanxing Energy Co., Ltd	Other related parties	300,000.00	0.00
Chongqing Jiayu Door, Window & Screen Wall Engineering Co., Ltd.	Other related parties	153,000.00	0.00

Item and company	Relationship	Closing balance	Proportion of the item (%)
Dalian Huarui Heavy Industry Group Co., Ltd Cast Steel Branch	Other related parties	100,000.00	0.00
Gansu Electric Power Investment Changle Limited Liability Company	Other related parties	530,000.00	0.00
State Grid East Inner Mongolia Electric Power Company Limited	Other related parties	2,100,000.00	0.02
MHPS Dongfang Boiler Co., Ltd	Other related parties	7,327,000.00	0.06
Accounts receivables			
Shanghai Electric Shichuan Island Power Station Environmental Protection Engineering Co., Ltd.	Other related parties	832,000.00	0.00
State Nuclear Power Automation System Engineering Company (SNPAS)	Associated enterprise	3,576,786.32	0.01
Shanghai Chunhui vocational and technical schools	Other related parties	520.00	0.00
Shanghai Hero Modern Kitchen Equipment Company	Other related parties	9,726,148.13	0.02
Shanghai Wingsung Joint Sales Company	Other related parties	61,023,512.78	0.15
Shanghai hero immortalized Trading Company Ltd.	Other related parties	77,699,497.47	0.20
Shanghai Hero Joint Sales Company	Other related parties	166,093,957.28	0.42
Shanghai Hero Computer Drawing Instrument Supplies Co., Ltd.	Other related parties	3,703,670.75	0.01
Shanghai Ball-point Pen Factory	Other related parties	830,768.68	0.00
Shanghai Yongsheng Enterprise Development Co., Ltd.	Other related parties	20,901,636.39	0.05
Shanghai Starlight Tools Factory	Other related parties	217,299.75	0.00
Shanghai Huaguang Tools Factory	Other related parties	111,075.48	0.00
Shanghai Heavy Machinery Spare Parts Co., Ltd	Other related parties	880,660.00	0.00
Shanghai Blower Factory Qidong Co., Ltd.	Associated enterprise	11,405,626.37	0.03
Shanghai Nabtesco Hydraulic Equipment Trade Co., Ltd.	Associated enterprise	12,768,989.93	0.03
Shanghai Rail Traffic Equipment Development Co., Ltd.	Associated enterprise	985,383.16	0.00
Shanghai KSB Pumps Ltd.	Associated enterprise	13,699,416.02	0.03
SIEMENS AG POWER GENERATION	Other related parties	127,419.52	0.00
Shanghai Road and Bridge Construction Machinery Co., Ltd.	Other related parties	9,375,018.10	0.02
Interest receivables			
Shanghai Changyang Campus Enterprise Development Co., Ltd.	Associated enterprise	367,227.78	0.78
Prepayment			
Shanghai Automation Instrumentation nine Instrument Co., Ltd.	Associated enterprise	496,660.00	0.01
Shanghai CCI Power Control Equipment Co., Ltd.	Associated enterprise	2,232,704.32	0.02
Shanghai Electric Fuji Electric Technology Co., Ltd.	Associated enterprise	1,913,800.00	0.02
Carrier Air Conditioning Sales & Service (Shanghai) Co., Ltd.	Associated enterprise	40,860,544.36	0.42

Item and company	Relationship	Closing balance	Proportion of the item (%)
Shanghai Clyde Bergmann Machinery Co., Ltd.	Associated enterprise	6,400.00	0.00
Shanghai ABB Transformer Co., Ltd.	Associated enterprise	1,078,330.00	0.01
Shanghai Siemens Switchgear Co., Ltd.	Associated enterprise	240,000.00	0.00
MITSUBISHI Electric Shanghai Electric Elevator Co., Ltd.	Associated enterprise	231,445,333.37	2.38
Shanghai KSB Pumps Ltd.	Associated enterprise	72,573,218.00	0.75
Ansaldo Energia S.P.A("AEN")	Joint ventures	159,202,160.36	1.64
Siemens	Other related parties	84,149,218.76	0.86
Other accounts receivable			
Shanghai Automation Instrumentation nine Instrument Co., Ltd.	Associated enterprise	642,593.76	0.01
Shanghai Dalong Machinery Co., Ltd.	Associated enterprise	28,071,757.10	0.61
Shanghai light industry Kitchen Equipment Co., Ltd.	Other related parties	182,161.10	0.00
Shanghai Ballpoint Pen Co., Ltd.	Other related parties	4,610,000.00	0.10
Shanghai Pen Industry Research Institute	Other related parties	2,454,079.91	0.05
Shanghai Hero Computer Drawing Instrument Corporation	Other related parties	63,477,221.46	1.39
Shanghai Huaguang Tools Factory	Other related parties	11,861,310.24	0.26
Shanghai Fu Sheng Holding Co., Ltd	Other related parties—important minority shareholders	28,262,146.86	0.62
Shanghai General Bearing Co., Ltd.	Associated enterprise	13,347,498.75	0.29
Shanghai CCI Power Control Equipment Co., Ltd.	Associated enterprise	9,305,800.00	0.20
Shanghai Clyde Bergmann Machinery Co., Ltd.	Associated enterprise	226,432.37	0.00
Siemens Gas Turbine Components Co., Ltd	Other related parties	18,542.00	0.00
Dividends receivable			
Shanghai Clyde Bergmann Machinery Co., Ltd.	Other related parties	17,167,000.00	21.07
Shanghai SIEMENS high voltage Co., Ltd.	Other related parties	22,050,000.00	27.07
Shanghai Cooper Power capacitor Co., Ltd.	Other related parties	32,881,000.00	2.79
Shanghai General Bearing Co., Ltd.	Other related parties	5,287,000.00	40.36
Morgan Advanced Materials (Shanghai) Co., Ltd.	Other related parties	17,167,000.00	6.49
Other current assets			
Shanghai Dahao Properties Co., Ltd.	Associated enterprise	95,880,000.00	2.96
Other non-current assets			
Shanghai Changyang Campus Enterprise Development Co., Ltd.	Associated enterprise	39,200,000.00	1.95
Bills payable			
Carrier Air Conditioning Sales & Service (Shanghai) Co., Ltd.	Other related parties—important	56,000,000.00	0.60

Item and company	Relationship	Closing balance	Proportion of the item (%)
	minority shareholders		
Shanghai Clyde Bergmann Machinery Co., Ltd.	Associated enterprise	14,000,000.00	0.15
Shanghai CCI Power Control Equipment Co., Ltd.	Associated enterprise	250,000.00	0.00
Accounts payable			
Shanghai KSB Pumps Ltd.	Associated enterprise	51,445,950.90	0.14
SHANGHAI-FANUC Robotics Co., Ltd.	Associated enterprise	137,254.60	0.00
Shanghai Clyde Bergmann Machinery Co., Ltd.	Associated enterprise	63,847,971.26	0.17
Shanghai CCI Power Control Equipment Co., Ltd.	Associated enterprise	11,941,553.82	0.03
Shanghai Siemens Switchgear Co., Ltd.	Associated enterprise	52,358,153.73	0.14
Nanjing Panneng Electric Power Technology Co., Ltd.	Associated enterprise	130,000.00	0.00
Shanghai Alstom Baoshan Electric Transformer Co., Ltd.	Associated enterprise	13,674,000.00	0.04
Shanghai Siemens High Voltage Switchgear Co., Ltd.	Associated enterprise	1,438,563.01	0.00
Shanghai ABB Transformer Co., Ltd.	Associated enterprise	500,000.00	0.00
Shanghai MWB Transformer Co., Ltd.	Associated enterprise	67,800.00	0.00
Shanghai Nabtesco Hydraulic Co., Ltd.	Other related parties	3,322.80	0.00
Carrier Air Conditioning Sales & Service (Shanghai) Co., Ltd.	Other related parties	8,847,154.45	0.02
Ansaldo Energia S.P.A ("AEN")	Joint ventures	10,315,114.36	0.03
Shanghai Electric Fuji Electric Technology Co., Ltd.	Joint ventures	5,836,000.00	0.02
Creditors of Electric share	Other related parties	12,457,516.50	0.03
Advance collections			
Shanghai Siemens Switchgear Co., Ltd.	Associated enterprise	10,550.00	0.00
Shanghai SIEMENS power station complete equipment Co., Ltd.	Associated enterprise	24,441,303.84	0.05
Shanghai KSB Pumps Ltd.	Associated enterprise	3,472,210.14	0.01
Shanghai Electric Fuji Electric Technology Co., Ltd.	Associated enterprise	1,540,000.00	0.00
SIEMENS AG POWER GENERATION	Other related parties	36,607,173.46	0.08
Other accounts payable			
Shanghai Dalong Machinery Co., Ltd.	Associated enterprise	11,000.00	0.00
SHANGHAI-FANUC Robotics Co., Ltd.	Associated enterprise	216,325.00	0.00
Shanghai Shangling appliances (Group) Corporation	Other related parties	9,426,044.83	0.10
Shanghai Shangling New Business Development Co., Ltd.	Other related parties	41,770,642.04	0.43
Shanghai Forging Machine Tool Factory	Other related parties	1,140,000.00	0.01
Shanghai Machine Tool Import and Export Co., Ltd.	Other related parties	1,290,000.00	0.01

Item and company	Relationship	Closing balance	Proportion of the item (%)
Shanghai Herolmmortalized Trading Company Ltd.	Other related parties	1,364,264.72	0.01
Shanghai Ballpoint Pen Co., Ltd.	Other related parties	2,000,000.00	0.02
Ansaldo Energia S.P.A (“AEN”)	Joint ventures	16,377,545.27	0.17
Shanghai Clyde Bergmann Machinery Co., Ltd.	Associated enterprise	5,049,748.97	0.05
Siemens	Other related parties	84,081,953.52	0.87
Siemens AG	Other related parties	31,619,824.61	0.33
KSB AKTIENGESELLSCHAFT	Other related parties	1,099,360.65	0.01
Shanghai KSB Pumps Ltd.	Other related parties	1,013,119.77	0.01
Creditors of Electric share	Other related parties	2,813,000.00	0.03
Long-term accounts payable			
Shanghai Jintai Engineering Machinery Co., Ltd.	Associated enterprise	38,413,434.25	1.12
Dividends payable			
Shanghai Electromechanical Industry Supply and Marketing Corporation	Other related parties	19,000.00	0.00
Shanghai Artificial Board Machinery Co., Ltd.	Other related parties	1,140.00	0.00
Shanghai Power Equipment Research Institute Co., Ltd	Other related parties	1,140.00	0.00
Wujiang Water Conservancy Assets Operating Company	Other related parties	458,400.00	0.11
Shanghai Electric Power Industry Corporation	Other related parties	2,368,400.00	0.57
Daya Investment Development Co., Ltd	Other related parties	45,120,000.00	10.77
Shanghai Qizhong (Group) Co., Ltd	Other related parties	4,251,703.02	1.02
Siemens (China) Co., Ltd	Other related parties	44,992,477.52	10.74
Shanghai Tuanxing Metallurgical Furnace Co., Ltd.	Other related parties	84,000.00	0.02

XII. OTHER SIGNIFICANT MATTERS

In 2007, Shanghai Electric Group Co., LTD., one of the subsidiaries of the group, signed consignment agreement with the Company to negotiate with Vietnam Guangning Thermoelectric Co., Ltd, related suppliers and contractors on the construction of coal-fired power plant project Phase I and Phase II (referred to as “Guangning Project”) by Vietnam Guangning Thermoelectric Co., Ltd. The Company, as the trustee, represents Shanghai Electric to sign relevant contracts. Except reasonable expenses that were actually incurred, there shall be no other charges on Shanghai Electric by the Company. The total amount on the contract of Guangning Project is USD889,786 thousand. As of December 31, 2017, both Guangning Phase I and Guangning Phase II Project have already obtained unit provisional take-over certificate. And all other payments have been paid back except for only the projects’ quality guarantee deposit. During 2017, there is no operating income from Guangning Project and no purchases via Shanghai Electric.

XIII. NOTES TO THE MAIN ITEM IN THE PARENT COMPANY'S FINANCIAL STATEMENT

1. Accounts receivable

Category	Closing balance				Opening balance			
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	132,458,129.61	96.38	132,458,129.61	100.00	138,362,276.59	98.00	138,362,276.59	100.00
Accounts receivables for which bad debt provision has been assessed by aging analysis	1,929,000.11	1.40	1,929,000.11	100.00	1,929,000.11	1.37	1,929,000.11	100.00
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	3,050,753.38	2.22	579,901.12	19.01	896,601.12	0.63	579,901.12	64.68
Total	<u>137,437,883.10</u>	<u>100</u>	<u>134,967,030.84</u>		<u>141,187,877.82</u>	<u>100</u>	<u>140,871,177.82</u>	

1.1 Accounts receivable that are individually significant at the end of the period and for which bad debt provision has been assessed individually

Name of debtor	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Reliance Energy Ltd.	95,776,755.71	95,776,755.71	More than 5 years	100.00	Withdraw full amount of overdue quality guarantee deposit
Donglin Power Plant	15,508,900.00	15,508,900.00	More than 5 years	100.00	Predicted to be uncollectible
Qinyang Power Plant	21,172,473.90	21,172,473.90	More than 5 years	100.00	Predicted to be uncollectible
Total	<u>132,458,129.61</u>	<u>132,458,129.61</u>			

1.2 Aging analysis method is used to withdraw the receivables of bad-debt provision

Aging	Closing balance			Opening balance		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
More than 5 years	1,929,000.11	100.00	1,929,000.11	1,929,000.11	100.00	1,929,000.11
Total	<u>1,929,000.11</u>	<u>100</u>	<u>1,929,000.11</u>	<u>1,929,000.11</u>	<u>100</u>	<u>1,929,000.11</u>

1.3 Single amount at the end of period is not significant but the receivables of bad-debt provision shall be withdrawn singly.

Name of the debtor	Closing balance	Bad debt provision	Aging	Withdrawing proportion(%)	Withdrawing reason
Shanghai Shenyong Electric Appliances Co., Ltd.	58,500.00		2-3 years		Predicted to be collectible
Huatong Switch Factory	97,820.00	97,820.00	More than 5 years	100.00	Predicted to be uncollectible
Shenzhen Lideng Automobile Trade Co., Ltd.	404,402.60	404,402.60	More than 5 years	100.00	Predicted to be uncollectible
Others	2,490,030.78	77,678.52	Within 1 year, more than 5 years	3.13	Expected to be partially recoverable
Total	<u>3,050,753.38</u>	<u>579,901.12</u>			

1.4 The receivables of top 5 term-end balance collected by debtors

Name of the debtor	Closing balance	Percentage in total receivables (%)	Bad debt provision
Reliance Energy Ltd.	95,776,755.71	69.69	95,776,755.71
Qinyang Power Plant	21,172,473.90	15.41	21,172,473.90
Donglin Power Plant	15,508,900.00	11.28	15,508,900.00
Nan'ao wind energy development company	1,513,000.11	1.10	1,513,000.11
Shenzhen Lideng Automobile Trade Co., Ltd.	404,402.60	0.29	404,402.60
Total	<u>134,375,532.32</u>	<u>97.77</u>	<u>134,375,532.32</u>

2. Other Receivables

Category	Closing balance				Opening balance			
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Other receivables that are individually significant and for which bad debt provision that has been assessed individually	2,933,162,603.57	97.61	1,421,237,892.61	48.45	3,173,628,775.76	96.00	1,530,398,876.77	48.22
Other receivables for which bad debt provision has been assessed by aging analysis	6,778,517.34	0.23	6,778,517.34	100.00	6,778,517.34	0.20	6,778,517.34	100.00
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	64,955,738.60	2.16	40,845,269.47	62.88	125,530,134.07	3.80	40,845,269.47	32.54
Total	<u>3,004,896,859.51</u>	<u>100</u>	<u>1,468,861,679.42</u>		<u>3,305,937,427.17</u>	<u>100</u>	<u>1,578,022,663.58</u>	

2.1 Other receivables portfolios with bad debt provision assessed through the aging analysis approach:

Aging	Closing balance			Opening balance		
	Carrying amount		Provision for bad debt	Carrying amount		Provision for bad debt
	Amount	(%)		Amount	(%)	
More than 5 years	6,778,517.34	100.00	6,778,517.34	6,778,517.34	100.00	6,778,517.34
Total	<u>6,778,517.34</u>	<u>100</u>	<u>6,778,517.34</u>	<u>6,778,517.34</u>	<u>100.00</u>	<u>6,778,517.34</u>

2.2 Other receivables for which bad debt provision has been assessed individually

(1) Other receivables that are individually significant at the end of the period and for which bad debt provision has been assessed individually

Name of debtor	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai SVA (Group) Co., Ltd.	776,250,000.00	776,250,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Heavy machinery Co., Ltd.	590,000,000.00		Within 1 year, 1-2 years		Expected to be fully recoverable
Shanghai Machine Tool (Group) Co., Ltd	581,088,783.22	581,088,783.22	3-4 years, more than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric Corporation Development Co., Ltd.	225,585,123.26		1-2 years		Expected to be fully recoverable
Shanghai Gongxin Investment Management Co., Ltd.	179,880,000.00		Within 1 year		Expected to be fully recoverable
Shanghai Nanyang Motor Co., Ltd	92,534,448.03		2-3 years, 3-4 years		Expected to be fully recoverable
Shanghai Lianhe Instrumentation Co., Ltd	75,421,401.73		Within 1 year, 1-2 years, more than 5 years		Expected to be fully recoverable
Shanghai Electric Light Industry AMC	70,784,913.46		3-4 years, more than 5 years		Expected to be fully recoverable
Shanghai Union Timber Industry Co., Ltd.	69,699,993.00		More than 5 years		Expected to be fully recoverable
Shanghai Electric (Group) Corporation	49,838,872.14		Within 1 year		Expected to be fully recoverable
Shanghai Hero Industry Co., Ltd	46,312,187.03		More than 5 years		Expected to be fully recoverable
Shanghai Dalong Machine Factory Co., Ltd.	28,071,757.10		1-3 years		Expected to be fully recoverable
Shanghai Shenhua SVA Wenguang Football Club	27,500,000.00	27,500,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Motor Co., Ltd.	23,926,436.54	23,926,436.54	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric (Group) Hongkong Company	22,431,448.57		3-4 years		Expected to be fully recoverable
Shanghai No.3 Machine Tool Factory	19,123,967.64		Within 2 years		Expected to be fully recoverable
Shanghai Electric (Group) Changjiang Company	16,000,000.00		More than 5 years		Expected to be fully recoverable
Shanghai Enamel Stainless Steel Product Joint Company	15,390,000.00		More than 5 years		Expected to be fully recoverable
Shanghai Long Electric Tool Co., Ltd	12,472,672.85	12,472,672.85	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Air Blower Co., Ltd	10,850,599.00		2-3 years		Expected to be fully

Name of debtor	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision recoverable
Total	<u>2,933,162,603.57</u>	<u>1,421,237,892.61</u>			

(2) Other receivables that are not individually significant at the end of the period but for which bad debt provision has been assessed individually

Name of debtor	Closing balance	Provision for bad debt	Aging	Proportion of provision (%)	Reasons for the provision
Shanghai Machine Tool Electrical Appliance Co., Ltd	9,808,074.70	9,808,074.70	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric Light Tool Co., Ltd.	9,000,000.00		More than 5 years		Expected to be recoverable
Fuxi Investment Holding Co.,Ltd	8,441,382.79	8,441,382.79	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Xinguo Instrument Company	8,379,778.77	8,379,778.77	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Reduction Box Company	8,127,831.15	8,127,831.15	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Electric (Group) Shanghai Motor Co., Ltd.	4,448,082.28		More than 5 years		Expected to be fully recoverable
Qinyang Electric Motor Company	3,116,600.18	3,116,600.18	More than 5 years	100.00	Expected to be irrecoverable
Shanghai electric power station equipment Co., Ltd.	1,161,600.83		Within 1 year		Expected to be fully recoverable
Shanghai Jingdiao Hoisting Equipment Plant	1,040,364.16		Within 1 year		Expected to be fully recoverable
Outside Ventures Assignmentof Debt	1,000,000.00	1,000,000.00	More than 5 years	100.00	Expected to be irrecoverable
Shanghai Auxiliary Power Plant Co., Ltd	470,807.40		Within 1 year		Expected to be fully recoverable
Revolving Fund	324,630.93		Within 2years		Expected to be fully recoverable
Shanghai Shenhua SVA KangqiaoFootball Co., Ltd	238,500.00		3-4years		Expected to be fully recoverable
State Power Corporation	75,000.00		5years		Expected to be fully recoverable
Other Several Companies	9,323,085.41	1,971,601.88		21.15	Expected to be partially recoverable
Total	<u>64,955,738.60</u>	<u>40,845,269.47</u>			

2.3 Reversals and collections during the current period

Name of the debtor	Nature	Amount of reversed or collected	Reasons for reversals or collections	Reversal procedure performed	Generated by related party transaction
Shanghai Konor Electric Machinery Co., Ltd	Debt	84,927,976.16	Bankruptcy liquidation	Approved by BOD	No
Shanghai Konor Electric Machinery Co., Ltd	Allowance for staff	24,233,008.00	Bankruptcy liquidation	Approved by BOD	No
Total		<u>109,160,984.16</u>			

2.4 Top five entities of closing receivable

Name of debtor	Book Balance	Nature	Aging	Accounts for proportion of total other receivables(%)	Provision for bad debt
Shanghai SVA (Group) Co., Ltd	776,250,000.00	Normal Business	More than 5 years	25.83	776,250,000.00
Shanghai Heavy Machinery Works Co., Ltd	590,000,000.00	Loan at call	Within 1 year, 1-2 years	19.63	
Shanghai Machine Tool (Group) Co., Ltd.	581,088,783.22	Normal Business	3-4 years, more than 5 years	19.34	581,088,783.22
Shanghai Electric Enterprise Development Co., Ltd	225,585,123.26	Normal Business	1-2 years	7.51	
Shanghai Gongxin Investment Management Co., Ltd.	179,880,000.00	Loan at call	Within 1 year	5.99	
Total	<u>2,352,803,906.48</u>			<u>78.30</u>	<u>1,357,338,783.22</u>

3. Long-term equity investments

3.1 Classification of long-term equity investment

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Investment to subsidiaries	21,060,728,724.74	8,386,079,708.01	2,050,683,036.99	27,396,125,395.76
Investment in joint ventures				
Investment in associated enterprises	725,687,074.95		17,012,424.75	708,674,650.20
Subtotal	<u>21,786,415,799.69</u>	<u>8,386,079,708.01</u>	<u>2,067,695,461.74</u>	<u>28,104,800,045.96</u>
Less: provision for impairment loss	1,206,118,062.38	55,210,741.06	251,650,213.57	1,009,678,589.87
Total	<u>20,580,297,737.31</u>	<u>8,330,868,966.95</u>	<u>1,816,045,248.17</u>	<u>27,095,121,456.09</u>

3.2 Details of long-term equity investment

Investees	Investment capital	Opening balance	Changes in current period					Closing balance	Provision for impairment balance
			Increase	Decrease	Investment losses confirmed based on equity method	Other comprehensive income adjustment	Declared cash dividends or interest		
Total	<u>27,838,986,809.39</u>	<u>21,786,415,799.69</u>	<u>8,386,079,708.01</u>	<u>2,050,683,036.99</u>	<u>-8,962,424.75</u>		<u>8,050,000.00</u>	<u>28,104,800,045.96</u>	<u>1,009,678,589.87</u>
I. Subsidiaries	<u>27,396,125,395.76</u>	<u>21,060,728,724.74</u>	<u>8,386,079,708.01</u>	<u>2,050,683,036.99</u>			<u>55,210,741.06</u>	<u>27,396,125,395.76</u>	<u>1,009,678,589.87</u>
Shanghai Highly (Group) Co. Ltd.	653,001,418.33	653,001,418.33						653,001,418.33	
Shanghai No.3 Machine Tool Plant	118,345,894.57	118,345,894.57						118,345,894.57	
Shanghai Electric Machine Tool Complete Engineering Co. Ltd.	55,138,493.09	55,138,493.09						55,138,493.09	
Shanghai Electric Group Co., Ltd. (Note 1、Note 2)	22,953,212,894.38	14,637,374,487.57	8,315,838,406.81					22,953,212,894.38	
Shanghai Electric Group Hong Kong Co., Ltd.	448,212,465.82	448,212,465.82						448,212,465.82	

Investees	Investment capital	Opening balance	Changes in current period						Closing balance	Provision for impairment balance
			Increase	Decrease	Investment losses confirmed based on equity method	Other comprehensive income adjustment	Declared cash dividends or interest	Provision for impairment		
Shanghai Electric Group Real Estate Co., Ltd (Note 1)		693,889,020.45		693,889,020.45						
Shanghai Electric Sodium Sulfur Storage Technology Co. Ltd.	240,000,000.00	240,000,000.00						240,000,000.00		
Shanghai Electric Enterprise Development Co. Ltd.	619,503,949.81	619,503,949.81						619,503,949.81	48,292,646.47	
Shanghai Electric Light Industry Asset Management Co., Ltd.	10,625,000.00	10,625,000.00						10,625,000.00		
Shanghai Electric Human Resource Co. Ltd.	1,373,586.61	1,373,586.61						1,373,586.61		
Shanghai Engineering Machinery Factory Co., Ltd. (Note 3)		96,257,297.86		96,257,297.86						
Shanghai Machine Tool (Group) Co. Ltd.	289,631,534.48	289,631,534.48						289,631,534.48	288,631,534.48	

Investees	Investment capital	Opening balance	Changes in current period						Closing balance	Provision for impairment balance
			Increase	Decrease	Investment losses confirmed based on equity method	Other comprehensive income adjustment	Declared cash dividends or interest	Provision for impairment Others		
Shanghai Prime Machinery Co., Ltd. (Note 1)		747,640,185.21		747,640,185.21						
Shanghai Lida Heavy Machinery Manufacturing Co., Ltd.(Note 4)		251,650,213.57		251,650,213.57						
Shanghai United Wood Industry Co., Ltd.	36,695,636.25	36,695,636.25							36,695,636.25	1,443,727.56
Shanghai Hoisting and Conveying Machinery Factory Co., Ltd.	324,823,106.79	324,823,106.79							324,823,106.79	
Shanghai Schiack Testing Machine Co., Ltd.	69,000,000.00	69,000,000.00							69,000,000.00	
Shanghai Metallurgy Mine Machinery Factory(Note 5)	523,069,503.88	523,069,503.88						55,210,741.06	523,069,503.88	498,740,044.57
Shanghai Hydraulic Pneumatic Corporation	140,473,847.86	140,473,847.86							140,473,847.86	

Investees	Investment capital	Opening balance	Changes in current period						Closing balance	Provision for impairment balance
			Increase	Decrease	Investment losses confirmed based on equity method	Other comprehensive income adjustment	Declared cash dividends or interest	Provision for impairment		
Shanghai Hero Industrial Co. Ltd.	22,570,636.79	22,570,636.79							22,570,636.79	22,570,636.79
Shanghai Automation Instrumentation Co., Ltd. (Note 9)	94,677,638.45	164,918,939.65		70,241,301.20					94,677,638.45	
Shanghai Lianhe Instrumentation Co., Ltd (Note 9)	70,241,301.20		70,241,301.20						70,241,301.20	
Pacific Mechatronic (Group) Co. Ltd.	704,140,000.00	704,140,000.00							704,140,000.00	150,000,000.00
Shanghai Gongxin Investment Management Co., Ltd.	21,388,486.45		21,388,486.45						21,388,486.45	
Shanghai Heavy Machinery Co., Ltd.	1.00	1.00							1.00	
Shanghai Automation Instrumentation										
Thales Transportation Automation System Co., Ltd. (Note 1)		191,005,018.70		191,005,018.70						
Shanghai Electric (Group) Changjiang Company										

Investees	Investment capital	Opening balance	Changes in current period					Closing balance	Provision for impairment balance
			Increase	Decrease	Investment losses confirmed based on equity method	Other comprehensive income adjustment	Declared cash dividends or interest	Provision for impairment Others	
Shanghai Electric Light Tool Co., Ltd. (Note 6)									
II. Associated enterprises	<u>442,861,413.63</u>	<u>725,687,074.95</u>			<u>-8,962,424.75</u>		<u>8,050,000.00</u>	<u>708,674,650.20</u>	
Shanghai Cable 10th Factory	16,271,937.13	8,430,488.90			-2,035,322.12			6,395,166.78	
Shanghai Electric Group Hengjian Enterprise Development Co., Ltd.	7,000,000.00	43,905,834.12			8,295,810.51		8,050,000.00	44,151,644.63	
Shanghai Konor Electrical Machinery Co., Ltd. (Note 7)									
Shanghai Hino Engine Co., Ltd.	21,406,679.32	81,859,185.50			-674,203.08			81,184,982.42	
Shanghai Pu Qing gas turbine Co., Ltd.	9,800,000.00	9,982,169.86			81,647.31			10,063,817.17	
Yongxin Shanghai color picture tube Co., Ltd. (Note 8)									

Investees	Investment capital	Opening balance	Changes in current period						Closing balance	Provision for impairment balance
			Increase	Decrease	Investment losses confirmed based on equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or interest		
Shanghai Proton Heavy Ion Hospital Co., Ltd.	100,000,000.00	89,529,445.68			-22,817,056.23				66,712,389.45	
Shanghai Dalong Machinery Co., Ltd.	21,776,669.74	19,557,179.43			-740,928.41				18,816,251.02	
Shanghai Shenxin Wind Power Co., Ltd.	13,260,000.00	11,283,059.07			336,178.62				11,619,237.69	
Shanghai Microelectronics Equipment Co., Ltd.	253,346,127.44	461,139,712.39			8,591,448.65				469,731,161.04	

Note 1: On November 14, 2016, the 37th meeting of the 4th board of directors of the subsidiary Shanghai Electric reviewed and passed Proposal on Exchanging Assets and Issuing Shares to Purchase Assets and Collect Supporting Funds & Related Transaction Schemes. According to the proposal, Shanghai Electric intended to issue shares to the Company to purchase 47.18% shares of Shanghai Prime Machinery Co., Ltd., 50.10 % shares of Shanghai Automation Instrumentation Thales Transportation Automation System Co., Ltd. (renamed as Shanghai Electric Thales Transportation Automation System Co., Ltd.), 100 % shares of Shanghai Electric Group Real Estate Co., Ltd. and use right of 26 pieces of lands and related assets such as ancillary buildings (referred to as "replaced-in assets"). If such Issuance and Purchase was permitted, Shanghai Electric would issue non-public shares to the Company, Shanghai Guosheng (Group) Co., Ltd., Shanghai Life Insurance Company, and Shanghai Lanhai Luoheng Investment Co., Ltd. no more than CNY3 billion.

On July 31, 2017, Shanghai Electric received Reply About Approving Shanghai Electric Group Co., Ltd. Issuing Shares to Shanghai Electric (Group) to Purchase Assets and Collect

Supporting Funds (Z-J-X-K [2017] No.1390) sent by China Securities Regulatory Commission. The reply agreed on the restructuring.

In October 2017, the company purchased 877,918,006 shares non-public issued by Shanghai Electric with price CNY7.55 per share. In November 2017, the company purchased 208,044,382 shares non-public issued by Shanghai Electric. After this issuance, shares held by the Company changed to 60.19%.

Note 2: On December 2017, the Company increased investment on Shanghai Electric Group Co., Ltd. The percentages of shares owned increased to 60.67%.

Note 3: On February 4, 2017, the Company transferred 100% stock right of Shanghai Engineering Machinery Factory Co., Ltd. to Shanghai Jiayuanhai Investment Group Co., Ltd.

Note 4: By November 2016, Shanghai Lida Heavy Machinery Manufacturing Co., Ltd. had completed industrial and commercial de-registration and tax de-registration. The Company held board of directors this year and wrote off the long-term equity investment and impairment provision towards Shanghai Lida Heavy Machinery Manufacturing Co., Ltd.

Note 5: By November 2017, Shanghai Metallurgy Mine Machinery Factory had completed industrial and commercial de-registration and tax de-registration. The Company had not held board of directors and had not written off the investment. The Company recognized impairment provision based on lower of recoverable value and net book value.

Note 6: In 2017, Shanghai Tool Company, the Company's subsidiary, changed the name as Shanghai Electric Light Tool Co., Ltd.

Note 7: In 2017, the Company wrote off long-term equity investment on Shanghai Konor Electrical Machinery Co., Ltd.

Note 8: On December 25, 2017, the Company transferred 24% stock equity of Yongxin Shanghai color picture tube Co., Ltd to Shanghai Electric Enterprise Development Co. Ltd., a subsidiary of the Company, at a negotiated price of CNY1 on the base date of August 31, 2017.

Note 9: On the base date of October 31, 2017, the subsidiary Shanghai Automation Instrumentation Co., Ltd. de-merged. The de-merged asset was established as Shanghai Lianhe Instrumentation Co., Ltd.

3.3 The main financial information of the important associate enterprises

Item	Amount incurred in last period			
	Shanghai Hino Engine Co., Ltd.	Shanghai Micro Electronics Equipment (Group) Co., Ltd. (SMEE)	Shanghai Proton Heavy Ion Hospital Co., Ltd.	Shanghai Electric Group Henglian Enterprise Development Co., Ltd.
Current assets	753,872,607.37	2,366,184,482.00	368,593,109.42	298,664,736.11
Non-current assets	230,667,434.27	3,867,521,163.16	42,170,447.57	107,591,411.15
Total assets	984,540,041.64	6,233,705,645.16	410,763,556.99	406,256,147.26
Current liabilities	424,567,250.89	605,405,013.05	50,174,952.93	280,108,591.18
Non-current liabilities	154,047,878.66	4,164,338,875.69		
Total liabilities	578,615,129.55	4,769,743,888.74	50,174,952.93	280,108,591.18
Net assets	405,924,912.09	1,463,961,756.42	360,588,604.06	126,147,556.08
Net assets calculated by shares	81,184,982.42	469,731,161.04	66,712,389.45	44,151,644.63
Adjusting events				
The book value of equity investments in associated enterprises	81,184,982.42	469,731,161.04	66,712,389.45	44,151,644.63
The fair value of publicly quoted equity investments				
Revenue	626,772,158.73	417,569,232.16	273,156,056.92	36,375,720.06
Net profit	1,562,563.26	48,502,356.23	-114,085,281.17	24,017,051.95
Other comprehensive income				
Total comprehensive income	1,562,563.26	48,502,356.23	-114,085,281.17	24,017,051.95
Dividends received from associated enterprises				8,050,000.00

Continued:

Item	Amount incurred in prior period			
	Shanghai Hino Engine Co., Ltd.	Shanghai Micro Electronics Equipment (Group) Co., Ltd. (SMEE)	Shanghai Proton Heavy Ion Hospital Co., Ltd.	Shanghai Electric Group Henglian Enterprise Development Co., Ltd.
Current assets	600,057,479.19	2,434,138,375.98	490,797,294.72	253,770,881.63
Non-current assets	263,736,423.35	2,599,434,219.67	9,282,489.57	104,771,249.51
Total assets	863,793,902.54	5,033,572,595.65	500,079,784.29	358,542,131.14
Current liabilities	383,497,975.07	225,566,882.89	52,432,555.88	233,096,890.79

Item	Amount incurred in prior period			
	Shanghai Hino Engine Co., Ltd.	Shanghai Micro Electronics Equipment (Group) Co., Ltd. (SMEE)	Shanghai Proton Heavy Ion Hospital Co., Ltd.	Shanghai Electric Group Henglian Enterprise Development Co., Ltd.
Non-current liabilities	71,000,000.00	3,370,820,021.69		
Total liabilities	454,497,975.07	3,596,386,904.58	52,432,555.88	233,096,890.79
Net assets	409,295,927.47	1,437,185,691.07	447,647,228.41	125,445,240.35
Net assets calculated by shares	81,859,185.49	461,139,712.39	89,529,445.68	43,905,834.12
Adjusting events	0.01			
The book value of equity investments in associated enterprises	81,859,185.50	461,139,712.39	89,529,445.68	43,905,834.12
The fair value of publicly quoted equity investments				
Revenue	327,187,165.41	301,625,981.97	183,894,119.15	78,252,005.32
Net profit	-74,936,637.67	34,670,077.45	-41,027,048.46	23,688,406.38
Other comprehensive income				
Total comprehensive income	-74,936,637.67	34,670,077.45	-41,027,048.46	23,688,406.38
Dividends received from associated enterprises				2,800,000.00

3.4 The collected information about unimportant cooperative enterprises and associated enterprises

Item	Year 2017	Year 2016
Associated enterprises:		
Total book value of investment	46,894,472.66	49,252,897.26
The following items are calculated according to holding proportion.		
Net profit	-2,358,424.60	-5,254,072.15
Other comprehensive income		
Total comprehensive income	46,894,472.66	49,252,897.26

4. Revenue and operating cost

4.1 Details of operation revenue and operation cost

Item	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
1. Summary of main businesses	<u>2,069,369.97</u>	<u>907,937.00</u>	<u>1,141,309.28</u>	<u>441,614.31</u>
Others	2,069,369.97	907,937.00	1,141,309.28	441,614.31
2. Summary of other businesses	<u>179,760,549.49</u>	<u>13,599,145.42</u>	<u>206,469,336.24</u>	
Rental income	174,654,505.76	8,598,202.02	206,337,049.78	

Item	Amount for current period		Amount for prior period	
	Revenue	Cost	Revenue	Cost
Others	5,106,043.73	5,000,943.40	132,286.46	
Total	<u>181,829,919.46</u>	<u>14,507,082.42</u>	<u>207,610,645.52</u>	<u>441,614.31</u>

5. Investment income

5.1 Details of income from investment

The source of income from investment	Amount for current period	Amount for prior period
Income of long-term equity investment calculated by cost method	56,216,239.05	631,906,480.66
Long-term equity investment income calculated by equity method	-8,962,424.75	-31,619,310.95
Investment income from treating long-term equity investment (Note 1)	2,540,060,135.30	2,053,304,215.94
The investment income got during the period of holding salable financial assets	140,254,429.54	285,991,454.86
The investment income got from treating salable financial assets	709,312,202.91	242,426,836.81
Others (Note 2)	7,512,167.94	6,028,057.45
Total	<u>3,444,392,749.99</u>	<u>3,188,037,734.77</u>

Note 1: Main contents of investment income from treating long-term equity investment in this period are listed below:

- 1) Investment loss of CNY 47,701,730.58 due to disposal of 100% equity of Shanghai Engineering Machinery Factory Co., Ltd.
- 2) Shanghai Lida Heavy Machinery Manufacturing Co., Ltd was closed off in November 2016. And the investment income from the liquidation received this year was CNY 43,189.55.
- 3) Investment income CNY 1 from disposal of 24% equity investment on Yongxin Shanghai color picture tube Co., Ltd.
- 4) Investment income CNY 328,469,288.36 from disposal of 25% equity of Hua An Fund Management Co., Ltd.
- 5) Investment income CNY 72,019,981.30 from disposal of 50.1% equity of Shanghai Electric Thales Automation System Co., Ltd.
- 6) Investment income CNY 305,359,281.59 from disposal of 47.18% equity of Shanghai Prime Machinery Co., Ltd.
- 7) Investment income CNY 1,881,870,124.08 from disposal of 100% equity of Shanghai Electric Group Real Estate Co., Ltd.

Note 2: Other investment incomes are the interest of entrusted loan and the investment income from securities loan business

6. Supplementary information to the cash flow statement

6.1 Net profit adjusts to operating cash flow

Supplementary information	Amount for current period	Amount for prior period
1. Reconciliation of net profit to cash flow from operating activities:		

Supplementary information	Amount for current period	Amount for prior period
Net profit	2,977,395,714.39	3,697,926,183.24
Add: Provision for impairment losses of assets	49,306,594.08	1,108,596,199.60
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	106,388,243.87	107,783,680.05
Amortization of intangible assets	28,136,787.84	51,586,797.42
Amortization of long-term prepaid expenses	108,937.81	352,683.24
Losses on disposal of fixed assets, intangible assets and other long-term asset (gains are indicated by "-")	-1,593,852,354.59	-3,580,205,336.47
Losses on write-off of fixed assets (gains are indicated by "-")		450,071.11
Losses on changes in fair values (gains are indicated by "-")		
Financial expenses (income is indicated by "-")	281,094,576.17	305,628,385.78
Losses arising from investments (gains are indicated by "-")	-3,444,392,749.99	-3,188,037,734.77
Decrease in deferred tax assets (increase is indicated by "-")		
Increase in deferred tax liabilities (decrease is indicated by "-")		
Decrease in inventories (increase is indicated by "-")		
Decrease in receivables from operating activities (increase is indicated by "-")	-260,061,089.30	-111,782,490.34
Increase in payables from operating activities (decrease is indicated by "-")	1,369,109,552.06	1,036,081,811.35
Others		
Net cash flow from operating activities	<u>-486,765,787.66</u>	<u>-571,619,749.79</u>
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	1,162,925,556.57	344,302,137.56
Less: Opening balance of cash	344,302,137.56	3,425,855,182.67
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	<u>818,623,419.01</u>	<u>-3,081,553,045.11</u>

6.2 Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	<u>1,162,925,556.57</u>	<u>344,302,137.56</u>

Item	Closing balance	Opening balance
Including: Cash on hand	42,513.57	25,745.46
Cash in Bank	869,078,057.89	343,025,980.63
Other monetary fund s	293,804,985.11	1,250,411.47
Amount due from banks		
LIBOR interbank payments		
II. Cash equivalents		
Including: Investments in debt securities due within three months		
III. Closing balance of cash and cash equivalents	<u>1,162,925,556.57</u>	<u>344,302,137.56</u>

In which: parent company or subsidiaries of group use limited cash and cash equivalents.

XIV. OTHER DISCLOSURES ACCORDING TO FINANCIAL AND ACCOUNTING SYSTEM

1. COMMITMENTS

1.1 Capital commitment

Category	Amount for current period	Amount for prior period
Signed but unperformed	1,339,252,940.00	1,402,065,690.00
Approved by board of director but unsigned		683,920,000.00
Total	<u>1,339,252,940.00</u>	<u>2,085,985,690.00</u>

1.2 Investment commitment

Category	Amount for current period	Amount for prior period
Signed but unperformed		
Approved by board of director but unsigned		495,000,000.00
Total		<u>495,000,000.00</u>

1.3 Leasing commitment

Details refer to "Note VIII, 64. Leasing".

1.4 Other Commitments

Details refer to "Note VIII, 68. Asset ownership and use restricted".

XV. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and notes to the financial statements for year 2017 have been approved by the Board of Directors and authorized to issue.

[No text on this page]

Company name: Shanghai Electric (Group) Corporation

Person in charge of company: Jianhua Zheng

Date: April 13, 2018

Person in charge of finance: Jianhua Dong

Date: April 13, 2018



姓名 王兴华
Full name
性别 男
Sex
出生日期 1976-01-30
Date of birth
工作单位 天职国际会计师事务所(特殊普通合伙)上海分所
Working unit
身份证号码 320106760130321
Identity card No.



年度检验登记 Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



2017年4月30日

年度检验登记 Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



王兴华(310000422265)
您已通过2018年年检
上海市注册会计师协会
2018年04月30日



王兴华(310000422265)
您已通过2019年年检
上海市注册会计师协会
2019年05月31日



姓 名 马 昱
Full name
性 别 男
Sex
出 生 日 期 1977-11-27
Date of birth
工 作 单 位 天职国际会计师事务所(特殊普
Working unit 通合伙) 上海分所
身 份 证 号 码 342201197711271253
Identity card No.



年度检验登记 Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.



2017年 04月 30日

年度检验登记 Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.



马昱(110101504923)
您已通过2018年年检
上海市注册会计师协会
2018年04月30日



马昱(110101504923)
您已通过2019年年检
上海市注册会计师协会
2019年05月31日



统一社会信用代码

911101085923425568

营业执照

(副本) (15-1)

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名称 天职国际会计师事务所 (特殊普通合伙)

类型 特殊普通合伙企业

法定代表人 邱靖之

经营范围

审查企业会计报表，出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务；软件开发、技术咨询、技术服务；应用软件开发；软件服务；计算机系统服务；数据处理（数据处理中的银行卡中心、PUE值在1.4以上的云计算数据中心除外）；企业管理咨询；销售计算机、软件及辅助设备。（下期出资时间为2019年06月30日，依法须经批准的项目，经相关部门批准后方可开展经营活动。）

成立日期 2012年03月05日

合伙期限 2012年03月05日至 长期

主要经营场所 北京市海淀区车公庄西路19号68号楼A-1和A-5区域

天职国际会计师事务所
与原件核对一致
(印)



登记机关

2019年06月24日

国家企业信用信息公示系统网址:

<http://www.gsxt.gov.cn>

市场主体应当于每年1月1日至6月30日通过
国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

证书序号:0000175

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



发证机关:

二〇一一年七月二十六日

中华人民共和国财政部制

会计师事务所

执业证书

天职国际会计师事务所（特殊普通合伙）

名称:

邱靖之

首席合伙人:

主任会计师:

经营场所:

北京市海淀区车公庄西路19号68号楼A-1和A-5区域

特殊普通合伙

组织形式:

11010150

执业证书编号:

京财会许可[2011]0105号

批准执业文号:

2011年11月14日

批准执业日期:

天职国际会计师事务所(特殊普通合伙)
与原件核对一致
(11)



证书序号: 000406

会计师事务所 证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查, 批准
天职国际会计师事务所(特殊普通合伙) 执行证券、期货相关业务。

首席合伙人: 邱靖之



证书号: 08 发证时间: 二〇一〇年五月二十六日

证书有效期至: 二〇一〇年五月二十六日

ISSUER

Shanghai Electric Group Global Investment Limited

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British Virgin Islands

GUARANTOR

Shanghai Electric (Group) Corporation

(上海電氣(集團)總公司)
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Huangpu District
Shanghai 200002
PRC

TRUSTEE

China Construction Bank (Asia) Corporation Limited

28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)

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3 Connaught Road Central
Central
Hong Kong

REGISTRAR

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)

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