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上海电气 *
SHANGHAI ELECTRIC

SHANGHAI ELECTRIC GROUP COMPANY LIMITED
上海電氣集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02727)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Board") of Shanghai Electric Group Company Limited (the "Company" or "Shanghai Electric") is pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014. The Group's results have been audited by PricewaterhouseCoopers.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	4	**76,784,516**	78,794,522
Cost of sales	5	**(62,418,022)**	(65,084,541)
Gross profit		**14,366,494**	13,709,981
Other income and gains, net	4	**1,371,821**	1,470,987
Distribution expenses	5	**(2,437,275)**	(2,551,386)
Administrative expenses	5	**(8,098,922)**	(7,904,263)
Finance cost		**(296,481)**	(254,151)
Share of profits and losses accounted for using the equity method :			
Joint ventures		**944**	4,088
Associates		**532,073**	807,463
Profit before income tax		**5,438,654**	5,282,719
Income tax expense	6	**(895,235)**	(1,072,604)
Profit for the year		**4,543,419**	4,210,115
Profit attributable to:			
Owners of the company	7	**2,510,564**	2,393,242
Non-controlling interests		**2,032,855**	1,816,873
		4,543,419	4,210,115
Basic and diluted earnings per share			
From profit for the year	9	**19.58 cents**	18.66 cents
Profit for the year		**4,543,419**	4,210,115

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME(Continued)

Year ended 31 December 2014

EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

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

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2014

	Notes	As at 31 December 2014 RMB'000	2013 RMB'000
Equity and liabilities			
Liabilities			
Non-current liabilities			
Bonds		**1,993,201**	1,990,910
Interest-bearing bank and other borrowings		**853,644**	217,661
Provisions		**77,339**	23,246
Government grants		**424,834**	511,194
Other non-current liabilities		**1,086,963**	992,926
Deferred tax liabilities		**391,343**	611,670
Total non-current liabilities		**4,827,324**	4,347,607
Current liabilities			
Trade payables	11	**26,937,592**	25,098,974
Bills payable		**4,898,054**	4,144,473
Other payables and accruals		**47,273,941**	43,212,906
Derivative financial instruments		**3,819**	8,376
Customer deposits		**4,271,030**	1,762,404
Interest-bearing bank and other borrowings		**5,008,663**	3,764,512
Tax payable		**1,439,514**	995,932
Provisions		**3,465,559**	3,248,962
Total current liabilities		**93,298,172**	82,236,539
Total liabilities		**98,125,496**	86,584,146
Equity			
Equity attributable to owners of the Company			
Ordinary shares		**12,823,627**	12,823,627
Reserves		**20,659,633**	18,425,043
Retained earnings			
- Proposed final dividend	8	**753,132**	957,284
		34,236,392	32,205,954
Non-controlling interests		**11,188,676**	10,502,614
Total equity		**45,425,068**	42,708,568
Total equity and liabilities		**143,550,564**	129,292,714
Net current assets		**17,933,908**	19,234,108
Total assets less current liabilities		**50,252,392**	47,056,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. CORPORATE INFORMATION

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

During the year, the Company and its subsidiaries (together the "Group") is engaged in the following principal activities:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.2 Changes in accounting policies and disclosures

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

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

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

3. SEGMENT INFORMATION

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

The details of operating segments are as follows:

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

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

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

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

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

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax (i.e., operating profit/(loss) stated below) is measured consistently with the Group’s profit before tax except that finance costs, share of profits and losses of joint ventures or associates.

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

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2014	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Corporate and other unallocated amounts RMB'000	Inter segmented eliminations RMB'000	Total RMB'000
Segment revenue:								
Sales to external customers	7,082,233	25,233,711	25,178,733	17,603,248	1,625,466	61,125	-	76,784,516
Intersegment sales	668,438	3,459,994	840,333	536,628	822,601	-	(6,327,994)	-
Total revenue	7,750,671	28,693,705	26,019,066	18,139,876	2,448,067	61,125	(6,327,994)	76,784,516
Operating profit/ (loss)	(317,202)	1,324,094	1,749,398	2,030,720	(45,836)	520,093	(59,149)	5,202,118
Finance costs								(296,481)
Share of profits and losses of:								
Joint ventures								944
Associates								532,073
Profit before tax								5,438,654
Income tax expense								(895,235)
Profit for the year								4,543,419
Assets and liabilities								
Segment assets	16,794,224	56,084,102	35,171,156	59,528,414	3,373,229	13,817,967	(41,218,528)	143,550,564
Segment liabilities	10,668,511	39,579,362	23,146,062	49,131,994	2,119,754	7,239,378	(33,759,565)	98,125,496
Other segment information:								
Capital expenditure	473,137	624,392	731,733	42,531	81,945	8,279	(8,876)	1,953,141
Depreciation and amortization	397,739	874,621	478,439	21,262	37,010	69,665	(1,254)	1,877,482
Other non-cash expenses	576,903	286,655	140,916	515,349	1,978	-	-	1,521,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SEGMENT INFORMATION (continued)

Year ended 31 December 2013	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Corporate and other unallocated amounts RMB'000	Inter segmented eliminations RMB'000	Total RMB'000
Segment revenue:								
Sales to external customers	5,503,520	27,163,189	24,530,767	19,844,902	1,677,983	74,161	-	78,794,522
Intersegment sales	357,770	5,538,635	769,863	451,861	702,160	-	(7,820,289)	-
Total revenue	5,861,290	32,701,824	25,300,630	20,296,763	2,380,143	74,161	(7,820,289)	78,794,522
Operating profit/ (loss)	(490,989)	1,939,906	1,677,274	1,473,958	113,037	248,251	(236,118)	4,725,319
Finance costs								(254,151)
Share of profits and losses of:								
Joint ventures								4,088
Associates								807,463
Profit before tax								5,282,719
Income tax expense								(1,072,604)
Profit for the year								4,210,115
Assets and liabilities								
Segment assets	15,317,861	54,624,011	35,008,539	51,198,346	2,722,258	10,186,313	(39,764,614)	129,292,714
Segment liabilities	8,362,259	36,877,560	21,075,328	43,832,089	1,685,979	7,956,074	(33,205,143)	86,584,146
Other segment information:								
Capital expenditure	478,461	580,149	779,342	22,257	39,659	98,852	(15,036)	1,983,684
Depreciation and amortization	266,265	786,479	394,380	10,192	40,093	67,976	(1,252)	1,564,133
Other non-cash expenses	171,194	957,317	155,415	(130,964)	32,122	-	37,702	1,222,786

3. SEGMENT INFORMATION (continued)

(1) Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

4. REVENUE, OTHER INCOME AND GAINS (continued)

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

5. EXPENSE BY NATURE

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

6. INCOME TAX EXPENSE

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China were subject to the statutory corporate income tax rate of 25% for the year ended 31 December 2014 (2013: 25%) under the income tax rules and regulations of the PRC, except that:

Certain subsidiaries were subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law as at 31 December 2014. Those subsidiaries provided income tax and recognised the deferred tax assets and liabilities at tax rate of 15%.。

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

	2014 RMB'000	2013 RMB'000
Group		
Current tax		
Charge for the year	1,880,241	1,274,358
Overprovision in prior years	(74,427)	(10,966)
Deferred tax	(910,579)	(190,788)
Total tax charge for the year	895,235	1,072,604

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

6. INCOME TAX EXPENSE (continued)

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

7. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

8. DIVIDENDS

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

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

On 17 March 2015, the board of directors of the Company resolved to recommend to the shareholders of the Company a final dividend of RMB5.873 cents per share (tax inclusive), totalling RMB 753,132,000 for the year ended 31 December 2014.

Pursuant to the Corporate Income Tax Law and relevant regulations, a Chinese resident enterprise shall withhold income tax at 10% when dividends are distributed to overseas non-resident enterprise H-share shareholders for year 2008 and the years thereafter. Accordingly, out of the final dividend of RMB 753,132,000 for the year ended 31 December 2014 proposed after the end of the reporting period, the Company will withhold income tax for the portion to be distributed to overseas non-resident enterprise H-share shareholders.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

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

The calculation of basic earnings per share is based on:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	2,510,564	2,393,242
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	12,823,626,660	12,823,626,660

10. TRADE RECEIVABLES

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

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

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

As part of its normal business, the Group entered into an arrangement (the "Arrangement") to transfer certain trade receivables to banks. Under the Arrangement, the Group may be required to reimburse the banks for losses if any customers default. The Group is exposed to default risks of the customers after the transfer and accordingly, it continued to recognise the full carrying amount of these trade receivables and treat the transactions as borrowings. Subsequent to the transfer, the Group does not retain any rights on the use of the trade receivables, including sale, transfer or pledge of the trade receivables to any other third parties. The aggregate carrying amount of trade receivables transferred under the Arrangement that have not been settled as at 31 December 2014 amounted to RMB508,094,000 (2013: RMB 806,722,000) .

10. TRADE RECEIVABLES (continued)

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

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

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

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

10. TRADE RECEIVABLES (continued)

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

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

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

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

10. TRADE RECEIVABLES (continued)

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

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

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

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

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

11. TRADE PAYABLES

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

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

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

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

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

MANGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Standing at the new starting point, Shanghai Electric made an in-depth study of a new development strategy in 2014 and formed a general idea and strategic framework of "taking innovation and development as the theme and adhering to the direction towards high end technology, asset-light business structure, group level centralized management and controls, simplified operation structure, together with a pragmatic and result-oriented work approach". Over the past year, we experienced a fierce challenge of overcapacity and sluggish demand while we maintained a steady economic growth. During the reporting period, the Company achieved a turnover of RMB76, 785 million, representing a decrease of 2.6% over the corresponding period of preceding year; the net profit attributable to the shareholders of the parent company amounted to RMB2, 511 million, representing an increase of 4.9% over the corresponding period of preceding year.

Business Review of Major Business Segments

(in RMB million)

Year of 2014	Revenue	Cost of Sales	Gross Profit Margin	Year-on-year Change in Revenue	Year-on-year Change in Cost of Sales	Year-on-year Change in Gross Profit Margin
New Energy Equipment	7,751	7,196	7.2%	32.2%	27.4%	Increased by 3.6 percentage points
High Efficiency and Clean Energy Equipment	28,694	23,835	16.9%	-12.3%	-11.6%	Decreased by 0.7 percentage points
Industrial Equipment	26,019	20,545	21.0%	2.8%	2.2%	Increased by 0.4 percentage points
Modern Services	18,140	15,159	16.4%	-10.6%	-16.5%	Increased by 5.9 percentage points
Other Business	2,509	2,121	15.5%	2.2%	2.4%	Decreased by 0.1 percentage points
Elimination	-6,328	-6,438	-1.7%	-19.1%	-18.0%	Decreased by 1.3 percentage points
Total	76,785	62,418	18.7%	-2.6%	-4.1%	Increased by 1.3 percentage points

New Energy Equipment

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

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

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

High Efficiency and Clean Energy Equipment

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

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

Industrial Equipment

As for year 2014, although the property market was under the continuing impact of the domestic economic structure adjustment, credit tightening policy and the macroeconomic control, which therefore brought a negative impact to elevator market, however, the advancement of new urbanization, investment in public infrastructure, energy conservation and upgrading as well as replacement or retrofit of old elevators and other factors promoted the sustainable development of the elevator industry in a way. Under the combined influence of the above-mentioned factors, domestic elevator market demand remained a modest yet steady pace of growth in 2014. During the reporting period, adhering to the marketing strategies of "cover market in full, highlight market focuses, deepen business development, extend beyond market limits", Shanghai Mitsubishi Elevator captured business opportunities arising from construction of public facilities (in particular, the large-scale metro construction development) while we secured our foothold in the low-end social security housing market by launching elevator products that accommodate customized needs of different users. Meanwhile, we also focused on developing high-end and high-speed elevator products. During the reporting period, based on market conditions, Shanghai Mitsubishi Elevator laid more stress on the importance of maintaining and developing relationships with major strategic customers, on the other hand, it also kept a keen eye on the large projects in second and third tier cities. Significant project orders that had been undertaken include but not limited to: the bid of Shenzhen metro Phase III; modern property “Emerald City(漣城)” project in Nanjing by working with Hutchison Whampoa; “XingYe Jinxiu Park(興業錦繡花園)” large scale residential project by cooperating with Rizhao XingYe Group, a leading real estate enterprise in Rizhao City; international 5A Grade A office building “Wanhui Center(重慶萬匯中心)” signed with Chongqing Wanhui Real Estate; and “Glory City (海闊天空・国瑞城)” project located in the central area of Haikou Green CBD contracted with HNA Group. During the reporting period, Shanghai Mitsubishi Elevator kept expanding in service business and the revenue from service business like the installation and maintenance of elevators exceeded RMB3,500 million in 2014, representing over 20% of the operating revenue. In the electric motors drive field, the joint venture engaging in high-voltage frequency conversion area jointly established by the Company and Fuji Electric of Japan, officially commenced operation, realizing a parallel pursuit of corporate establishment and market development. The Group will proactively explore the domestic high voltage frequency conversion market and enter into the industrial automation field.

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

Modern Services

The Group continued to achieve steady development in the power plant engineering business during the reporting period. In respect of business expansion, we will shift from mere thermal power business to a business model developing both thermal power and new energy, to gradually cultivate our ability of undertaking and implementing gas turbine, wind power, and eco-friendly engineering projects. In 2014, we undertook a project of 100 megawatt photovoltaic power plant engineering for Jinchang Zhongxinneng(金昌中新能) in Gansu province, which laid a solid foundation for our further expansion in photovoltaic power market. For our power plant service business, we capitalized on growing awareness of the need for energy saving and environment protection in the society and proactively explored markets for thermal power equipment enhancement and various services for power plants, and achieved further development in the domestic and overseas markets. In the domestic market, we received a ventilation enhancement project order for new model heat regenerative system of Jia Hua Phase III 1,000MW ultra-supercritical thermal power generation unit. In the overseas market, we entered into a long term service agreement with a subsidiary of PT Perusahaan Listrik Negara, the National Electric Power Company of Indonesia, under which we provide power plant equipment spare parts and components for its 43 power plants. Among the ranking of the largest 250 international engineering contractors in the world 2014 published by U.S. magazine The Engineering News-Record, we ranked 64th, up from 72nd in 2013. We will put more attention on markets in South America, Eastern Europe, Middle East and Africa in the future, and expand our market shares in the overseas by sticking to the “One Belt, One Road” Strategy. The business model of our power plant services has been enhanced to provision of comprehensive solutions, which combined energy saving, environmental redevelopment and installation together, and realized a model with general integration and general contracting of the enhancement services. During the reporting period, under the business model of “integrating business and finance, boosting business development by financial services” for our financial services business, we continued to enhance the constructive interaction between the Company's financial services and high-end manufacturing business. Our financial company will be turned from a “single internal funding management platform of the Group” to a “financial platform of providing various value-added services to the Group”. In respect of our financing leasing business, we intend to start with certain familiar industries and constantly expand our market shares in financing leasing business. During the reporting period, by capitalizing on the opportunity of the development of the China (Shanghai) Pilot Free Trade Zone (the “FTZ”), we changed the registration place of our subordinate financial company to the FTZ, which benefits the improvement of its financial service function and expansion into the overseas so as to serve the Group's international development better. Besides, we also set up a financial leasing subsidiary in the FTZ, establishing an important platform for enhancing the service capability of overseas businesses as well as innovation over business models.

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

Capital Utilization Plan

In view of an intricate change in macroeconomic situation, we will persistently apply scientific and prudent investment philosophy to maintain an appropriate scale of investment. In December 2012, China Securities Regulatory Commission approved in writing the Company's public offer of corporate bonds not exceeding RMB4 billion. In January 2015, China Securities Regulatory Commission approved in writing the Company's public offer of convertible corporate bonds with an aggregate nominal value of RMB6 billion ("A Share Convertible Bonds"). In February 2015, the Company completed the public offer of A Share Convertible Bonds amounting to RMB6 billion, and the net proceeds will be used to finance the Iraq Wassit II Thermal Power Plant EPC project, India SASAN Thermal Power Plant BTG project and Vietnam Vinh Tan II Coal-fired Power Plant EPC project and used as a capital contribution to Shanghai Electric Leasing Co., Ltd.

FUTURE DEVELOPMENT AND OUTLOOK OF THE COMPANY

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

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

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

1. Maintaining steady development of core business

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

2. Accelerating the optimization of industry structure

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

3. Continuing to increase the market share of our core business

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

4. Strengthening the establishment of soft power

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

5. Accelerating innovations in technology

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

6. Accelerating human resource development

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

USE OF PROCEEDS

1. Issuance of corporate bonds

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

With the approval from the China Securities Regulatory Commission (Zheng Jian Xu Ke [2015] No.84 (證監許可[2015]84號文)), in February 2015, the Company issued a total of 60,000,000 (6 million lots) A share convertible corporate bonds with a nominal value of RMB100 each (the "Electric Convertible Bonds"), amounting to RMB6 billion in aggregate. The bonds code of the Electric Convertible Bonds is 113008. The initial conversion price of the Electric Convertible Bonds was RMB10.72 per A Share and the Electric Convertible Bonds were listed on the Shanghai Stock Exchange as from 16 February 2015. The term of the Electric Convertible Bonds commenced on 2 February 2015 and will end on 1 February 2021. The conversion period will commence on 3 August 2015 and end on 1 February 2021.

PLEDGE OF ASSETS

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

EVENTS AFTER THE BALANCE SHEET DATE

Details of the final 2014 dividend proposal are contained in note 8 to the financial statements.

CORPORATE GOVERNANCE

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

During the reporting period, the Board of Directors is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance

Report (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for code provision A.2.1 concerning the requirements to separate the roles of the chairman and chief executive officer. The Company is of the opinion that segregation of duties and responsibilities between the Board of Directors and the senior management has been well maintained and there exists no problem of over-centralization of management power on one particular individual.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code provisions regarding the purchase and sale of the Company's shares by the Directors on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All Directors and supervisors of the Company confirmed that they had complied with the requirements contained in the Model Code throughout the year 2014. The Company was not aware of any non-compliance of the Model Code by any staff.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CLOSURE OF REGISTER OF MEMBERS

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

WITHHOLDING OF CORPORATE INCOME TAX FOR NON-RESIDENT CORPORATE SHAREHOLDERS

According to the PRC Enterprise Income Tax Law and its implementation rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the 2014 final dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax.

DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

The results announcement was published on the Company's website (http://www.shanghai-electric.com) and the Stock Exchange's website (http://www.hkexnews.hk). The 2014 Annual Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
Shanghai Electric Group Company Limited
Huang Dinan
Chairman

Shanghai, the PRC, 17 March 2015

As at the date of this announcement, the executive directors of the Company are Mr. HUANG Dinan, Mr. ZHENG Jianhua and Mr. YU Yingui; the non-executive directors of the Company are Mr. WANG Qiang, Mr. ZHU Kelin and Ms. YAO Minfang; and the independent non-executive directors of the Company are Dr. LUI Sun Wing, Mr. KAN Shun Ming and Dr. CHU Junhao

* *For identification purpose only*